



NHS ORKNEY

ANNUAL ACCOUNTS

For

Year Ended 31 March 2014

FINAL

NHS ORKNEY DIRECTORS' REPORT AND ACCOUNTS 2013/2014

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OPERATING AND FINANCIAL REVIEW

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2014.

1. Naming Convention

NHS Orkney is the common name for Orkney Health Board.

2. Principal activities and review of the business and future developments

The information that fulfils the requirements of the business review, principal activities and future developments can be found in the Strategic Report, which is incorporated in this report.

3. Date of Issue

Financial statements were approved and authorised for issue by the Board on 4th July 2014.

4. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Stephen Boyle, Assistant Director of Audit (Audit Services), Audit Scotland to undertake the audit of NHS Orkney. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

5. Board membership

Under the terms of the Scottish Health Plan, NHS Orkney is a board of governance whose membership will be conditioned by the functions of the Board. Members of Health Boards are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level.

NHS Orkney has collective responsibility for the performance of the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and health care.

During the year NHS Orkney comprised the following:

Executive Directors:

Cathie Cowan, Chief Executive

Gerry O'Brien, Director of Finance

Marthinus Roos, Medical Director

Derek Barron, Interim Director of Nursing, Midwifery and Allied Health Professionals
(from 15th April to 31st August 2013)

Elaine Peace, Director of Nursing, Allied Health Professionals and Midwifery
(from 31st March 2014)

Dr Louise Wilson, Director of Public Health

Non Executive Directors:

John Ross Scott, Chair

Liz Middleton, Vice Chair (to 31st January 2014)

Naomi Bremner (Vice Chair from 27th February 2014)

Stephen Hagan

Suzanne Lawrence, Employee Director

Dr Andrew Trevett, Area Clinical Forum Chair

Rognvald Johnson

Gillian Skuse

Jeremy Richardson

David Drever (from 1st February 2014)

The board members' responsibilities in relation to the Accounts are set out in a statement following this report.

6. Board members' and senior managers' interests

Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with NHS Orkney as required by IAS 24 are disclosed in note 29.

Board Members	Declared Interest	Role within the organisation
Dr Andrew Trevett	Provision of General Medical Services to NHS Orkney. Provision of Diving Medical Services to NHS Orkney	Chair – Area Clinical Forum – Non Executive Director GP
John Ross Scott	Editor of 'Living Orkney' magazine and freelance journalist work (no health news stories – other than features)	NHS Orkney Board Chair
Stephen Hagan	Member of Orkney Islands Council	Non Executive Board Member

7. Directors third party indemnity provisions

There are no third party indemnity provisions.

8. Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within note 24 and the remuneration report.

9. Remuneration for non audit work

No remuneration was paid to auditors in respect of non audit work.

11. Value of Land

There is no significant difference between the market value and the balance sheet value of land at 31 March 2014.

12. Public Services Reform (Scotland) Act 2010

NHS Orkney now publishes (on its web site at www.ohb.scot.nhs.uk) all payments in excess of £25,000 in compliance with Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010.

13. Payment policy

The Scottish Government is committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies.

The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, NHS Orkney did endeavour to comply with the principles of The Better Payment Practice Code (<http://www.payontime.co.uk/>) by processing suppliers' invoices for payment without unnecessary delay and by settling them in a timely manner. Performance is summarised below;

Measure of Better Payment	<u>2013/14</u>	<u>2012/13</u>	<u>2011/12</u>	<u>2010/11</u>
Paid by value – in 10 days	58%	51%	47%	42%
In 30 days	84%	79%	74%	78%
Credit taken	17 days	21 days	19 days	21 days
Paid by volume – in 10 days	59%	51%	51%	43%
In 30 days	91%	90%	89%	86%

14. Corporate governance

The Board meets regularly during the year to progress the business of NHS Orkney. The following standing committees are in operation within NHS Orkney:

- Audit
- Finance and Performance
- Orkney Health and Care Partnership Board
- Quality and Improvement
- Staff Governance
- Remuneration

Audit Committee:

The purpose of the Audit Committee is to assist NHS Orkney to deliver its responsibilities for the conduct of public business, and the stewardship of funds under its control. In particular, the committee seeks to provide assurance to the Board that an appropriate system of internal control is in place to ensure that:

- business is conducted in accordance with the law and proper standards;
- public money is safeguarded and properly accounted for;
- financial statements are prepared timeously, and give a true and fair view of the financial position of NHS Orkney for the period in question;
- affairs are managed to secure economic, efficient and effective use of resources; and
- reasonable steps are taken to prevent and detect fraud and other irregularities.

Members:

Naomi Bremner (Chair)

Rognvald Johnson (Vice Chair)

Suzanne Lawrence

Jeremy Richardson

Finance and Performance Committee:

The purpose of the Finance and Performance Committee is to review the financial and non financial targets of NHS Orkney, to ensure that appropriate arrangements are in place to deliver against organisational performance measures, to secure economy, efficiency, and effectiveness in the use of all resources, and provide assurance that the arrangements are working effectively.

Members:

Stephen Hagan (Chair)

Rognvald Johnson (Vice Chair)

Naomi Bremner

John Ross Scott

Gillian Skuse (from 1 March 2014)

Cathie Cowan

Gerry O'Brien

Orkney Health and Care Partnership Board:

The purpose of the Orkney Health and Care Partnership Board is to approve policy and strategy for service areas and functions within its remit; scrutiny and governance of activities, priorities and objectives including approving the Development Plan; approval of resource allocation and monitoring performance.

Members :

Gillian Skuse (Chair)

Suzanne Lawrence

Jeremy Richardson

Marthinus Roos (to 28 February 2014)

Dr Andrew Trevett

David Drever (from 1 March 2014)

Quality and Improvement Committee:

The purpose of the Quality and Improvement Committee is to provide NHS Orkney with the assurance that:

- Mechanisms are in place and effective throughout NHS Orkney to support improvement;
- The principles and standards of Partnerships for Care 2003 are applied to the improvement activities of NHS Orkney;
- Clinical / health governance mechanisms are in place and effective throughout the whole of NHS Orkney including Social Inclusion, Public Health and Health Improvement activities;
- To ensure a strategic framework for patient and public involvement is in place including support for members of the Patient and Public Engagement Group and to monitor and evaluate this; and
- To ensure the governance arrangements for Equality and Diversity, Health and Safety and Risk Management

Members:

Jeremy Richardson (Vice Chair until 28 February 2014 and then Chair)

Dr Andrew Trevett (Vice Chair from 28 February 2014)

John Ross Scott

Liz Middleton (Chair to 31 January 2014)

Marthinus Roos

David Drever (from 1 March 2014)

Gillian Skuse (from 1 March 2014)

Derek Barron (until 31 August 2013)

Elaine Peace (from 1 December 2013)

Staff Governance Committee:

The purpose of the Staff Governance Committee is to advise NHS Orkney on its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets and organisational effectiveness.

This will be demonstrated through achievement and progress towards the Standard through:

- qualitative data collected during the self-assessment audit conducted by the local partnership forum;
- the action plans submitted to, and approved by, the Staff Governance Committee;
- staff survey results; and
- quantitative data provided in statistical returns.

Members:

Suzanne Lawrence (Chair)

John Ross Scott (Vice Chair up to 28 February 2014)

David Drever (Vice Chair with effect from 1 March 2014)

Gillian Skuse (until 28 February 2014)

Naomi Bremner (from 1 March 2014)

Cathie Cowan

Liz Middleton (until 31 January 2014)

Fiona MacKellar, Partnership representative

Vicky Anderson, Staff representative

Julie Nicol, Head of Human Resources Services

Remuneration Committee

The Remuneration Committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of the NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year.

Members:

John Ross Scott (Chair)

Stephen Hagan (Vice Chair)

Suzanne Lawrence

Liz Middleton (until 31 January 2014)

Rognvald Johnson (from 1 March 2014)

15. Endowment Funds

The directors of the Board, Executive and Non-Executive are appointed as Trustees of the Orkney Health Board Endowment Fund which is a registered Scottish charity, registration number SCO16919. These funds are held in Trust for charitable purposes and may only be used if the proposed expenditure aligns with the purpose of the fund:

The advancement of health, through:

- improvement in the physical and mental health of the Board's population;
- the prevention, diagnosis and treatment of illness;
- the provision of services and facilities in connection to the above; and
- the research into any matters relating to the causation, prevention, diagnosis or treatment of illness, or into such other matters relating to the health service as the Trustees see fit.
- the provision of education and development

The Fund has its own Charter and Standing Orders and operates within the parameters established by these documents.

The Endowment Fund is governed by the board of Trustees who meet twice a year to discharge their responsibilities as Trustees. Day to day expenditure decisions are made through the Endowment Fund Sub Committee who have delegated powers from the Trustees to act on their behalf within agreed parameters. Membership of the Endowment Fund Sub Committee, which meets five times per annum, for the year comprised:

Members:

Rognvald Johnson (Chair)

Stephen Hagan (Vice Chair)

David Drever (from 1 March 2014)

Suzanne Lawrence

Gerry O'Brien

Jeremy Richardson (Chair until 28th February 2014)

The Fund appoints Investment Advisors, Adam and Co, to manage the fund's investments within the agreed Investment Strategy approved by the Trustees. The investment of capital generates a significant proportion of the overall fund income.

The Endowment Fund's financial performance is consolidated within these accounts in accordance with IAS 27. Within the overall consolidated position the financial position of the Endowment Fund and the financial position of the Board are measured separately with neither the performance of the Endowment Fund nor the performance of the Board impacting on the other.

16. Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which NHS Orkney's auditors are unaware; and each director has taken all the steps that he/she ought reasonably to have taken as a director to make himself/herself aware of any relevant audit information and to establish that NHS Orkney's auditors are aware of that information.

17. Human resources

As an equal opportunities employer, NHS Orkney welcomes applications for employment from disabled persons and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of NHS Orkney.

NHS Orkney provides employees with information on matters of concern to them as employees by involvement of staff and their professional representatives in the Area Partnership Forum and consults employees or their representatives so their views are taken into account in decisions affecting their interests by use of other formal and informal consultation groups.

The sickness absence rate for the year ended 31 March 2014 was 3.91% (prior year 3.63%).

18. Personal data incidents

Twenty seven incidents involving personal data were reported and investigated during the year. Following all incidents and near incidents staff are reminded of their responsibilities in relation to the security and confidentiality of personal data. Following investigation by the Information Governance Committee it was agreed that no incidents should be reported to the Information Commissioner.

19. Events after the end of the reporting period

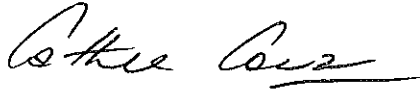
There are no events after the reporting period requiring to be reported.

20. Financial instruments

Information in respect of the financial risk management objectives and policies of NHS Orkney and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in note 27.

21. Approval and signing of the directors' report

The Accountable Officer authorised these financial statements for issue on 4th July 2014.



Signed

Date 4th July 2014

Catherine Cowan

Chief Executive

OPERATING AND FINANCIAL REVIEW

STRATEGIC REPORT

1. Principal activities and review of the year

Accounting convention

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss. The Accounts have been prepared under a direction issued by Scottish Ministers which is included as an annex to the accounts.

The statement of the accounting policies, which have been adopted, is shown at Note 1.

The NHS board was established in 1974/75 under the National Health Service (Scotland) Act 1974 and is responsible for commissioning health care services for the residents of Orkney, with a growing population of approximately 21,500.

NHS Boards form a local health system, with single governing boards responsible for improving the health of their local populations and delivering the healthcare they require. The overall purpose of the unified NHS Board is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole.

The role of the unified NHS Board is to:

- improve and protect the health of the local people;
- improve health services for local people;
- focus clearly on health outcomes and people's experience of their local NHS system;
- promote integrated health and community planning by working closely with other local organisations; and
- provide a single focus of accountability for the performance of the local NHS system.

The functions of the unified NHS Board comprise:

- strategy development;
- resource allocations;
- implementation of the Local Health Plan; and
- Performance management.

Development of the Board's Strategy and Corporate Plan

Building towards the future, a Transforming Clinical Services (TCS) programme has been put in place with a number of work streams and governance arrangements now established. The Board of NHS Orkney had previously approved the Transforming Clinical Services Programme in December 2011 which was then established in the spring of 2012, with a vision to *"offer everyone in Orkney access to a NHS that helps them to keep well and provide them with high quality care when it is needed whilst employing a skilled and committed local workforce who are proud to work for NHS Orkney"*.

The Transforming Clinical Services Team (the team) were involved in the development of the Outline Business Case and Reference Design for the new Hospital and

Healthcare Facilities project being taken forward by the Board. This included two sets of twelve week public consultation in relation to site selection (which reached over 11,000 households and gained responses from in the region of 5,000 people) and engaging members of the public in dialogue about what is important to them about their health facilities. The work on the new build project culminated in the production of the Outline Business Case which was submitted to the Scottish Government in early March 2014 and was considered by the Capital Investment Group on 22nd April 2014.

The team and our advisors are currently working with Architecture and Design Scotland, advisors to the Capital Investment Group, on some very specific feedback in relation to design considerations and potential energy sources for the new development. Once these matters have been concluded Architecture and Design Scotland will provide a report to the Capital Investment Group and a conditional approval letter may then be issued. A formal decision from the Capital Investment Group is expected in June 2014. In purely financial terms the board has now spent over £1,500,000 (2013/2014 £982,000, 2012/1013 £600,000 in staff costs, fees and other costs in preparing the business case to support the development of the new healthcare facilities in Kirkwall. Estimated expenditure for 2014/2015 is currently £720,000. The Planning in Principle Application was discussed by the Planning Committee of Orkney Islands Council on June 4th with the outcome approval subject to a number of planning conditions. The Board will now move to advertise the project in the Official Journal of the European Union and engage in competitive dialogue with a number of construction consortia, with preferred bidder status to be achieved by late Spring 2015.

The team, supported by the Head of Estates and Facilities, took forward a project to develop an Interim CT Scanning Service at the existing Balfour Hospital. This project will complete in the summer of 2014 with building works currently out to tender and the CT Scanner itself now ordered.

The team took forward the development of an eHealth project in partnership with NHS Grampian to allow the replacement of the existing Topas patient administration system with Trakcare, hosted by NHS Grampian. Much of the 13/14 year was spent negotiating timescales and working on early scoping of the project however as part of testing the change process and the hosting arrangements the project team implemented the use of electronic letters within all of the visiting outpatient clinics.

Finally, the team were involved in a range of service improvement activities across the breadth of the organisation supporting the roll out of improvement programmes such as Releasing Time to Care and Transforming Outpatient Services. An example of success in this area was the development of a multi disciplinary team approach in the Assessment and Rehabilitation Ward which resulted in a significant reduction in length of stay.

Balfour Hospital

2013/14 has been a financial year involving key changes to clinical services in the Balfour Hospital. Clinical services have been restructured to change a delivery model for medicine which was GP led with off island consultant support to a model which is Consultant led with off island specialist support.

This was to :-

- Improve local clinical expertise;
- Reduce health service delivery inequalities between island and mainland boards;
- Improve the patient experience; and
- Improve patient safety and service delivery outcomes

The new structure includes 3 consultant general physicians and a mixture of speciality doctors and General Practice Specialty Trainees (GPST) grades to provide a non-consultant middle grade structure.

In addition a review of Obstetrics and Gynaecology resulted in a service change which moved from dependence on GPs with special interest to cover obstetric emergencies on a rota to a model which provides local consultant led Obstetric and Gynaecology service. This resulted in the recruitment and appointment of 2 WTE Obstetric and Gynaecology consultants.

Successful recruitment to consultant anaesthetic vacancies has provided additional scope for more specialist support for the creation of an area in the hospital where high dependency (HDU) level care can be provided for people who require it. Additional specialist nursing cover has also been recruited and this has resulted in the ability to provide dedicated HDU level care in a designated area of the Rural General Hospital.

Obligate network arrangements with NHS Grampian support the consultant model in terms of peer support, CPD and joint working arrangements.

Accident and Emergency services have been strengthened with the training of 3 Emergency Nurse Practitioners in minor injuries and the successful appointment of one of these to a newly created Senior Charge Nurse post.

Laboratory services in the Balfour Hospital have benefitted from a networking arrangement with NHS Shetland for both management and quality management arrangements. The Laboratory Manager and Quality Manager posts are now joint posts with NHS Shetland and indications are this is a more resilient arrangement for taking diagnostic services in laboratories forward.

Community Health and Social Care Partnership

NHS Orkney has worked with Orkney Islands Council to develop an integrated health and social care service, Orkney Health and Care, with a goal of reducing inefficiencies, streamlining services and taking forward work to shift the balance of care, in line with national priorities. Orkney Health and Care underwent a management and leadership restructure in recent years. This restructure process is now completed and the outcome was evaluated in late 2013. This process identified a range of improvements and positive actions that had been achieved and where additional change is still required. These changes are now being made and this should support effective front line service delivery. NHS Orkney and Orkney Islands Council continue to develop integrated services through their work towards the introduction of the Public Bodies (Joint Working) (Scotland) Act.

During the year we have seen reductions in the average length of stay in the Assessment and Rehabilitation ward from 39 days to 25 days. Although this is a positive outcome further analysis is currently underway to ensure the decrease in the average length of stay has not simply resulted in a revolving door situation with the same patients being readmitted. The outcome from this further analysis is expected in

June 2014. It is also important to recognise that delayed discharges are still impacting adversely in this area and are frequently a contributing factor to the hospital being placed on red alert for available beds.

Over 2013 – 2014 the adult community health and social care services also collaborated to develop and roll out training in the use of a revised outcome and reablement focussed Single Shared Assessments document, using the Talking Points co-production approach. The Releasing Time to Care, Productive Communities Series has also been in use in a range of services, to support integration and has led to changes in practice and approach that result in more efficient and streamlined services. Community Nursing and Allied Health Professional services have made use of the tools and plans are in place to continue to do so during 2014 – 2015, building on the successful tests of change already undertaken.

The Community Mental Health Team has been working on a range of work streams during the year, including the Scottish Patient Safety Programme, and has been successful in meeting 18 week waiting times targets. In 2013 – 2014 changes were made to the visiting specialist aspect of the Child and Adolescent Mental Health Service (CAMHS), and the support and supervision arrangements for CAMHS staff, to improve the overall service that is available. An independent review of Old Age Psychiatry services in Orkney was also commissioned during the year. This concluded that our services were appropriate and identified a number of areas where we can now focus our efforts to support the identification and diagnosis of dementia to enable people to access the right services and support at the right time.

The Community Nursing Service and Home Care are partners in the Generic Worker pilot project, which has been developed in consultation with Remote and Rural Healthcare Educational Alliance (RRHEAL). The project will see the development of skilled support staff who will work as part of the overall health and social care service delivery team, initially in the isles. A pilot programme has been developed and we are actively seeking funding to support roll out in 2014 – 2015.

During 2013 – 2014 we also began working on the development of a Single Point of Referral approach to arrangements to support the timely discharge of patients from hospital and to support community referrals. A multi-disciplinary and multi-agency group of staff are working on the development of a pilot programme that we will implement during 2014 – 2015.

We have ten Island practices all of which are Board Administered. NHS Orkney has been working with Island Communities to develop sustainable Primary Care models that reflect the health needs of each island, in some islands this is the traditional GP and Community Nurse and in others it is a resident Nurse Practitioner with a visiting GP service. There is a Board Administered out of hours service on the mainland of Orkney, Isles staff provide their own out of hours service.

In 2013 we were 0.5WTE short of a full establishment for the mainland Out of Hours (OOH) service which necessitated employing locums to cover some shifts. The service is staffed by 4 WTE GPs working on a rota basis in addition to locum GPs providing a second on call service Mon-Thursday. There are two GPs on call at all times this is necessary as there is only one staffed ambulance on overnight and often GPs are called to attend second 999 calls. Since December 2012 the OOH team also provides a service to Police Scotland. They assess a person's fitness to be detained or present in court. The GPs are unable to carry out Forensic medical examinations as the need

is so infrequent the GP would be unable to maintain their competencies or skills in this area of practice.

Recruitment to the Isles has proved particularly challenging over the past 18 months. We have been unable to recruit to a number of vacant posts despite repeated advertising campaigns. We have 1.8 WTE Nurse Practitioner posts vacant, a half time community Nurse post, 3 twenty two weeks GP posts and one 17 week post.

The Nurse Practitioners are lone workers and have to be replaced with another health care professional when they are off duty. As we have been unable to recruit to these posts this has meant that we have had to utilise locum GPs to cover this work. Similarly when the GPs come off islands they have to be replaced with locums which can cost in a range from £600-1000 per 24 hour cover.

We have worked hard at attracting independent NHS Dental practices to Orkney with the aid of SDAI grants from the Scottish Government. As a result one new practice opened in late February 2013 while two others are working on opening in May this year. This will provide much needed additional capacity with seven new chairs in Orkney. This has allowed us to reduce the number of Dentists we employ by three in addition to one Senior Dental nurse.

We have been able to establish two integrated support worker posts across children's health and social work services in 2013.

Person Centred Care

In order to ensure the patient is at the heart of everything we do the following have been achieved or delivered in response to feedback and comments from both patients and the public:

- Within NHS Scotland complaints are required to be formally acknowledged within three working days and formally investigated and reported on within twenty where reasonably practicable. For 2013/2014 86% of complaints were responded to within twenty days compared with 61% for the year ended March 2013;
- A process for sharing feedback and learning from complaints has been introduced;
- Digital patient stories are being developed to provide a library for learning and dissemination;
- Name badges are now being worn in all clinical areas within the Balfour Hospital with one specifically identifying the "Nurse in Charge";
- Sleep kits have been introduced to the wards following feedback about noise at night;
- Blue feedback boxes are located throughout the hospital to encourage comments and feedback;
- Photo boards have been ordered to help patients and public identify staff working in the ward areas; and
- The executive patient safety walk round process has been reviewed and a new approach introduced to encourage open communication and feedback from visitors and staff.

The Minister for Public Health asked the Scottish Health Council undertake a review of NHS Boards in Scotland's management of complaints and feedback to identify good

practice and agree areas where improvements can be made. NHS Orkney was visited by representatives from the Scottish Health Council in February 2014, to discuss what the Board is doing to encourage feedback, comments, concerns and complaints, and how it is using them to drive improvement. The feedback and recommendations from this and other board visits is yet to be received.

Older People in Acute Care

An inspection took place in October 2013 with the subsequent report published in December 2013. The report highlighted 20 areas for improvement and 3 areas for ongoing improvement. An action plan has been developed detailing all areas for improvement and is being implemented under the direction and leadership of the Director of Nursing Midwifery and Allied Health Professionals. A follow up report and update to the inspection was submitted to Health Improvement Scotland (HIS) at 16 weeks post inspection as required. An unannounced inspection took place on 7th – 9th April 2014 the results of which were published by the Healthcare Environment Inspectorate on June 2nd 2014. The report concluded that of the 20 areas for improvement 6 had been met and 1 has changed to an area for ongoing improvement, 13 areas for improvement remained outstanding. Of the 3 areas for ongoing improvement, 2 have been met and one remains. The full report will be considered at the next meeting of the Quality Improvement Committee.

Infection Control

A self assessment detailing compliance with standard infection control procedures was submitted to Health Improvement Scotland in January 2014. A subsequent unannounced inspection took place in March 2014 and a report submitted recommending five requirements and three recommendations, [click here](#) for report. An action plan has been developed to ensure the actions required are addressed. Compliance with hand hygiene, person protective equipment and sharps management policies has improved since the previous inspection. Support has been offered through Health Protection Scotland to address some outstanding areas for improvement identified during the inspection. NHS Orkney is appreciative of the support offered to ensure improvements are made, embedded and sustained.

The washers within the Central Decontamination Unit have been replaced and a maintenance plan agreed.

NHS Orkney has met the targets for both SABs and CDiff over the past year. We have had no outbreaks of norovirus and no ward closures as a result of infection control issues.

Staffing

Following recruitment senior charge nurses have been appointed to both the Assessment and Rehabilitation ward and the Accident and Emergency department.

Senior clinical leadership has been enhanced with the appointment of a full time lead nurse and a lead AHP.

A recruitment process is currently underway to develop a team of outreach nurses who will help identify and provide support to deteriorating patients throughout the hospital. Successful recruitment will ensure greater spread of senior nursing expertise

throughout the 24 hour period within the hospital and will help support earlier rescue of patients.

A run of the national workload tools was completed in March. This is now a mandatory annual requirement to help inform staffing levels across clinical areas in both the acute and community setting.

Spiritual Care

Discussions are underway to develop a joint model of leadership for spiritual care services with NHS Shetland to support the local delivery plan. The aim is to ensure leadership is in place in both organisations to develop, coordinate and deliver spiritual care services and manage and support volunteers. The joint post holder would be responsible for developing services locally ensuring local faith providers and volunteers were available to provide the support to patients, carers and staff as required. Development of local service provided predominantly by volunteers and local faith providers would help ensure spiritual care is available throughout a 52 week period and would not be dependent on an individual provider. A job description has been developed and agreed and will be progressed once funding arrangements are signed off.

Patient/Public Involvement

There has been a high level of engagement and public involvement in the development of the outline business case for the new hospital. Feedback from patients and the public has helped influence the future models of both care and the hospital design and environment.

Allied Health Professionals National Delivery Plan

Work is progressing to ensure NHS Orkney meets the requirements and timescales detailed with the National Delivery Plan. The appointment of a lead AHP will provide professional oversight and leadership to the delivery of this.

Public Health

Public health implemented a new model of delivery of cardiovascular health checks through the public health practitioner, and working with practices achieved the target number of health checks. Work continued on childhood obesity and the target for child healthy weight interventions was achieved. The smoking cessation target was not achieved, although Smoking Matters Orkney had a high quit rate for those referred to the service, and action has been outlined for 2014 for improved performance. Working through the Alcohol and Drugs Partnership new services were commissioned for the 2014-16 period. An SLA for sexual health services was agreed for the period 2014-15 and a needle exchange pilot successful run. Detect cancer early work occurred locally in line with the national campaigns for the three primary cancers, lung, bowel and breast.

New vaccination programmes were successfully introduced over the year – for childhood flu, shingles and rotavirus. A primary care based approach to the childhood flu programme was used which contrasts with the school-based approach taken by other boards, and will require to be carefully monitored to ensure appropriate clinical and financial sustainability of the model.

Patient Exemption Checking

The national Counter Fraud Service (CFS) patient claims team undertakes a Scotland wide programme of random checks to confirm that exemption from NHS patient dental and ophthalmic charges are being claimed correctly. When entitlement is not confirmed patients are asked to repay the charge. Pharmacy data relates to cases pre 1st April 2011. A summary of Orkney recoveries for 2013/14 is as follows.

	Cases
Dental	2
Ophthalmic	2
Pharmacy	0

The number of cases for NHS Orkney makes up 0.04% of the national total.

Counter Fraud Service also estimated fraud / error and the potential level of fraud error for the calendar year 2013. These are shown in the table below:

CFS Estimation Of Income Not Recovered From Family Health Services

	Service	NHS Orkney		Scotland
		£	%	%
Estimated Fraud / Error	Dental	3,320	11.63	7.67
	Ophthalmic	296	1.94	4.10
Potential Fraud / Error	Dental	1,682	5.57	3.86
	Ophthalmic	1,247	7.61	2.69

2. Financial Performance and Position

	Limit as set by SGHD £'000 (1)	Actual Outturn £'000 (2)	Variance (Over)/Under £'000 (3)
1 Core Revenue Resource Limit	47,702	47,702	0
Non Core Revenue Resource Limit	2,584	2,584	0
2 Core Capital Resource Limit	777	767	10
Non Core Capital Resource Limit	0	0	0
3 Cash Requirement	47,000	46,715	285

MEMORANDUM FOR IN YEAR OUTTURN

£'000

Brought forward deficit /(surplus) from previous financial year

(93)

Saving/(excess) against in year total Revenue Resource Limit

(93)

The year 2013/2014 has seen financial pressures driven by essential locums to maintain staffing levels and provide clinical services. Despite a number of national and international advertisements the Board were unable to successfully recruit to a number of key medical staffing posts. This impacted mainly in the hospital where essential medical posts required to be filled by locums in order to provide a safe model of care. Within the primary care environment there was a similar position in relation to the recruitment of nursing posts across some of the isles, with our inability to recruit resulting in the use of locums. For the year ended March 2014 the Board has spent £2.2m on short term cover arrangements, this has translated into an overspend on these individual pay lines of £1.2m. Overspending of this magnitude on these areas is not sustainable moving forward and the full focus of the Board is on recruiting to these posts, with significant movement already achieved in the first two months of the new financial year.

The scale of the change planned and undertaken by the Board in redesigning its medical model across all hospital services remains challenging. NHS Orkney has achieved a small surplus position for the year ended 31st March 2014. This position is based upon the receipt of £1,000,000 of brokerage from Scottish Government Health and Social Care Directorate.

Given the ongoing levels of unplanned expenditure on locum medical staff the Board required assistance from SGHSCD, in the form of brokerage, to allow the delivery of a break even position. Brokerage for this financial year has been received as part of the overall approval of the five year financial plan set out in the 2014 Local Delivery Plan. There are three constituent elements to the brokerage discussions:

- Additional brokerage for 2013/2014
- Deferral of all future payments until 2016/2017
- Repayment of all sums by 2017/2018

In approving the revised brokerage arrangements, SGHSCD have sought assurance that the Board will take specific actions to address locum expenditure and in doing so deliver and sustain a balanced financial position for 2014/2015 and thereafter. A key element of the approval of the Board's Local Delivery Plan for 2014/2015 is a revised brokerage schedule, detailed below. If additional savings are realised in-year, or other financial flexibility emerges in-year, then the first call on these additional funds will be an acceleration of the repayment of brokerage.

	2009/10	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Opening Balance		1.110	2.121	4.057	4.057	4.062	4.062	4.062	0.848	
Brokerage	1.110	1.011	2.259		1.000					5.380
Repayment - Capital			-0.169		-0.257					-0.426
Repayment - Revenue			-0.154		-0.738			-3.214	-0.848	-4.954
Closing Balance	1.110	2.121	4.057	4.057	4.062	4.062	4.062	0.848	0.000	0.000

Provisions for impairment of receivables

NHS Orkney has included a provision of £6,000 (2012/2013; £23,000) to cover doubtful receivables.

Outstanding liabilities

NHS Orkney has £4.9m of current liabilities and £0.356m of non current liabilities, these consist principally of routine trade payables with no items of significant note.

Significant remote contingent liabilities

NHS Orkney has no significant remote contingencies.

Legal obligations

NHS Orkney has no outstanding legal obligations over and above those already reflected in these financial statements.

The following represent provisions that have been included in the financial statements with regard to possible legal obligations which are the subject of claims but with no agreed resolution:

Clinical & Medical – £0 (2012/13: £109,000)

The basis of the Clinical / Medical provision is information provided by the Central Legal Office.

Employment Claims – £158,000 (2012/13: £0)

The basis of the employment claims provision is information provided by the Central Legal Office.

Off island treatments – £90,000 (2012/13: £0)

The provision is based on the actual value of the invoices.

Contingent Liabilities

There is one quantified contingent liability. Stated in note 19, this relates to clinical medical claims with information provided by the Central Legal Office.

Prior year adjustments

2012/2013 has been restated to incorporate the consolidation of Funds held on Trust by the Board.

2012/2013 Revaluation Reserve and General Fund have also been restated to recognise a misstatement of the Revaluation Reserve Fund balance as at 1st April 2012. The value of the reserve was overstated by £1,633,000 due to a revaluation reserve balance being incorrectly held against assets with zero net book value. A correction adjustment has been made by debiting the value in the Revaluation Reserve and crediting a corresponding amount to the General Fund.

Details of the adjustments made are set out in note 25.

Significant changes in fixed assets

A full revaluation of all NHS Orkney property has been undertaken by Gerald Eve, Chartered Surveyors. The impact of this revaluation has been a net upward revaluation of £33,000. Although there is an overall movement upward, which has been recognised in these statements by an increase in the value of the Revaluation Reserve, there is also a charge of £1,154,000 taken to the Operating Cost Statement as an impairment to those assets where the value has gone down and an insufficient balance remains in the revaluation reserve to fund the downward movement.

Private Finance Initiative/Public Private Partnerships

There are currently no PFI/PPP schemes within NHS Orkney. The new healthcare facilities within Kirkwall will be provided via the Non Profit Distributing (NPD) mechanism. The project is currently scheduled to be open by late summer 2018.

Hub Programme

Throughout 2013/14 NHS Orkney continued with its shareholding in Hub North Scotland Limited. Holding (since 28th January 2011) three £1 shares which were purchased by the Scottish Futures Trust on behalf of NHS Orkney.

Post-Balance Sheet items

No post balance sheet events have occurred.

3. Performance against Key Non Financial Targets

HEAT targets focus upon Health Improvement, Efficiency and Governance, Access to Services and Treatment, with the identified priorities being reflected in the Local Delivery Plan. This HEAT core set of targets reflect priorities, effectively being a "performance contract" between NHS Orkney and the SGHSCD.

NHS Orkney has targeted delivery towards 15 HEAT measures during 2013/14. Twelve of these measures ultimately conclude in future years.

Of the three targeted areas for final delivery by March 2014, NHS Orkney has:

Child Healthy Weights – To achieve 58 completed child health weight interventions over the three years ending March 2014.

At March 2014 NHS Orkney delivered 59 against a target of 58.

Smoking Cessation – A target number of successful quits at one month after the quit in 40% most-deprived areas within each NHS Board (i.e the bottom two local SIMD quintiles). At March 2014 NHS Orkney has delivered 65 quits against a target of 105.

Fluoride Varnish – At least 60% of 3 and 4 year old children in each SIMD quintile to receive at least two applications of fluoride varnish (FV) per year by March 2014

At March 2014 NHS Orkney delivered 66% against a target of 60%.

Waiting Times and Treatment Time Guarantee

NHS Orkney continues to deliver against all waiting times targets.

	Outpatients	TTG	18 week combined	Diagnostic	A&E	Cancer 62 days	Cancer 31 days
National target	100%	100%	90%	100%	98%	95%	95%
Jun-13	99%	100%	96%	100%	98%	95%	100%
Jul-13	97%	100%	98%	100%	98%	100%	100%
Aug-13	93%	100%	96%	100%	99%	100%	100%
Sep-13	96%	100%	96%	100%	100%	100%	100%
Oct-13	100%	100%	96%	99%	99%	100%	100%
Nov-13	99%	100%	97%	100%	99%	100%	100%
Dec-13	100%	100%	98%	100%	99%	100%	100%
Mar-14							

No local breaches against the Treatment Time Guarantee have been recorded for the year ended March 2014.

NHS Orkney has achieved faster access to mental health services by significantly outperforming the requirement for a maximum wait of 26 weeks referral to treatment for specialist Child and Adolescent Mental Health Services (CAMHS) and also by delivering 18 weeks referral to treatment for Psychological Therapies.

4. Sustainability and Environmental Reporting

NHS Orkney has continued with its sustainability programme; despite being exempted from the carbon trading programme due to size, the organisation successfully bid in 2012/2013 and secured Central Energy Efficiency Funds (CEEF). This £139,000 was invested to reduce energy consumption at various sites, through boiler upgrades, added insulation, implementation of sensor triggered lighting and improvements in zoning and controls of heating systems. 2013/2014 has seen this investment generate significant reductions in energy expenditure and carbon emissions with reductions in both areas.

2012/13 total annual energy consumption was 15,443 GJ, 0.34% over target based on 2009/10 base year. 832Tonnes of CO₂ was produced, 7.25% over target.

2013/14 3rd Quarter energy consumption was 9109 GJ, 14.49% over target. 420 Tonnes of CO₂ was produced, 17.47% over target

Change in the laundry arrangements for sheets on the wards with a move from traditional sheets to sleep-knit has also impacted positively on energy costs.

The geographical nature of Orkney continues to present challenges and significant costs and carbon emissions are incurred in travelling across the mainland of Orkney and travel to and from the isles. Total travel expenditure totalled £583,000 in 2013/2014 compared with £387,000 in 2012/2013. Of this total £286,000 was spent on air travel, compared with £133,000 in 2012/2013. The significant increase is largely explained by additional costs of travel incurred by staff and external support in the preparation of the Outline Business Case. This reflects a dependency on air travel to and from mainland Scotland, with air travel being the only efficient method of travel to avoid unnecessary disruption to services due to staff being away from their primary duties.

5. Social, Community and Human Rights

In accordance with the Equality Act 2010 and regulations, NHS Orkney promotes equality and celebrates the diversity of the population that it serves. In the Mainstreaming Report (2013-17) NHS Orkney demonstrated how it aims to mainstream and build equality and diversity and its wider aspects into all of its functions. The report showed how it will meet the three aims of the General Duty; eliminating discrimination, harassment, victimisation and any other prohibited conduct; advancing equality of opportunity; fostering good relations. The development of equality outcomes provides assurance that NHS Orkney meets the equality and diversity needs of people with the nine relevant protected characteristics (race, disability, age, sex, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership, religion or belief), whether they are patients, public, carers or staff.

The NHS Orkney Equality Impact Assessment policy ensures that the impact of equality, human rights and health inequalities is embedded and integrated into the decisions and actions of the Board. The systems of training, education and appraisal of staff also include the requirements of knowledge and understanding of equality, diversity and discrimination.

NHS Orkney is required to publish a mainstreaming report and other relevant information every 2 years, and to revise the mainstreaming report and develop new equality outcomes every 4 years.

6. Equalities

An analysis showing the number of each persons of each gender who were directors, senior managers and employees of the Board as at March 2013 and 2014 is set out below.

Description	2014			2013		
	Female	Male	Total	Female	Male	Total
Directors	3	2	5	3	2	5
Senior Managers	10	5	15	12	6	18
Employees	609	131	740	590	126	716
Total	622	138	760	605	134	739

REMUNERATION REPORT BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Membership of the Remuneration Committee comprises:

John Ross Scott (Chair)
Suzanne Lawrence
Stephen Hagan
Rognvald Johnson (from 28th February 2014)
Liz Middleton (until 31st January 2014)

The committee met on five occasions during 2013/14. The committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year.

Remuneration

Remuneration of Board members and senior employees is determined in line with directions issued by the Scottish Government Health and Social Care Directorate (SGHSCD). All posts at this level are subject to rigorous job evaluation arrangements and the pay scales applied reflect the outcomes of these processes. All extant policy guidance issued by SGHSCD has been appropriately applied and agreed by the Remuneration Committee.

Performance Appraisal

Performance appraisals for executive members are carried out in line with the guidance from the SGHSCD and overseen by the Remuneration Committee. Annual pay rises for executive directors are dependent on achieving specified levels of performance.

Payments to Past Senior Managers

There were no payments to past senior managers during 2013/14.

Voluntary Severance

One new voluntary severance payment was processed in year all arising from organisational change.

Directors' and senior managers' remuneration

The following tables provide a breakdown of executive and non-executive directors' remuneration in 2013/14 and 2012/13 along with median pay information, and have been audited by NHS Orkney's auditors.

REMUNERATION REPORT
BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Remuneration Table 2013/2014							
	From/To	Gross Salary	Bonus Payments	Benefits in Kind	Total Earnings in Year	Pension Benefits	Total Remuneration
		Bands of £5,000	To nearest £1000	To nearest £100	Bands of £5,000	To nearest £1000	Bands of £5,000
Executive Directors							
Catherine Cowan, Chief Executive		100-105	0	0	100-105	12,000	115-120
Gerard O'Brien, Director of Finance		75-80	0	0	75-80	66,000	140-145
Marthinus Roos, Medical Director		155-160	0	0	155-160	26,000	160-185
Louise Wilson, Director of Public Health		105-110	0	0	105-110	0	105-110
Rhoda Walker Director of Nursing Midwifery and Allied Health Professionals	to 31st April 2013	5-10	0	0	5-10	9,000	10-15
Derek Barron, Interim Director of Nursing Midwifery and Allied Health Professionals	From 15th April 2013 to 31st August 2013	45-50	0	0	45-50	0	45-50
Elaine Peace, Director of Nursing Midwifery and Allied Health Professionals	From 1st December 2013	20-25	0	300	20-25	43,000	65-70
Non Executive Directors							
John Ross Scott, Chair		25-30	0	0	25-30	0	25-30
Elizabeth Middleton, Non Executive Director	To 31st January 2014	5-10	0	0	5-10	0	5-10
Stephen Hagan, Non Executive Director		5-10	0	0	5-10	0	5-10
Naomi Bremner, Non Executive Director		5-10	0	0	5-10	0	5-10
Andrew Trevett, Non Executive Director		5-10	0	0	5-10	0	5-10
Suzanne Lawrence, Non Executive Director		45-50	0	0	45-50	7,000	55-60
Rognvald Johnson, Non Executive Director		5-10	0	0	5-10	0	5-10
Jeremy Richardson, Non Executive Director		5-10	0	0	5-10	0	5-10
Gillian Skuse, Non Executive Director		5-10	0	0	5-10	0	5-10
David Drever, Non Executive Director	From 1st February 2014	0-5	0	0	0-5	0	0-5
Senior Managers							
Julie Nicol Head of Human Resources		50-55	0	0	50-55	18,000	65-70

Remuneration Table 2012/2013							
	From/To	Gross Salary	Bonus Payments	Benefits In Kind	Total Earnings in Year	Pension Benefits	Total Remuneration
		Bands of £5,000	To nearest £1000	To nearest £100	Bands of £6,000	To nearest £1000	Bands of £5,000
Executive Directors							
Catherine Cowan, Chief Executive		100-105	0	0	100-105	0	100-105
Gerard O'Brien, Director of Finance		65-70	0	0	65-70	13,000	80-85
Marthinus Roos, Medical Director		155-160	0	0	155-160	0	155-160
Louise Wilson, Director of Public Health		105-110	0	0	105-110	46,000	155-160
Rhoda Walker, Director of Nursing Midwifery and Allied Health Professionals		60-65	0	0	60-65	0	60-65
Non Executive Directors							
John Ross Scott, Chair		25-30	0	0	25-30	0	25-30
Elizabeth Middleton, Non Executive Director		5-10	0	100	5-10	0	5-10
Stephen Hagan, Non Executive Director		5-10	0	0	5-10	0	5-10
Naomi Bremner, Non Executive Director		5-10	0	0	5-10	0	5-10
Andrew Trevelth, Non Executive Director		5-10	0	200	5-10	0	5-10
Suzanna Lawrence, Non Executive Director		45-50	0	0	45-50	6,000	50-55
Rognvald Johnson, Non Executive Director	From 1st July 2012	5-10	0	0	5-10	0	5-10
Jeremy Richardson, Non Executive Director	From 1st September 2012	0-5	0	200	0-5	0	0-5
Gillian Skuse, Non Executive Director	From 1st July 2012	0-5	0	100	0-5	0	0-5
James Robertson, Non Executive Director	To 31st August 2012	0-5	0	0	0-5	0	0-5
Mhari Trickett, Non Executive Director	To 30th June 2012	0-5	0	200	0-5	0	0-5
Senior Managers							
Julie Nicol Head of Human Resources		45-50	0	0	45-50	11,000	60-65

Salary

'Salary' includes gross salary; overtime; recruitment and retention allowances; geographical allowances and any other allowance to the extent that it is subject to UK taxation.

Bonus Payments

NHS Orkney has made no bonus payments during the period covered by these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the Board and treated by HM Revenue and Customs as a taxable emolument.

Pension Benefits

In accordance with the Financial Reporting Manual (FREM) and the Companies Act, 2013-2014 is the first year that the publication of 'pension benefits' has been required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated lifespan following retirement. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Notes

1. Gerard O'Brien, Director of Finance was formally appointed to the role of Deputy Chief Executive with effect from January 2013. An additional salary payment was agreed by the Remuneration Committee. The part year appointment and multiplier effect of pension benefits accounts for the year to year increase in total remuneration.
2. Marthinus Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic surgeon. Salary for his role as a Medical Director is in the range of £135,000 - £140,000. All pension entitlements relate to his substantive role.
3. Rhoda Walker, Director of Nursing, Midwifery and Allied Health Professions was seconded into the Transforming Clinical Services with effect from 1st May 2013. Salary is disclosed for the month of April 2013.
4. Derek Barron, Interim Director of Nursing, Midwifery and Allied Health Professions was seconded to NHS Orkney from NHS Ayrshire and Arran. All pension and similar disclosures are made in the accounts of NHS Ayrshire and Arran. The amount disclosed in these accounts is the charge to NHS Orkney for the period covered by Mr. Barron.
5. Elaine Peace, Director of Nursing, Midwifery and Allied Health Professions joined the Board on 1st December 2013, her appointment as an Executive Director was confirmed with effect from 31st March 2014.
6. Suzanne Lawrence, Non Executive Director, is remunerated in her substantive role as a radiographer as well as receiving remuneration in relation to her post as a Non Executive Director. Salary for her role as a Non Executive Director is in the range of £5,000 - £10,000. All pension entitlements relate to her substantive role.

Pension Table 2013/2014							
	Accrued Pension as at age 60 at 31 March 2014		Accrued Lump Sum as at age 60 at 31 March 2014		CETV 31 March 2014	CETV 31 March 2013	Real Increase in CETV as at 31 March 2014
	Real Increase in Pension at age 60	Real Increase in Pension at age 60	Real Increase in Lump Sum at age 60	Real Increase in Lump Sum at age 60			
	Bands of £5,000	Bands of £2,500	Bands of £5,000	Bands of £2,500	£000	£000	£000
Catherine Cowan, Chief Executive	35-40	0-2.5	115-120	2.5-5.0	740,000	688,000	7,000
Gerard O'Brien, Director of Finance	25-30	2.5-5.0	75-80	7.5-10.0	449,000	374,000	48,000
Marthinus Roos, Medical Director	30-35	0-2.5	90-95	5.0-7.5	713,000	637,000	26,000
Louise Wilson, Director of Public Health	30-35	0-2.5	90-95	0-2.5	601,000	562,000	-11,000
Rhoda Walker, Director of Nursing Midwifery and Allied Health Professionals	20-25	0-2.5	70-75	0-2.5	428,000	396,000	6,000
Elaine Peace, Director of Nursing Midwifery and Allied Health Professionals	15-20	0-2.5	55-60	0-2.5	379,000	325,000	31,000
Suzanne Lawrence, Non Executive Director	5-10	0-2.5	15-20	0-2.5	112,000	98,000	6,000
Julie Nicol Head of Human Resources	5-10	0-2.5	25-30	2.5-5.0	148,000	126,000	11,000

Pension Table 2012/2013							
	Accrued Pension as at age 60 at 31 March 2013		Accrued Lump Sum as at age 60 at 31 March 2013		CETV 31 March 2013	CETV 31 March 2012	Real Increase in CETV as at 31 March 2013
	Real Increase in Pension at age 60	Real Increase in Pension at age 60	Real Increase in Lump Sum at age 60	Real Increase in Lump Sum at age 60			
	Bands of £5,000	Bands of £2,500	Bands of £5,000	Bands of £2,500	£000	£000	£000
Catherine Cowan, Chief Executive	35-40	0	110-115	0	688,000	652,000	-11,000
Gerard O'Brien, Director of Finance	20-25	0-2.5	65-70	0-2.5	373,000	340,000	8,000
Marthinus Roos, Medical Director	25-30	0-2.5	80-85	0-2.5	637,000	596,000	-8,000
Louise Wilson, Director of Public Health	30-35	2.5-5.0	90-95	7.5-10.0	563,000	484,000	32,000
Rhoda Walker, Director of Nursing Midwifery and Allied Health Professionals	20-25	0-2.5	65-70	0-2.5	396,000	371,000	-2,000
Suzanne Lawrence, Non Executive Director	0-5	0-2.5	10-15	0-2.5	98,000	85,000	5,000
Julie Nicol Head of Human Resources	5-10	0-2.50	20-25	0-2.5	127,000	110,000	6,000

**REMUNERATION REPORT
BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION**

The Cash Equivalent Transfer Value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total NHS service, not just their current appointment. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is the element of the increase in accrued pension funded by the Exchequer. It excludes increases due to inflation and contributions paid by the Minister. It is worked out using common market valuation factors for the start and end of the period.

Additional Disclosure Required: Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in NHS Orkney in the financial year 2013-14 was £135-140,000 (2012-13, £130-135,000). This was 4.98 times (2012-13, 4.70) the median remuneration of the workforce, which was £27,358 (2012-13, £28,461).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions

2012/13		2013/14	
Highest Earning Director's Total Remuneration (£000s)	130 – 135	Highest Earning Director's Total Remuneration (£000s)	135 – 140
Median Total Remuneration	£28,461	Median Total Remuneration	£27,358
Ratio	4.70	Ratio	4.98
Commentary			
The values above are based on salaries for full time equivalent pay			

Signed



Date 4th July 2014

Catherine Cowan

Chief Executive

**NHS ORKNEY
ANNUAL ACCOUNTS 2013/2014**

**STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE
ACCOUNTABLE OFFICER OF THE HEALTH BOARD**

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, The Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of NHS Orkney.

This designation carries with it, responsibility for:

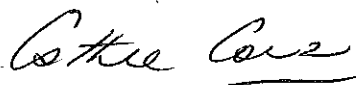
- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at NHS Orkney's disposal; and
- safeguarding the assets of NHS Orkney.

In preparing the Accounts I am required to comply with the requirements of the governments Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed and disclosed and explain any material departures; and
- prepare the accounts on a going concern basis.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 3rd February 2012.

Signed



Date 4th July 2014

Catherine Cowan
Chief Executive

**NHS ORKNEY
ANNUAL ACCOUNTS 2013/2014**

**STATEMENT OF HEALTH BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF
THE ACCOUNTS**

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2014 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable and prudent.
- State where applicable accounting standards as set out in the Financial Reporting Manual have not been followed where the effect of the departure is material.
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Board will continue to operate.

The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Ministers. They are also responsible for safeguarding the assets of the Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

The NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

Signed

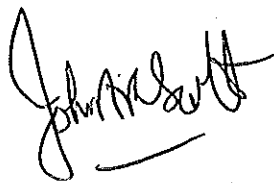
Director of Finance



Date 4th July 2014

Signed

Chairman



Date 4th July 2014

**NHS ORKNEY
ANNUAL ACCOUNTS 2013/2014**

GOVERNANCE STATEMENT

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. Also, I am responsible for safeguarding the public funds and assets assigned to the organisation.

Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance.

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance and has been in place for the year up to the date of approval of the annual report and accounts.

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

Governance Framework

Under the terms of the Scottish Health Plan, the NHS Board is a board of governance. Its purpose is to ensure the efficient, effective and accountable governance of the local NHS system and to provide strategic leadership and direction for the system as a whole, focusing on outcomes.

The NHS Board comprises of the Chair, nine non-executive and five executive directors; of the non-executive directors one is nominated by Orkney Islands Council. Board members are appointed through a public appointments process by the Scottish Ministers and are selected on the basis of their position or their particular expertise which enables them to contribute to our vision, strategic direction and the decision making process at a strategic level.

Our organisation's vision is to:

'offer everyone in Orkney access to a NHS that helps them to keep well and provides them with high quality care when it is needed whilst employing a skilled and committed local workforce who are proud to work for NHS Orkney'

Functions of the Board

The functions of the NHS Board: An effective Board articulates an ambition for their organisation whilst managing the risk contained within that ambition and demonstrating leadership by undertaking three key roles:

- Formulating strategy, including the development of the Local Delivery Plan.
- Ensuring commitment and accountability by holding the organisation to account for performance and the delivery of both improvement in population health/addressing health inequalities and individual experience of care whilst operating within a context of affordability and sustainability and;
- Shaping a positive culture (open, just and fair) for the Board and organisation

Responsibilities of Members of the Board

Membership of Orkney NHS Board carries with it a collective responsibility for the discharge of these functions.

All members are expected to bring an impartial judgement to bear on issues of strategy, performance management, key appointments and accountability, upwards to Scottish Ministers and outwards to the local community.

It is the duty of the Chair and the Chief Executive to ensure that Board Members and staff understand their responsibilities. Board Members and Managers have received copies of the Code of Corporate Governance and the Board Secretary maintains a list of managers to whom the Code of Corporate Governance has been issued. Managers are responsible for ensuring their staff understand their own responsibilities.

The NHS Board has governance arrangements in place which provide an integrated approach to governance across clinical areas, staff and involving and engaging people in our service and developments and performance management.

The conduct and proceedings of the NHS Board are set out in its Code of Corporate Governance; this document specifies the matters which are solely reserved for the NHS Board to determine, the matters which are delegated under the Scheme of Delegation and the matters which are remitted to a Standing Committee of the NHS Board.

The Code of Corporate Governance also includes the Code of Conduct that board members must comply with, and along with the Standing Financial Instructions, these documents are the focus of the NHS Board's Annual Review of Governance Arrangements. The Board of NHS Orkney reviews and approves the Code of Corporate Governance each year. The Standing Orders are made in accordance with NHS Orkney's (Membership and Procedure) (Scotland) Regulations 2001.

The non-executive members provide constructive scrutiny and challenge and this is evidenced in minutes of meetings.

In addition, to the Code of Conduct for Members, the NHS Board has in place a Corporate Plan which sets out 'our promise' to our staff and our expectations from staff to demonstrate their commitment and accountability for their actions and contribution to individual, team/department and organisational performance.

All NHS Board executive directors undertake a review of their development needs as part of the annual performance management and development process. This process is directed by the Board's agreed corporate objectives.

Our corporate themes/objectives approved by the Board for 2013/2014 were:

- Improve the health of the people of Orkney
- Improve individual experience of care and/or our services
- Develop our people
- Make best use of our available resources
- Achieve national and local targets and/or standards
- Support, encourage and nurture a culture that promotes improvement, integration and innovation

These corporate themes/objectives drive the annual performance and development appraisal process. The Chief Executive is accountable to the Board through the Chair of the NHS Board. The Chair agrees the Chief Executive's annual objectives in line with the Board's strategic and corporate plans.

NHS Orkney strives to consult with all of its key stakeholders. How we inform, involve and consult with patients, partners and the public in transforming clinical services is an important part of how we plan for the future. To fulfill our responsibilities for public involvement, we routinely communicate with and involve, the people and communities we serve to inform them about our plans. Our Public Partnership Forum provides a mechanism for promoting and encouraging the involvement of local people and communities in the design and delivery of the health services they use.

NHS Orkney also has in place a well established complaints system, whereby members of the public can make a formal complaint to the Board regarding their care or treatment or how services are organised; information on our complaints system can be accessed through NHS Orkney's website.

Complaints must be acknowledged in writing within three days and investigated within 20 working days or as soon as reasonably practicable. In 2012/2013, NHS Orkney achieved a 70.7% response time within the 20 days and 97.6% of our complaints were acknowledged within 3 days. In 2013/2014, we have a much improved response rate of 86.5% of our complaints responded to within the timescales (number of complaints reduced from 41 (2012/2013) to 38 in this reporting period). One complaint was reviewed by the Ombudsman and was upheld.

Another source of communication stems from Freedom of Information requests. Responses to Freedom of Information requests are authorised by two Executive Directors to streamline the approach and improve overall response times whilst providing adequate scrutiny. During 2013/14:

- A total of 406 requests were received; the highest number of requests over a twelve month period for NHS Orkney. 50 requests were received in May, the highest ever recorded in a single month by NHS Orkney.
- Quarterly reporting of statistics to the Scottish Information Commissioner began.
- Performance against the 20 working day target varied through the year; with ongoing improvements towards the end of the financial year. Measures have been put in place for improved performance management.

We also strive to inform and involve our staff and in this regard we have well established methods of communications – e.g. Team Orkney Communications, Team Briefs/Updates, our staff newsletter, Keyhole and the internal Blog. In our most recent staff survey staff who responded confirmed that they feel they are listened to and involved in decisions that affect them, with an 8% increase since the 2010 Survey, 5% higher than the average NHS Scotland percentage. The 2013 Survey also showed a 6% increase in keeping our staff well informed.

NHS Orkney is also committed to working in partnership with its staff, community planning partners and the Third sector. The Change Fund, Early Years Collaborative Programme and the integration of health and social care will further strengthen our partnership arrangements and relationships.

Account of the corporate governance framework

Within NHS Orkney, each assurance committee has direct reporting links into the NHS Board. The Audit Committee has the overall responsibility to scrutinise the effectiveness of risk management processes and arrangements and provides assurance to the Board.

Board and Assurance Committees hold annual development sessions where members reflect on performance during the previous year and identify good practice for replication as well as areas for improvement and reviewing terms of reference. Any amended Terms of Reference are subsequently submitted to the Audit Committee for approval as an amendment to the Standing Orders. Standing Financial Instructions are reviewed every second year. A process of self evaluation following committee meetings, piloted in 2011/12, was rolled out to all committees in 2012/13 and continued for 2013/2014.

However, Orkney Health & Care did not have in place arrangements for evaluation of its own performance and this will be addressed as part of our integration implementation plans in response to the Public Bodies (Joint Working) (Scotland) Act 2014 requirements.

Reports requiring decisions by the Board or Assurance Committees to discharge their business or exercise their monitoring role are submitted by the Executive Members or other Senior Officers and contain sufficient detail to enable an informed decision to be made. Any associated risks are normally included in the report as well as how they will be managed / mitigated. Reports are discussed openly at meetings and any questions fully answered by Executive Directors. Decisions are normally reached by a consensus without a formal vote but at the request of a member a formal vote would be taken.

Whilst pay arrangements for NHS staff are determined under national arrangements, the pay arrangements for the Board's senior managers whose posts are part of the Executive Management cohorts are subject to the Scottish Government Health & Social Care Directorate guidance, determined by the Remuneration Sub Committee (a sub-committee of Staff Governance Committee).

In summary, I have reviewed the Scottish Public Finance Manual and believe NHS Orkney complies with it.

NHS Endowments

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Endowment Funds of NHS Orkney. This statement includes any relevant disclosures in respect of these Endowment Accounts.

Assurance on governance matters relating to Endowment Funds is obtained via an Annual Assurance Statement from the Chair of the Endowment Fund Sub Committee. The Endowment Accounts are subject to their own audit process and this has been completed and no issues have been highlighted.

Review of Adequacy and Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control and the quality of data used throughout the organisation. My views have been informed by:

- the executive directors within the organisation who have a responsibility for the development and maintenance of the internal control framework
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of control together with recommendations for improvement
- comments made by external auditors in their management letters and reports
- Statements of Assurance from the assurance committees of NHS Orkney
- Annual reports from assurance committees
- Executive Director's reports

The control mechanisms are overseen and have ongoing evaluation by the NHS Board, its assurance committees and a number of other groups including:

- the Risk Management Steering Group
- the Information Governance Steering Group

In this regard, the Audit Committee, which meets with both our internal and external auditors in attendance has considered eight internal audit reports in 2013/2014 as part of a three year rolling programme.

Three of the eight internal audits attracted a "red" level of assurance. A red level of assurance is described by Internal Audit as 'the control procedures in place are not effective – inadequate management of key risks'. The reports in question are:

- Adults with Incapacity Follow Up;
- Business Continuity Arrangements; and
- HSMR audit.

For all three areas reported action has been taken and a paper during July 2014 will be presented to Audit Committee members to provide assurance on these matters.

Notwithstanding the issues identified above, the overall opinion of the Board's Chief Internal Auditor is that 'NHS Orkney has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of the organisation's objectives and the management of key risks. Proper arrangements are in place, in the areas we have reviewed, to promote value for money, deliver best value and secure regularity and propriety in the administration and operation of the organisation'.

Waiting Times

In November 2013 a follow up review on the progress made by NHS Orkney in implementing the actions from three reports on NHS Waiting Times found that 'NHS Orkney had fully addressed internal audit report on waiting times and is making good progress with the recommendations from Audit Scotland and Scottish Parliament's Public Audit Committee report on waiting times'.

The Board continues to perform well in relation to waiting times and has amended its data collection and reporting requirements in accordance with both national and local reviews.

The use of unavailability codes is regularly reported to the Finance and Performance Committee together with the findings of local monthly audits of waiting times processes. No significant issues have been identified.

Information Management and Information Technology Security

The Executive lead for information governance is the Director for Public Health who is also the Caldicott Guardian. The Information Management and Governance Group meet regularly over the year. It continues to progress work against the requirements of *CEL 26(2011) NHSScotland Information Assurance Strategy*.

Information governance risks are a standing item on the agenda, and the hospital, OHAC and business support risk registers are reviewed by the group. The group continues to promote the alignment of information governance issues and risks being reported through the mechanism for clinical risks in the organisation, to ensure a streamlined approach for frontline staff.

Incidents relating to information governance have been discussed at the meetings, focusing in general on lessons that can be learnt by the organisation, as the individual incidents are managed by the appropriate manager. A report on personal data incidents was sent to the Audit Committee in September 2013 with a follow up report focusing on lessons learned in February 2014.

Regular review of the Freedom of information (FOI) report is undertaken. FOI reports are also submitted to the Quality and Improvement Committee. The group reduced the depth of detail in the monthly reports from the FOI officer and later in the year in response to changes in staffing focused the report on key data for scrutiny of performance.

Three monthly reviews of the progress on summarisation of patient records in GP practices is undertaken and reports on circulars received by NHS Orkney and action taken are reviewed. CHI compliance was monitored and a local solution of printing labels introduced to improve use of CHI on requests. Grampian access to CHI data was facilitated for clinical care purposes.

Internal audit undertook an audit of information governance in 2013 and work progressed is reported to NHS Orkney's Audit committee. Following the IT security audit the group were told about actions being taken and a BT VPN token review undertaken. The group noted the

risk system review undertaken by internal auditors and also the Significant Adverse Event work undertaken by NHS Orkney and have not commissioned a separate audit of risk management in relation to information governance, as the process utilizes the clinical governance reporting guidelines and adverse event procedure.

A separate report on Caldicott Guardian activity 2012/2013 was submitted to the Quality Improvement Committee in January 2014.

The group will have to keep an overview of information governance arrangements and support their development as work in relation to integration of health and social care progresses. A second major workstream will be ensuring progress around the implementation of the *Public Records (Scotland) Act 2011*. Finally with new planned IT systems it will be important to ensure any information governance risks associated with the new data streams are identified and appropriately managed.

Financial Management

Between December 2013 and February 2014 NHS Orkney's forecast overspend increased from £0.176 million to £0.836 million, putting the Board at risk of not meeting its statutory financial target. NHS Orkney submitted a report informing Scottish Government of its position and the Scottish Government agreed a level of financial support at £0.750 million, which was later revised to £1.000 million in March. The £1.000 million represents an advance of additional planned NRAC funding. This significant deterioration is now subject to a review led by our Internal Auditors.

As Accountable Officer I have invited Scott-Moncrieff to undertake a detailed diagnostic review of NHS Orkney's 2013/14 financial position. The review will consider the approach to budget setting and in year financial management, variance analysis and forecasting. The review will seek to identify the factors that contributed to the deterioration in the reported financial position towards the end of the year. It is intended that this review will help inform our in year approach to financial management and reporting and so mitigate against any risks of this situation happening again.

Best Value

In accordance with the principles of Best Value, NHS Orkney fosters a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. The Board of NHS Orkney completed a self assessment as to its effectiveness in achieving Best Value. I can confirm that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual.

Risk Assessment

NHS Scotland bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

NHS Orkney acknowledges that the systematic and effective implementation of risk management is best practice at a corporate and strategic level as well as a means of improving the quality and safety of operational activities.

The continuing development of a comprehensive Risk Register is a core part of risk management activity. The Risk Register is used as a systematic and structured method of recording all risks: clinical, financial and organisational, which threaten the objectives of the organisation. This process forms an integral part of day-to-day practice, culture and behaviour using a single co-ordinated approach to the identification, assessment and management of all types of risk.

The key components of the NHS Orkney's risk management arrangements are the Risk Management Strategy (being updated), the Risk Register Policy, the Corporate and Operational/Board Functions Registers. The Corporate Risk Register within the refreshed risk management arrangements is updated and presented to the Audit Committee on a quarterly basis and recommendations to add or remove risks are presented to the Board for approval.

This ensures clarity and understanding of the risk profile to ensure that NHS Orkney has a sound understanding of the principal risks facing the organisation. A comprehensive risk register will provide information on the 'totality of risks' facing the organisation.

NHS Orkney maintains a risk register which ensures that the risks that threaten the achievement of organisational objectives; and strategy implementation on safe and effective service delivery are visible and are managed at an appropriate level. This is a management tool providing clarity, addressing responsibility and generating action plans.

In respect of clinical governance and risk management arrangements, as Accountable Officer I have commissioned a review of our clinical governance arrangements as part of our overall approach to Quality Improvement and Patient Safety. The review in terms of remit will look at how we make patient safety a priority for everyone working in NHS Orkney and in particular how we:

- create an integrated infrastructure for safety that is about listening to our clinical and non clinical staff
- align this infrastructure to support robust clinical governance arrangements that take account of the Scottish Patient Safety Programme and includes: clinical audit, clinical effectiveness, risk management, education and training, openness (including patient feedback and complaints), service improvement and research & development in ways that challenge everything we do in order to do things better and make things happen
- streamline our systems and processes to ensure we have good and consistent patient and staff representation in order to reflect on *how* we do things
- agree measures to be reported on a regular basis that takes account of a triangulated approach to provide assurance
- develop a communication mechanism to keep everyone informed and where appropriate involved

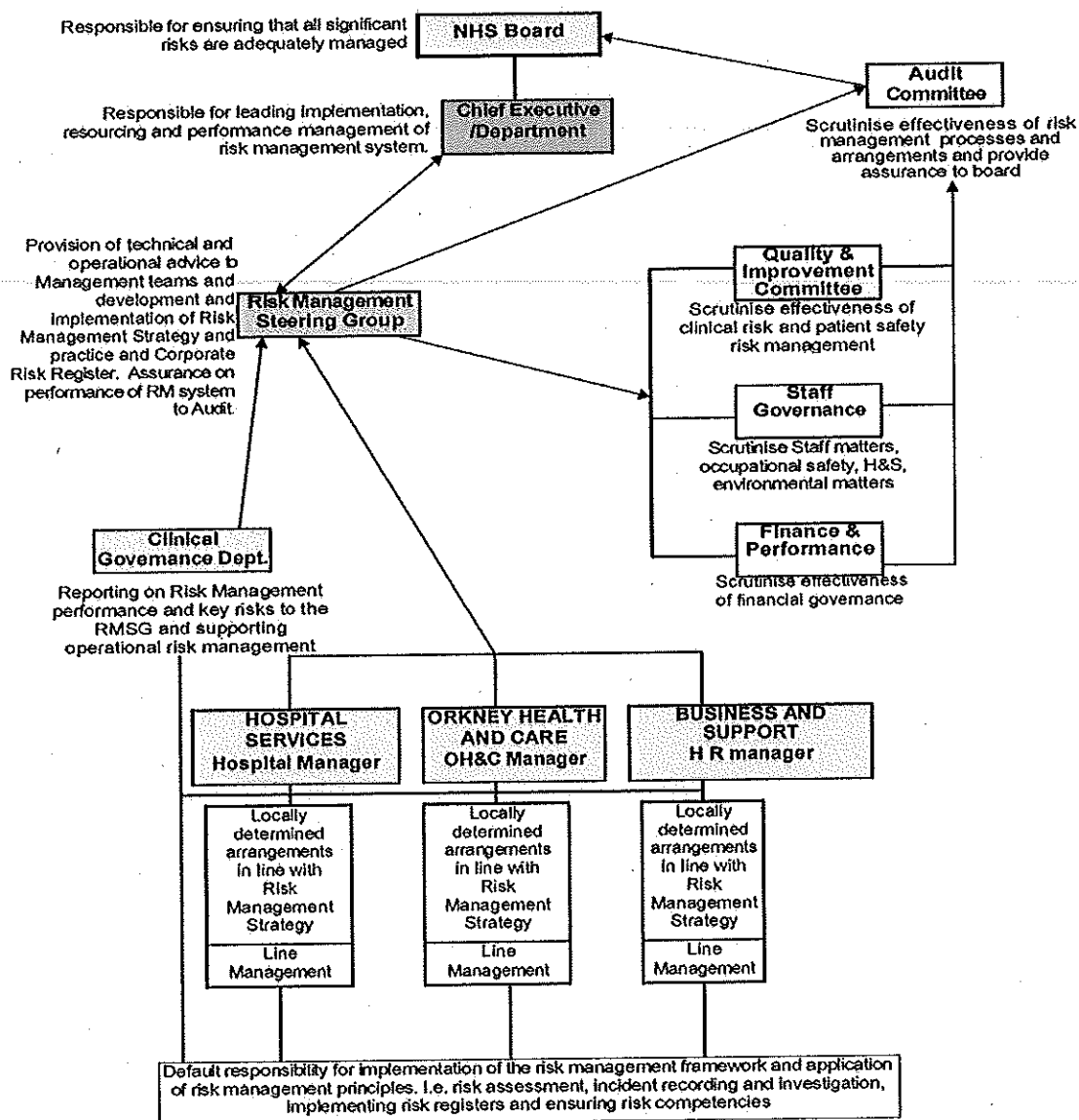
An approved policy is in place (and is being updated) with clearly defined responsibilities, defined for the Chief Executive (outlined below), the Board, the Board's Assurance Committees, Managers (CMT) and all staff.

The Chief Executive:

- Ensures there is suitable review and management of Corporate Risks and that all significant risk management concerns are prioritised, considered and communicated to the Board on a regular basis.
- Has overall accountability for ensuring that an effective risk management system is in place, there is suitable review and management of Corporate Risks and where necessary allocation of resources.

Board Arrangements

The Diagram below describes the reporting and assurance processes adopted by the Board.



In addition to the above:

- In house training has been provided at all levels and sector specific teams meet regularly for Hospital, Orkney Health and Care and Support Services, with Corporate Risk management taking place as a matter of routine. The process has been embedded across the organisation with 66 live risks allocated in the risk register at various stages of review, rejection and approval.
- A Clinical Risk Assessment form has been devised and refined to meet local requirements and a national database established for recording the compliance of staff performing the Clinical Risk Assessment.

- Information governance risks are now a standing item on the agenda of the Information Management and Governance Group.

Corporate Risks

NHS Orkney's identified corporate risks as at 31st March 2014 were as follows:

Risk title	Mitigation	Level (Current)	Level (Target)
NHSO may not be able to maintain its services/operations due to inadequate business continuity arrangements/plans	Increase in time for resilience officer post to effect changes. Additional reporting for commonwealth games assurance	High	Medium
Delivery of financial targets may be compromised by failure to deliver savings targets & marginal impact of unforeseen costs	Following discussions with SGHSCD colleagues, a revised brokerage arrangement has been agreed which will allow the board to deliver a break even position for 13/14 and onwards.	High	Medium
NHSO may not be able to meet its corporate objectives, including HEAT targets, due to lack of capacity (staffing/resources)	A revised performance framework via CMT has been established for 2014/15 and beyond. The performance management required to support the revised arrangements is currently being scoped. New arrangements to commence May 2014	High	Medium
Risk Title	Mitigation	Level (Current)	Level (Target)
NHSO may suffer reputational damage due to inadequate planning associated with proposed organisational change/	Outline business case approved at Board meeting on 27 th February 2014, submitted to Capital investment group for consideration at meeting on 22 nd April 2014. Planning in principle submitted for	High	Medium

redesign	approval for New Scapa Road site March 2014		
Lack of second responders in Egilsay, Wyre and Sanday puts delivery of model of care at risk	Meeting arranged with SAS for 2 nd April 2014	Very High	Medium
Risk from a lack of nurse practitioners to cover islands in the coming months	Isles Network of Care currently under review to agree suitable model for future delivery	High	Medium
Risk that quality of care may be compromised due to temporary staffing problems in HI&CG Department	Patient Safety & Risk Officer post interviews taking place 7 th April 2014. Clinical Governance facilitator interviews taking place 25 th April 2014	High	Medium
Smoking within hospital ward areas may result in fire	SCN's have been asked to reinforce with staff the importance of encouraging patients to hand over their smoking materials for safe keeping	Very High	Medium

A review of the NHS Orkney Risk Management processes undertaken in July 2013 concluded that the Board has established a robust risk management framework, which should support the identification, assessment and mitigation of risks in a timely manner. However the report also concluded that the framework was not being used consistently and effectively across NHS Orkney and that there are a number of areas in which NHS Orkney can develop its existing good practices in order to implement a more effective risk management system.

In summary, as Accountable Officer, I have been advised of the effectiveness of the system of internal control by the Board, the Audit Committee which provides assurance to the Board that an appropriate system of internal control is in place, and the Risk Management Steering Group. Plans to address weaknesses and ensure continuous improvement are in place. Taking account of the work undertaken in 2013/2014, I consider that we have taken appropriate steps to ensure we have discharged our responsibilities in relation to the management of risk.

2013/2014 has been an ambitious year and NHS Orkney invested in key clinical services notably: establishing a high dependency unit, agreeing to progress with establishing a CT scanner service in 2014/15, a consultant led hospital staffing model and an increased number of professional leads in midwifery, nursing and allied health professionals as well as Senior Charge Nurses. This investment demonstrates our commitment to delivering person centred, safe and effective care and services. In addition, we have approved our Outline Business Case and submitted this to the Scottish Government Capital Investment Group for consideration/approval.

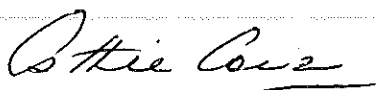
The Board also received notification in year that its share of the national resources allocation formulae is to increase by 11.1% (£4.3 million) which is extremely positive as we look to

improve the health and well being of our population through a population based health approach.

In going into 2014/2015 we will be stretched as a management team as we look to address a number of significant priorities. In this regard we will continue to have significant locum issues which will be dealt with through a targeted recruitment drive to fill vacancies and careful in year financial management and well informed variance analysis and forecasting reporting. Patient safety will be our top priority as we look to enhance our overall patient experience and reduce our HSMR. Integration and our response to the Public Bodies (Joint Working) Scotland Act 2014 will also be a key agenda for the Board as we work with our partners in Orkney Islands Council. And finally work to progress the new hospital and healthcare capital investment will continue.

Signed

Date 4th July 2014



Catherine Cowan

Chief Executive (and Accountable Officer)

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Orkney Health Board, the Auditor General for Scotland and the Scottish Parliament

I have audited the financial statements of Orkney Health Board and its group for the year ended 31 March 2014 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure and Summary of Resource Outturn, the Consolidated Balance Sheet, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2013/14 Government Financial Reporting Manual (the 2013/14 FReM).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the board's and its group circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the directors' report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2014 and of their net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2013/14 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Opinion on regularity

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers; and
- the information given in the Operating and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.



Stephen Boyle
Assistant Director of Audit (Audit Services)
Audit Scotland
4th Floor South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow G2 1BT

4th July 2014

NHS Orkney

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
AND SUMMARY OF RESOURCE OUTTURN
FOR THE YEAR ENDED 31 MARCH 2014

Restated 2013 £'000		Note	2014 £'000	2014 £'000
	Clinical Services Costs			
31,866	Hospital and Community	4	35,371	
446	Less: Hospital and Community Income	8	445	
<u>31,420</u>				34,926
12,151	Family Health	5	12,904	
195	Less: Family Health Income	8	237	
<u>11,956</u>				<u>12,667</u>
<u>43,376</u>	Total Clinical Services Costs			<u>47,593</u>
1,250	Administration Costs	6	1,105	
0	Less: Administration Income	8	0	
<u>1,250</u>				1,105
3,116	Other Non Clinical Services	7	3,311	
752	Less: Other Operating Income	8	826	
<u>2,364</u>				<u>2,485</u>
<u>46,990</u>	Net Operating Costs			<u>51,183</u>

OTHER COMPREHENSIVE NET EXPENDITURE

2013 £'000		2014 £'000
(193)	Net (gain)/loss on revaluation of Property Plant and Equipment	(33)
0	Net (gain)/loss on revaluation of Intangibles	0
(52)	Net (gain)/loss on revaluation of available for sales financial assets	0
<u>(245)</u>	Other Comprehensive Expenditure	<u>(33)</u>
<u>46,745</u>	Total Comprehensive Expenditure	<u>51,150</u>

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NHS Orkney

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE AND SUMMARY OF RESOURCE OUTTURN (Cont.)

FOR THE YEAR ENDED 31 MARCH 2014

	2014 £'000	2014 £'000
SUMMARY OF CORE REVENUE RESOURCE OUTTURN		
Net Operating Costs		51,183
Total Non Core Expenditure (see below)		(2,584)
FHS Non Discretionary Allocation	<u>SFR1</u>	(876)
Donated Assets Income		17
Endowment Net Operating Costs		(38)
Total Core Expenditure		47,702
Core Revenue Resource Limit		<u>47,702</u>
Saving/(excess) against Core Revenue Resource Limit		<u>0</u>

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN

Capital Grants to / (from) Other Bodies	175	
Depreciation/Amortisation	1,219	
Annually Managed Expenditure - Impairments	1,154	
Annually Managed Expenditure - Creation of Provisions	6	
Annually Managed Expenditure - Depreciation of Donated Assets	30	
Additional SGHSCD non-core funding	0	
AME - Pension Valuation	0	
IFRS PFI Expenditure	0	
Total Non Core Expenditure		2,584
Non Core Revenue Resource Limit		<u>2,584</u>
Saving/(excess) against Non Core Revenue Resource Limit		<u>0</u>

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	47,702	47,702	0
Non Core	2,584	2,584	0
Total	50,286	50,286	0

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2014

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
15,437	15,437	14,587	14,587	Property, plant and equipment	11	15,133	15,133
176	176	125	125	Intangible assets	10	138	138
687	0	673	0	Financial assets:			
0	0	0	0	Available for sale financial assets	14	818	0
16,300	15,613	15,385	14,712	Trade and other receivables	13	0	0
				Total non-current assets		16,089	15,271
446	446	421	421	Current Assets:			
475	470	731	726	Inventories	12	463	463
975	765	3,072	2,745	Financial assets:			
0	0	0	0	Trade and other receivables	13	1,059	1,058
0	0	0	0	Cash and cash equivalents	15	594	445
300	300	465	465	Available for sale financial assets	14	0	0
2,196	1,981	4,689	4,357	Derivatives financial assets	28	0	0
				Assets classified as held for sale	11c	187	187
				Total current assets		2,303	2,153
18,496	17,594	20,074	19,069	Total assets		18,392	17,424
(580)	(580)	(297)	(297)	Current liabilities			
(3,929)	(3,926)	(5,946)	(5,945)	Provisions	17	(311)	(311)
0	0	0	0	Financial liabilities:			
(4,509)	(4,506)	(6,243)	(6,242)	Trade and other payables	16	(4,539)	(4,537)
				Derivatives financial liabilities	28	0	0
13,987	13,088	13,831	12,827	Total current liabilities		(4,850)	(4,848)
(404)	(404)	(377)	(377)	Non-current assets plus/less net current assets/liabilities		13,542	12,576
0	0	0	0	Non-current liabilities			
(404)	(404)	(377)	(377)	Provisions	17	(356)	(356)
13,583	12,684	13,454	12,450	Financial liabilities:			
10,386	10,386	11,650	11,650	Trade and other payables	16	0	0
2,298	2,298	800	800	Total non-current liabilities		(356)	(356)
0	0	0	0	Assets less liabilities		13,186	12,220
899	0	1,004	0	Taxpayers' Equity			
13,583	12,684	13,454	12,450	General fund	SOCTE	9,520	9,520
				Revaluation reserve	SOCTE	2,700	2,700
				Other reserves	SOCTE	0	0
				Fund held on Trust	SOCTE	966	0
				Total taxpayers' equity		13,186	12,220

Adopted by the Board on 4th June 2014

 Director of Finance


 Chief Executive

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NHS Orkney

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2014

Restated 2013 £'000		2014 £'000	2014 £'000
	Cash flows from operating activities		
(46,990)	Net operating cost		(51,183)
1,440	Adjustments for non-cash transactions		2,337
0	Add back: interest payable recognised in net operating cost		0
0	Deduct: interest receivable recognised in net operating cost		0
0	Investment Income		0
(256)	(Increase) / decrease in trade and other receivables		(327)
25	(Increase) / decrease in inventories		(42)
150	Increase / (decrease) in trade and other payables		777
(310)	Increase / (decrease) in provisions		(7)
<u>(45,941)</u>	Net cash outflow from operating activities	33	(48,445)
	Cash flows from investing activities		
(600)	Purchase of property, plant and equipment		(854)
(37)	Purchase of intangible assets		(76)
(203)	Investment Additions		(591)
13	Proceeds of disposal of property, plant and equipment		327
0	Proceeds of disposal of intangible assets		(0)
269	Receipts from sale of investments		446
0	Interest received		(0)
<u>(558)</u>	Net cash outflow from investing activities	33	(748)
	Cash flows from financing activities		
46,616	Funding		49,015
1,980	Movement in general fund working capital		(2,300)
48,596	Cash drawn down		46,715
0	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		0
0	Interest paid		0
0	Interest element of finance leases and on-balance sheet PFI/PPP contracts		0
<u>48,596</u>	Net Financing	33	46,715
2,097	Net increase / (decrease) in cash and cash equivalents in the period		(2,478)
975	Cash and cash equivalents at the beginning of the period		<u>3,072</u>
<u>3,072</u>	Cash and cash equivalents at the end of the period		<u>594</u>
	Reconciliation of net cash flow to movement in net debt/cash		
2,097	Increase/(decrease) in cash in year		(2,478)
975	Net debt/cash at 1 April		<u>3,072</u>
<u>3,072</u>	Net debt/cash at 31 March		<u>594</u>

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2014

CONSOLIDATED SOCIETY

	Note	General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2013		11,650	800	0	1,004	13,454
Prior year adjustments for changes in accounting policy and material errors	25	0	0	0		0
Restated balance at 1 April 2013		11,650	800	0	1,004	13,454
Changes in taxpayers' equity for 2013-14						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	33			33
Net gain/(loss) on revaluation/indexation of intangible assets	10	0	0			0
Net gain/(loss) on revaluation of available for sale financial assets	14		0		0	0
Impairment of property, plant and equipment	11		713			713
Impairment of intangible assets	10		0			0
Revaluation & impairments taken to operating costs	3		1,154			1,154
Release of reserves to the statement of comprehensive net expenditure	11b	0				0
Transfers between reserves				0		0
Transfer of non current assets from other bodies						0
Pension reserve movements		0				0
Other non cash costs (please specify)		0				0
Net operating cost for the year		(51,145)			(38)	(51,183)
Total recognised income and expense for 2013-14		(51,145)	1,900	0	(38)	(49,283)
Funding:						
Drawn down		46,715				46,715
Movement in General Fund (Creditor) / Debtor	cfs	2,300				2,300
Balance at 31 March 2014	BS	9,520	2,700	0	966	13,186

CONSOLIDATED SOCIETY (PRIOR YEAR)

	Note	General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Funds Held on Trust	Total Reserves £'000
Balance at 31 March 2012		10,386	2,298	0	899	13,583
Prior year adjustments for changes in accounting policy and material errors	25	1,633	(1,633)	0		0
Restated balance at 1 April 2012		12,019	665	0	899	13,583
Changes in taxpayers' equity for 2012-13						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11	0	193			193
Net gain/(loss) on revaluation/indexation of intangible assets	10	0	0			0
Net gain/(loss) on revaluation of available for sale financial assets	14		0		52	52
Impairment of property, plant and equipment	11		(76)			(76)
Impairment of intangible assets	10		0			0
Revaluation & impairments taken to operating costs	3		76			76
Release of reserves to the statement of comprehensive net expenditure	11b	0				0
Transfers between reserves		68	(68)	0		0
Transfer of non current assets from other bodies		0	0			0
Pension reserve movements		0				0
Other non cash costs (please specify)		0				0
Net operating cost for the year		(47,043)			53	(46,990)
Total recognised income and expense for 2012-13		(46,985)	135	0	105	(46,745)
Funding:						
Drawn down		48,596				48,596
Movement in General Fund (Creditor) / Debtor		(1,980)				(1,980)
Balance at 31 March 2013	BS	11,650	800	0	1,004	13,454

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FRoM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 30 below.

Disclosure of New Accounting Standards

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requires disclosure of information on the expected impact of new accounting standards that have been issued but not yet in effect. The following standards have been issued but are not yet effective.

IFRS 10 Consolidated Financial Statements. IFRS 10 clarifies how an investor shall adjust comparative period(s) retrospectively if consolidation conclusion reached at the date of initial application is different when applying IFRS 10 when compared with applying IAS 27. It is not anticipated that this standard will have any material effect on the accounts of the Board or consolidated entity.

IFRS 11 Joint Arrangements. IFRS 11 provides a principles-based definition of joint arrangements (joint operations or joint ventures) based on rights and obligations. Proportional consolidation accounting for joint ventures is no longer permitted (only equity accounting). It is not anticipated that this standard will have any material effect on the accounts of the Board or consolidated entity.

IFRS 12 Disclosure of Interests in Other Entities. IFRS 12 requires more disclosure of the financial effects on, and risks to, the consolidating entity. This standard does not materially affect the accounts of the Board and consolidated group which have been prepared using IFRS 10 (Consolidated Financial Statements) and IAS 27 (Consolidated and Separate Financial Statements).

IFRS 13 Fair Value Measurement. IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). The standard defines fair value, provides guidance on fair value measurement techniques, and sets out the disclosure requirements. It is not anticipated that this standard will have any material effect on the accounts of the Board or consolidated entity.

2. Basis of Consolidation

Consolidation

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Orkney Health Board Endowment Funds.

NHS Endowment Funds were established by the NHS (Scotland) Act 1978. The legal framework under which charities operate in Scotland is the Charities and Trustee Investment (Scotland) Act 2005. Under the 1978 Act Endowment Trustees are also members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

The Orkney Health Board Endowment Funds is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis.

The basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation.

The consolidation has required the restatement of prior year comparatives including consolidating the opening Balance Sheet as at 1 April 2012.

The principal financial statements which have been restated are as follows:

- Consolidated Statement of Comprehensive Net Expenditure
- Consolidated Statement of Financial Position (Balance Sheet)
- Consolidated Statement of Cash Flows
- Consolidated Statement of Changes in Taxpayers Equity

Note 33 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

There are no prior year adjustments apart from the impact of the consolidation of Endowment Funds as outlined in No. 2 above.

4. Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

5. Accounting Convention

The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value.

6. Funding

Most of the expenditure of the NHS Orkney as Commissioner is met from funds advanced by the Scottish Government within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund.

All other income receivable by NHS Orkney that is not classed as funding is recognised in the year in which it is receivable.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Non-discretionary funding out with the RRL is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn.

Funding for the acquisition of capital assets received from the Scottish Government is credited to the general fund when cash is drawn down.

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of Comprehensive Net Expenditure except where it results in the creation of a non-current asset such as property, plant and equipment.

7. Property, plant and equipment

The treatment of capital assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual.

Title to properties included in the accounts is held by Scottish Ministers.

7.1 Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, NHS Orkney; it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, NHS Orkney has the option to capitalise initial revenue equipment costs with a standard life of 10 years.
- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

7.2 Measurement

Valuation:

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value as follows:

Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

Non specialised land and buildings, such as offices, are stated at fair value.

Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

Non specialised equipment, installations and fittings are valued at fair value. NHS Bodies value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

To meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual have been required:

Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.

Subsequent expenditure:

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to NHS Orkney and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

Items of Property, Plant and Equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Depreciation is charged on each main class of tangible asset as follows:

- 1) Freehold land is considered to have an infinite life and is not depreciated.
- 2) Assets in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to NHS Orkney, respectively.
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.
- 4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 5) Equipment is depreciated over the estimated life of the asset.
- 6) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Office, short life medical and IT	5
Vehicles and soft furnishings	7
Mainframe IT installations	8
Furniture and medium life medical	10
Engineering plant and long life medical	15
Structure	Individually assessed
Engineering	15
External Plant	15

8. Intangible Assets

8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of NHS Orkney's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, NHS Orkney and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in NHS Orkney's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- NHS Orkney intends to complete the asset and sell or use it;
- NHS Orkney has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to NHS Orkney to complete the development and sell or use the asset; and
- NHS Orkney can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

Software:

Software which is integral to the operation of hardware e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware e.g. application software, is capitalised as an intangible asset.

Software licences:

Purchased computer software licences are capitalised as intangible assets where expenditure of at least £5,000 is incurred.

Carbon Emissions (Intangible Assets):

A cap and trade scheme gives rise to an asset for allowances held and a liability for the obligation to deliver allowances equal to emissions that have been made.

Intangible Assets, such as EU Greenhouse Gas Emission Allowances intended to be held for use on a continuing basis whether allocated by government or purchased are classified as intangible assets. Allowances that are issued for less than their fair value are measured initially at their fair value.

When allowances are issued for less than their fair value, the difference between the amount paid and fair value is revaluation and charged to the general fund. The general fund is charged with the same proportion of the amount of the revaluation, which the amount of the grant bears to the acquisition cost of the asset.

A provision is recognised for the obligation to deliver allowances equal to emissions that have been made. It is measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date. This will usually be the

present market price of the number of allowances required to cover emissions made up to the balance sheet date.

Websites

Websites are capitalised only when it is probable that future economic benefits will flow to, or service potential be provided to, NHS Orkney; where the cost of the asset can be measured reliably, and where the cost is at least £5,000.

8.2 Measurement

Valuation:

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in income.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

Intangible assets held for sale are reclassified to 'non-current assets held for sale' measured at the lower of their carrying amount or 'fair value less costs to sell'.

8.3 Amortisation

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

- 1) Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
- 2) Software. Amortised over their expected useful life
- 3) Software licences. Amortised over the shorter term of the licence and their useful economic lives.

- 4) Other intangible assets. Amortised over their expected useful life.
- 5) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software	5

9. Non-current assets held for sale

Non-current assets intended for disposal are reclassified as 'Held for Sale' once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
 - management are committed to a plan to sell the asset;
 - an active programme has begun to find a buyer and complete the sale;
 - the asset is being actively marketed at a reasonable price;
 - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
 - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'Held for Sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the Balance Sheet initially at the current full replacement cost of the asset. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

11. Sale of Property, plant and equipment, intangible assets and non-current assets held for sale

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of

Comprehensive Net Expenditure. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

12. Leasing

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by NHS Orkney, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

Operating leases

Other leases are regarded as operating leases and the rentals are charged to expenditure on a straight-line basis over the term of the lease. Operating lease incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately. Leased land is treated as an operating lease unless title to the land is expected to transfer.

13. Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SOCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

14. General Fund Receivables and Payables

Where NHS Orkney has a positive net cash book balance at the year end, a corresponding creditor is created and the general fund debited with the same amount to indicate that this cash is repayable to the SGHSCD. Where NHS Orkney has a net overdrawn cash position at the year end, a corresponding debtor is created and the

general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

15. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion.

16. Losses and Special Payments

Operating expenditure includes certain losses which would have been made good through insurance cover had the NHS not been bearing its own risks. Had the NHS provided insurance cover, the insurance premiums would have been included as normal revenue expenditure.

17. Employee Benefits

Short-term Employee Benefits

Salaries, wages and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following year.

Pension Costs

NHS Orkney participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. NHS Orkney is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents NHS Orkney's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure at the time the Board commits itself to the retirement, regardless of the method of payment.

18. Clinical and Medical Negligence Costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

NHS Orkney provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to

estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

19. Related Party Transactions

Material related party transactions are disclosed in the note 29 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in note 4.

20. Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21. PFI/HUB/NPD Schemes

Transactions financed as revenue transactions through the Private Finance Initiative or alternative initiatives such as HUB or the Non Profit Distributing Model (NPD) are accounted for in accordance with the HM Treasury application of IFRIC 12, *Service Concession Arrangements*, outlined in the FReM.

Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Where the Board has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the Statement of Comprehensive Net Expenditure. Where, at the end of the PFI contract, a property reverts to the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year.

Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge and the finance cost interest element are charged in the Statement of Comprehensive Net Expenditure.

22. Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using the discount rate prescribed by HM Treasury.

23. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 19 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 19, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

24. Corresponding Amounts

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, IAS 1 'Presentation of Financial Statements', requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

25. Financial Instruments

Financial assets

Classification

The Board classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. The Board does not trade in derivatives and does not apply hedge accounting.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the balance sheet.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

Recognition and measurement

Financial assets are recognised when the Board becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Board has transferred substantially all risks and rewards of ownership.

(a) Financial assets at fair value through profit or loss

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

Financial assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

(c) Available-for-sale financial assets

Available-for-sale financial assets are initially recognised and subsequently carried at fair value. Changes in the fair value of financial assets classified as available for sale are recognised in equity in other reserves. When financial assets classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the Statement of Comprehensive Net Expenditure. Dividends on available-for-sale equity instruments are recognised in the Statement of Comprehensive Net Expenditure when the Board's right to receive payments is established.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment.

The Board assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the Statement of Comprehensive Net Expenditure. Impairment losses recognised in the Statement of Comprehensive Net Expenditure on equity instruments are not reversed through the income statement.

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The NHS Board does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current liabilities. The NHS Board's other financial liabilities comprise trade and other payables in the balance sheet.

Recognition and measurement

Financial liabilities are recognised when the Board becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

(b) Other financial liabilities

Other financial liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

26. Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. This has been identified as the senior management of the Board.

Operating segments are unlikely to directly relate to the analysis of expenditure shown in notes 4 to 7 for Hospital & Community, Family Health and Other Service and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

27. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Where the Government Banking Service is using Citi and Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Board has assets or liabilities denominated in a foreign currency at the balance sheet date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the balance sheet date) are recognised in income or expenditure in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

29. Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Board has no beneficial interest in them.

However, they are disclosed in note 31 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

30. Key sources of judgement and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

- Estimates: Assumptions regarding estimated impairment.
- Estimates: Assumptions underlying the likelihood and outcome of material provisions.
- Estimates: Assumptions around fixed asset lives.
- Estimates: Assumptions regarding the fair value of PPE and Intangible assets.
- Estimates: Actuarial assumptions in respect of post-employment benefits.
- Judgement: Whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

2. (a) STAFF NUMBERS AND COSTS

						2014	2013	
	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £000s	Other Staff £'000	Outward Secondees £'000	Total £'000	Total £'000
STAFF COSTS								
Salaries and wages	478	79	17,422		0	0	18,029	17,474
Social security costs	60	3	1,418		0		1,481	1,450
NHS scheme employers' costs	66	0	1,996		0		2,062	1,958
Other employers' pension costs							0	0
Inward secondees				331			331	49
Agency staff					1,375		1,375	1,060
	604	82	20,836	331	1,375	(0)	23,278	21,991
Compensation for loss of office or early retirement	0	0	112		0		112	191
Pensions to former board members	0	0	0	0	0	0	0	0
TOTAL	604	82	20,928	331	1,375	(0)	23,390	22,182

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of: 0 0

STAFF NUMBERS
(EMPLOYEES BY WHOLE TIME EQUIVALENT)

	2014 ANNUAL MEAN	2013 ANNUAL MEAN
Administration Costs	11.8	12.0
Hospital and Community Services	338.3	350.8
Non Clinical Services	11.1	7.6
Other, including recharge Trading Accounts	74.0	72.9
Inward secondees	3.6	0.7
Agency staff	14.1	12.2
Outward Secondees	(0.0)	(0.1)
Board Total Average Staff	512.9	485.9
Disabled staff	4.0	4.0

The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was: 0.0 0.0

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme in [note 24](#)

2. (b) HIGHER PAID EMPLOYEES REMUNERATION

	2014 Number	2013 Number
Other employees whose remuneration fell within the following ranges:		
Consultants		
£50,001 to £60,000	15	17
£60,001 to £70,000	7	9
£70,001 to £80,000	4	3
£80,001 to £90,000	7	4
£90,001 to £100,000	3	1
£100,001 to £110,000	3	4
£110,001 to £120,000	4	8
£120,001 to £130,000	2	1
£130,001 to £140,000	1	1
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	1	1
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	1	1
£200,001 and above	0	0
Other		
£50,001 to £60,000	5	1
£60,001 to £70,000	1	4
£70,001 to £80,000	2	1
£80,001 to £90,000	0	0
£90,001 to £100,000	0	0
£100,001 to £110,000	1	0
£110,001 to £120,000	0	0
£120,001 to £130,000	0	0
£130,001 to £140,000	0	0
£140,001 to £150,000	0	0
£150,001 to £160,000	0	0
£160,001 to £170,000	0	0
£170,001 to £180,000	0	0
£180,001 to £190,000	0	0
£190,001 to £200,000	0	0
£200,001 and above	0	0

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

3. OTHER OPERATING COSTS

2013 £'000		Note	2014 £'000
	Expenditure Not Paid In Cash		
1,268	Depreciation	<u>11</u>	1,156
88	Amortisation	<u>10</u>	63
23	Depreciation Donated Assets	<u>11b</u>	30
43	Impairments on PPE charged to SOCNE	<u>11</u>	1,154
0	Revaluation loss on PPE charged to SOCNE	<u>11</u>	0
0	Reversal of impairments on PPE charged to SOCNE	<u>11</u>	0
0	Revaluation gains on PPE charged to SOCNE	<u>11</u>	0
0	Impairments on Intangible assets charged to SOCNE	<u>10</u>	0
0	Revaluation loss on Intangible assets charged to SOCNE	<u>10</u>	0
0	Reversal of Impairments on Intangible assets charged to SOCNE	<u>10</u>	0
0	Revaluation gains on Intangible assets charged to SOCNE	<u>10</u>	0
33	Loss on remeasurement of non-current assets held for sale	<u>11c</u>	0
(15)	Funding Of Donated Assets	<u>11b</u>	(17)
0	Loss/(Profit) on disposal of Intangible assets		0
0	Loss/(Profit) on disposal of property, plant and equipment		(49)
0	Available for sale financial assets Impairment charged to SOCNE	<u>14</u>	0
0	Other non cash costs		0
0	Gain on remeasurement of non-current assets held for sale		0
<u>1,440</u>	Total Expenditure Not Paid In Cash	<u>CFS</u>	<u>2,337</u>
	Interest Payable		
0	Interest on late payment of commercial debt		0
0	Bank and other interest payable		0
0	PFI Finance lease charges allocated in the year	<u>23</u>	0
0	Other Finance lease charges allocated in the year		0
0	Provisions - Unwinding of discount		0
0	Other Interest [please specify]		0
<u>0</u>	Total		<u>0</u>
	Statutory Audit		
68	External auditor's remuneration and expenses		84
	During the year the Board purchased no non-audit services from its auditor, Audit Scotland		
0			0
0			0
0			0
0			0
<u>0</u>			<u>0</u>

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2013 £'000	BY PROVIDER	2014 £'000
23,110	Treatment in Board area of NHSScotland Patients	26,796
5,998	Other NHSScotland Bodies	5,937
50	Health Bodies outside Scotland	28
58	Primary care bodies	52
563	Private sector	445
	Community Care	
9	Support Finance	4
1,984	Resource Transfer	1,958
23	Contributions to Voluntary Bodies and Charities	79
<u>31,795</u>	Total NHSScotland Patients	<u>35,299</u>
71	Treatment of UK residents based outside Scotland	72
<u>31,866</u>	Total Hospital & Community Health Service	<u>35,371</u>

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

5. FAMILY HEALTH SERVICE EXPENDITURE

2013 £'000		Unified Budget £'000	Non Disc £'000	2014 TOTAL £'000
5,485	Primary Medical Services	<u>SFR 9.0</u> 5,492	-	5,492
3,829	Pharmaceutical Services	<u>SFR 10</u> 3,424	583	4,007
2,587	General Dental Services	<u>SFR 11</u> 3,112	43	3,155
<u>250</u>	General Ophthalmic Services	<u>SFR 12</u> 0	250	250
<u>12,151</u>	Total	<u>SOCNE</u> 12,028	876	<u>12,904</u>

6. ADMINISTRATION COSTS

2013 £'000			2014 £'000
670	Board members' remuneration	<u>Note 2 (a)</u>	686
107	Administration of Board Meetings and Committees		81
227	Corporate Governance and Statutory Reporting		222
129	Health Planning, Commissioning and Performance Reporting		74
72	Treasury Management and Financial Planning		20
27	Public Relations		22
<u>18</u>	Other		<u>0</u>
<u>1,250</u>	Total administration costs	<u>SOCNE</u>	<u>1,105</u>

7. OTHER NON CLINICAL SERVICES

2013 £'000			2014 £'000
0	Nurse Teaching		0
0	Closed hospital charges		0
96	Compensation payments - Clinical		154
93	Compensation payments - Other		61
242	Pension enhancement & redundancy		175
4	Patients' Travel Attending Hospitals		8
2,054	Patients' Travel Highlands and Islands scheme		2,140
574	Health Promotion		576
0	Public Health		116
0	Public Health Medicine Trainees		0
0	Emergency Planning		0
0	Post Graduate Medical Education		0
0	Shared Services		0
0	Loss on disposal of non-current assets		0
53	Endowment Expenditure		81
<u>0</u>	Other		<u>0</u>
<u>3,116</u>	Total Other Non Clinical Services	<u>SOCNE</u>	<u>3,311</u>

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

8. OPERATING INCOME

2013 £'000		2014 £'000
	Hospital and Community Health Services Income	
	NHSScotland Bodies	
0	SGHSCD	1
306	Boards	366
71	NHS Non-Scottish Bodies	72
	Non NHS	
2	Private Patients	24
53	Compensation Income	(32)
14	Other Hospital and Community Health Services income	14
<u>446</u>	Total Hospital and Community Health Services Income	<u>SOCNE 446</u>
	Family Health Service Income	
5	Unified	Sfr 4 237
	Non Discretionary	
190	General Dental Services	Sfr 4 0
0	General Ophthalmic Services	Sfr 4 0
<u>195</u>	Total Family Health Services Income	<u>SOCNE 237</u>
<u>0</u>	Administration Income	<u>SOCNE 0</u>
	Other Operating Income	
0	NHS Scotland Bodies	0
0	NHS Non-Scottish Bodies	0
0	SGHSCD	2
0	Contributions in respect of clinical and medical negligence claims	72
0	Profit on disposal of non current assets	49
15	Donated Asset Additions	18
0	Interest Received	cfs 0
0	Shared Services	0
106	Endowment Income	43
631	Other	642
<u>752</u>	Total Other Operating Income	<u>SOCNE 826</u>
<u>1,393</u>	Total Income	<u>1,608</u>
<u>306</u>	Of the above, the amount derived from NHS bodies is	<u>337</u>

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

9. ANALYSIS OF CAPITAL EXPENDITURE

2013 £'000		Note	2014 £'000
	EXPENDITURE		
37	Acquisition of Intangible Assets	<u>10</u>	76
487	Acquisition of Property, plant and equipment	<u>11</u>	969
15	Donated Asset Additions	<u>11b</u>	17
0	HUB		0
<u>539</u>	Gross Capital Expenditure		<u>1,062</u>
	INCOME		
0	Net book value of disposal of Intangible Assets	<u>10</u>	0
13	Net book value of disposal of Property, plant and equipment	<u>11a</u>	0
0	Net book value of disposal of Donated Assets	<u>11b</u>	0
0	Value of disposal of Non-Current Assets held for sale	<u>11c</u>	278
15	Donated Asset Income		17
<u>28</u>	Capital Income		<u>295</u>
<u>511</u>	Net Capital Expenditure		<u>767</u>

SUMMARY OF CAPITAL RESOURCE OUTTURN

511	Core capital expenditure included above	767
<u>549</u>	Core Capital Resource Limit	<u>777</u>
<u>38</u>	Saving/(excess) against Core Capital Resource Limit	<u>10</u>
0	Non Core capital expenditure included above	0
<u>0</u>	Non Core Capital Resource Limit	<u>0</u>
<u>0</u>	Saving/(excess) against Non Core Capital Resource Limit	<u>0</u>
511	Total Capital Expenditure	767
<u>549</u>	Total Capital Resource Limit	<u>777</u>
<u>38</u>	Saving/(excess) against Total Capital Resource Limit	<u>10</u>

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

10. INTANGIBLE ASSETS - CONSOLIDATED

	Software Licences £'000	IT - software £'000	EC Carbon Emissions £'000	Websites £'000	Other Intangible £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:							
As at 1st April 2013	793	0	0	0	0	0	793
Additions	10	0	0	0	0	66	76
Donations	0	0	0	0	0	0	0
Transfers	66	0	0	0	0	(66)	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2014	869	0	0	0	0	0	869
Amortisation							
As at 1st April 2013	668	0	0	0	0	0	668
Provided during the year	63	0	0	0	0	0	63
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2014	731	0	0	0	0	0	731
Net Book Value at 1st April 2013	125	0	0	0	0	0	125
Net Book Value at 31 March 2014	138	0	0	0	0	0	138

Classification of Assets under development
Information technology - software
Websites

Net Book Value
£'000
0
0
0

10. INTANGIBLE ASSETS - BOARD

	Software Licences £'000	IT - software £'000	EC Carbon Emissions £'000	Websites £'000	Other Intangible £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:							
As at 1st April 2013	793	0	0	0	0	0	793
Additions	10	0	0	0	0	66	76
Donations	0	0	0	0	0	0	0
Transfers	66	0	0	0	0	(66)	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2014	869	0	0	0	0	0	869
Amortisation							
As at 1st April 2013	668	0	0	0	0	0	668
Provided during the year	63	0	0	0	0	0	63
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2014	731	0	0	0	0	0	731
Net Book Value at 1st April 2013	125	0	0	0	0	0	125
Net Book Value at 31 March 2014	138	0	0	0	0	0	138

Classification of Assets under development
Information technology - software
Websites

Net Book Value
£'000
0
0
0

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

10. INTANGIBLE ASSETS, cont. - CONSOLIDATED PRIOR YEAR

	Software Licences £'000	Information technology - software £'000	EC Carbon Emissions £'000	Websites £'000	Other Intangible £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:							
As at 1st April 2012	756	0	0	0	0	0	756
Additions	37	0	0	0	0	0	37
Donations	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2013	793	0	0	0	0	0	793
Amortisation							
As at 1st April 2012	580	0	0	0	0	0	580
Provided during the year	88	0	0	0	0	0	88
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2013	668	0	0	0	0	0	668
Net Book Value at 1st April 2012	176	0	0	0	0	0	176
Net Book Value at 31 March 2013	125	0	0	0	0	0	125

	Net Book Value £'000
Classification of Assets under development	
Information technology - software	0
Websites	0
	<u>0</u>

10. INTANGIBLE ASSETS, cont. - BOARD PRIOR YEAR

	Software Licences £'000	IT - software £'000	EC Carbon Emissions £'000	Websites £'000	Other Intangible £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:							
As at 1st April 2012	756	0	0	0	0	0	756
Additions	37	0	0	0	0	0	37
Donations	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2013	793	0	0	0	0	0	793
Amortisation							
As at 1st April 2012	580	0	0	0	0	0	580
Provided during the year	88	0	0	0	0	0	88
Transfers	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0
At 31st March 2013	668	0	0	0	0	0	668
Net Book Value at 1st April 2012	176	0	0	0	0	0	176
Net Book Value at 31 March 2013	125	0	0	0	0	0	125

	Net Book Value £'000
Classification of Assets under development	
Information technology - software	0
Websites	0
	<u>0</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - CONSOLIDATED

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2013	748	12,712	539	400	5,067	2,688	174	(4)	22,324
Additions	0	16	0	0	541	48	32	332	969
Completions	0	111	40	0	25	60	0	(236)	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(570)	0	0	0	0	0	0	(570)
Impairment Charge	(4)	(301)	(141)	0	0	0	0	0	(446)
Impairment Reversal	0	64	40	0	0	0	0	0	104
Disposals	0	0	0	(36)	(58)	0	(1)	0	(95)
At 31 March 2014	744	12,032	478	364	5,575	2,796	205	92	22,286
Depreciation									
At 1 April 2013	0	1,321	71	209	3,976	2,176	144	0	7,897
Provided during the year	0	470	27	46	349	256	8	0	1,156
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(604)	0	0	0	0	0	0	(604)
Impairment Charge	0	(36)	(20)	0	0	0	0	0	(56)
Impairment Reversal	0	(922)	(66)	0	0	0	0	0	(988)
Disposals	0	0	0	(36)	(58)	0	(1)	0	(95)
At 31 March 2014	0	229	12	219	4,267	2,432	151	0	7,310
Net book value at 1 April 2013	748	11,391	468	191	1,091	512	30	(4)	14,427
Net book value at 31 March 2014	744	11,803	466	145	1,308	364	54	92	14,976
Open Market Value of Land in Land and Dwellings Included Above	744		466						
Asset financing:									
Owned	744	11,803	466	145	1,308	364	54	92	14,976
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2014	744	11,803	466	145	1,308	364	54	92	14,976

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - BOARD

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2013	748	12,712	539	400	5,067	2,688	174	(4)	22,324
Additions	0	16	0	0	541	48	32	332	969
Completions	0	111	40	0	25	60	0	(236)	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(570)	0	0	0	0	0	0	(570)
Impairment Charge	(4)	(301)	(141)	0	0	0	0	0	(446)
Impairment Reversal	0	64	40	0	0	0	0	0	104
Disposals	0	0	0	(36)	(58)	0	(1)	0	(95)
At 31 March 2014	744	12,032	478	364	5,575	2,796	205	92	22,286
Depreciation									
At 1 April 2013	0	1,321	71	209	3,976	2,176	144	0	7,897
Provided during the year	0	470	27	46	349	256	8	0	1,156
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(604)	0	0	0	0	0	0	(604)
Impairment Charge	0	(36)	(20)	0	0	0	0	0	(56)
Impairment Reversal	0	(922)	(66)	0	0	0	0	0	(988)
Disposals	0	0	0	(36)	(58)	0	(1)	0	(95)
At 31 March 2014	0	229	12	219	4,267	2,432	151	0	7,310
Net book value at 1 April 2013	748	11,391	468	191	1,091	512	30	(4)	14,427
Net book value at 31 March 2014	744	11,803	466	145	1,308	364	54	92	14,976
Open Market Value of Land in Land and Dwellings Included Above	748		0						
Asset financing:									
Owned	744	11,803	466	145	1,308	364	54	92	14,976
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2014	744	11,803	466	145	1,308	364	54	92	14,976

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - PRIOR YEAR CONSOLIDATED

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2012	778	12,293	709	420	5,351	2,601	174	12	22,338
Additions	0	128	29	19	179	87	0	45	487
Completions	0	53	0	0	0	0	0	(53)	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	(30)	0	(176)	0	0	0	0	0	(206)
Revaluation	0	281	(23)	0	0	0	0	0	258
Impairment Charge	0	(43)	0	0	0	0	0	0	(43)
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	(39)	(463)	0	0	(8)	(510)
At 31 March 2013	748	12,712	539	400	5,067	2,688	174	(4)	22,324
Depreciation									
At 1 April 2012	0	811	56	195	3,998	1,870	136	0	7,066
Provided during the year	0	439	26	48	441	305	8	0	1,268
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	(8)	0	0	0	0	0	(8)
Revaluation	0	71	(3)	0	0	0	0	0	68
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	(34)	(463)	0	0	0	(497)
At 31 March 2013	0	1,321	71	209	3,976	2,176	144	0	7,897
Net book value at 1 April 2012	778	11,482	653	225	1,353	731	38	12	15,272
Net book value at 31 March 2013	B.S. 748	11,391	468	191	1,091	512	30	(4)	14,427
Open Market Value of Land in Land and Dwellings Included Above	748		0						
Asset financing:									
Owned	748	11,391	468	191	1,091	512	30	(4)	14,427
Finance leased									0
On-balance sheet PFI contracts									0
Net Book Value at 31 March 2013	748	11,391	468	191	1,091	512	30	(4)	14,427

11. (a) PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) - PRIOR YEAR BOARD

	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2012	778	12,293	709	420	5,351	2,601	174	12	22,338
Additions	0	128	29	19	179	87	0	45	487
Completions	0	53	0	0	0	0	0	(53)	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	(30)	0	(176)	0	0	0	0	0	(206)
Revaluation	0	281	(23)	0	0	0	0	0	258
Impairment Charge	0	(43)	0	0	0	0	0	0	(43)
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	(39)	(463)	0	0	(8)	(510)
At 31 March 2013	748	12,712	539	400	5,067	2,688	174	(4)	22,324
Depreciation									
At 1 April 2012	0	811	56	195	3,998	1,870	136	0	7,066
Provided during the year	0	439	26	48	441	305	8	0	1,268
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	(8)	0	0	0	0	0	(8)
Revaluation	0	71	(3)	0	0	0	0	0	68
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	(34)	(463)	0	0	0	(497)
At 31 March 2013	0	1,321	71	209	3,976	2,176	144	0	7,897
Net book value at 1 April 2012	778	11,482	653	225	1,353	731	38	12	15,272
Net book value at 31 March 2013	B.S. 748	11,391	468	191	1,091	512	30	(4)	14,427
Open Market Value of Land in Land and Dwellings Included Above	748		0						
Asset financing:									
Owned	748	11,391	468	191	1,091	512	30	(4)	14,427
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2013	748	11,391	468	191	1,091	512	30	(4)	14,427

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - CONSOLIDATED

	Land (land holdings and land underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2013	0	111	0	0	198	42	0	0	351
Additions	0	0	0	0	11	6	0	0	17
Completions	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(2)	0	0	0	0	0	0	(2)
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	(2)	0	0	0	0	0	0	(2)
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2014	0	107	0	0	209	48	0	0	364
Depreciation									
At 1 April 2013	0	17	0	0	160	14	0	0	191
Provided during the year	0	6	0	0	13	11	0	0	30
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(1)	0	0	0	0	0	0	(1)
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	(13)	0	0	0	0	0	0	(13)
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2014	0	9	0	0	173	25	0	0	207
Net book value at 1 April 2013	0	94	0	0	38	28	0	0	160
Net book value at 31 March 2014	0	98	0	0	36	23	0	0	157
Open Market Value of Land In Land and Dwellings included Above	0	0	0	0	0	0	0	0	0
Asset financing:									
Owned	0	98	0	0	36	23	0	0	157
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2014	0	98	0	0	36	23	0	0	157

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - BOARD

	Land (land holdings and land underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2013	0	111	0	0	198	42	0	0	351
Additions	0	0	0	0	11	6	0	0	17
Completions	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(2)	0	0	0	0	0	0	(2)
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	(2)	0	0	0	0	0	0	(2)
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2014	0	107	0	0	209	48	0	0	364
Depreciation									
At 1 April 2013	0	17	0	0	160	14	0	0	191
Provided during the year	0	6	0	0	13	11	0	0	30
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	(1)	0	0	0	0	0	0	(1)
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	(13)	0	0	0	0	0	0	(13)
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2014	0	9	0	0	173	25	0	0	207
Net book value at 1 April 2013	0	94	0	0	38	28	0	0	160
Net book value at 31 March 2014	0	98	0	0	36	23	0	0	157
Open Market Value of Land In Land and Dwellings included Above	0	0	0	0	0	0	0	0	0
Asset financing:									
Owned	0	98	0	0	36	23	0	0	157
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2014	0	98	0	0	36	23	0	0	157

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR CONSOLIDATED

	Land (land holdings and land underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2012	0	108	0	0	198	27	0	0	333
Additions	0	0	0	0	0	15	0	0	15
Completions	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	3	0	0	0	0	0	0	3
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2013	0	111	0	0	198	42	0	0	351
Depreciation									
At 1 April 2012	0	11	0	0	149	8	0	0	168
Provided during the year	0	6	0	0	11	6	0	0	23
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2013	0	17	0	0	160	14	0	0	191
Net book value at 1 April 2012	0	97	0	0	49	19	0	0	165
Net book value at 31 March 2013	0	94	0	0	38	28	0	0	160
Open Market Value of Land In Land and Dwellings Included Above	0		0						
Asset financing:									
Owned	0	94	0	0	38	28	0	0	160
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2013	0	94	0	0	38	28	0	0	160

11. (b) PROPERTY, PLANT AND EQUIPMENT (Donated Assets) - PRIOR YEAR BOARD

	Land (land holdings and land underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation									
At 1 April 2012	0	108	0	0	198	27	0	0	333
Additions	0	0	0	0	0	15	0	0	15
Completions	0	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	3	0	0	0	0	0	0	3
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2013	0	111	0	0	198	42	0	0	351
Depreciation									
At 1 April 2012	0	11	0	0	149	8	0	0	168
Provided during the year	0	6	0	0	11	6	0	0	23
Transfers	0	0	0	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	0	0	0	0	0	0	0	0
Revaluation	0	0	0	0	0	0	0	0	0
Impairment Charge	0	0	0	0	0	0	0	0	0
Impairment Reversal	0	0	0	0	0	0	0	0	0
Disposals	0	0	0	0	0	0	0	0	0
At 31 March 2013	0	17	0	0	160	14	0	0	191
Net book value at 1 April 2012	0	97	0	0	49	19	0	0	165
Net book value at 31 March 2013	0	94	0	0	38	28	0	0	160
Open Market Value of Land In Land and Dwellings Included Above	0		0						
Asset financing:									
Owned	0	94	0	0	38	28	0	0	160
Finance leased	0	0	0	0	0	0	0	0	0
On-balance sheet PFI contracts	0	0	0	0	0	0	0	0	0
Net Book Value at 31 March 2012	0	94	0	0	38	28	0	0	160

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

11 (c). ASSETS HELD FOR SALE

ASSETS HELD FOR SALE - CONSOLIDATED

	Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2013	465	0	465
Transfers (to)/from property, plant and equipment	11a 0		0
Transfers (to)/from intangible assets	10		0
Gain or losses recognised on remeasurement of non-current assets held for sale			0
Disposals for non-current assets held for sale	(278)		(278)
As at 31 March 2014	BS 187	0	187

ASSETS HELD FOR SALE - BOARD

	Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2013	465	0	465
Transfers (to)/from property, plant and equipment	11a 0		0
Transfers (to)/from intangible assets	10		0
Gain or losses recognised on remeasurement of non-current assets held for sale			0
Disposals for non-current assets held for sale	(278)		(278)
As at 31 March 2014	BS 187	0	187

ASSETS HELD FOR SALE (PRIOR YEAR) - CONSOLIDATED

	Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2012	300	0	300
Transfers (to)/from property, plant and equipment	11a 198	0	198
Transfers (to)/from intangible assets	10 0	0	0
Gain or losses recognised on remeasurement of non-current assets held for sale	(33)	0	(33)
Disposals for non-current assets held for sale	0	0	0
As at 31 March 2013	BS 465	0	465

ASSETS HELD FOR SALE (PRIOR YEAR) - BOARD

	Property, Plant & Equipment £'000	Intangible Assets £'000	Total £'000
At 1 April 2012	300	0	300
Transfers (to)/from property, plant and equipment	11a 198	0	198
Transfers (to)/from intangible assets	10 0	0	0
Gain or losses recognised on remeasurement of non-current assets held for sale	(33)	0	(33)
Disposals for non-current assets held for sale	0	0	0
As at 31 March 2013	BS 465	0	465

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

11. (d) PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated 2013 £'000	Board 2013 £'000		Consolidated 2014 £'000	Board 2014 £'000
		Net book value of property, plant and equipment at 31 March		
14,427	14,427	Purchased	<u>11a</u> 14,976	14,976
160	160	Donated	<u>11b</u> 157	157
<u>14,587</u>	<u>14,587</u>	Total	<u>B.S.</u> 15,133	15,133
		Net book value related to land valued at open market value at 31 March		
0	748		744	744
		Net book value related to buildings valued at open market value at 31 March		
0	751		653	653
		Total value of assets held under:		
0	0	Finance Leases	0	0
0	0	Hire Purchase Contracts	0	0
0	0	PFI and PPP Contracts	0	0
0	0		0	0
		Total depreciation charged in respect of assets held under:		
0	44	Finance leases	0	0
0	0	Hire Purchase Contracts	0	0
0	0	PFI and PPP contracts	0	0
0	44		0	0

The 5 year programme of valuations this year included all properties and associated fixtures and was carried out by Gerald Eve Chartered surveyors. The basis of valuation was depreciated replacement cost for specialised properties and market value for non-specialised properties.

The values were computed in accordance with the Royal Institution of Chartered Surveyors Statement of Asset Valuation Practice and Guidance Notes, subject to the special requirements of the accounting practices of the NHS. The effect of the valuation on the asset categories are shown above.

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

12. INVENTORIES

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Consolidated 2014 £'000	Board 2014 £'000
446	446	421	421	Raw Materials and Consumables	463	463
0	0	0	0	Work In Progress	0	0
0	0	0	0	Finished Goods	0	0
446	446	421	421	Total Inventories	463	463

B.S.

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

13. TRADE AND OTHER RECEIVABLES

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
				Receivables due within one year			
				NHSScotland			
1	1	0	0	SGHSCD		1	1
128	128	93	93	Boards	SFR 30	428	428
129	129	93	93	Total NHSScotland Receivables		429	429
				NHS Non-Scottish Bodies		34	34
2	2	17	17	General Fund Receivable		0	0
0	0	0	0	VAT recoverable	SFR 30.1	73	73
47	47	51	51	Prepayments		355	355
202	202	262	262	Accrued Income		0	0
0	0	0	0	Other Receivables		89	89
33	33	67	67	Reimbursement of provisions		0	0
0	0	44	44	Other Public Sector Bodies		78	78
57	57	192	192	Endowments Consolidation		1	0
5	0	5	0	Other Significant receivables (please specify)		0	0
0	0	0	0	Other Significant receivables (please specify)		0	0
0	0	0	0				
475	470	731	726	Total Receivables due within one year	B.5	1,059	1,058
				Receivables due after more than one year			
				NHSScotland			
0	0	0	0	- SGHSCD		0	0
0	0	0	0	- Boards		0	0
0	0	0	0	Other Public Sector Bodies		0	0
0	0	0	0	Prepayments		0	0
0	0	0	0	Accrued Income		0	0
0	0	0	0	Other Receivables		0	0
0	0	0	0	Reimbursement of Provisions		0	0
0	0	0	0	Total Receivables due after more than one year	B.5	0	0
475	470	731	726	TOTAL RECEIVABLES		1,059	1,058
0	13	0	23	The total receivables figure above includes a provision for impairments of:		7	7
				WGA Classification			
128	128	93	93	NHSScotland		428	428
0	48	0	51	Central Government Bodies	SFR 30.1	74	74
0	57	0	192	Whole of Government Bodies	SFR 30.2	78	78
2	2	17	17	Balances with NHS Bodies in England and Wales		34	34
345	235	621	373	Balances with bodies external to Government		445	444
475	470	731	726	Total		1,059	1,058

2013 £'000	2013 £'000
13	13
10	10
0	0
0	0
23	23

Movements on the provision for impairment of receivables are as follows:

	2014 £'000	2014 £'000
At 1 April	23	23
Provision for impairment	4	4
Receivables written off during the year as uncollectible	(13)	(13)
Unused amounts reversed	(7)	(7)
At 31 March	7	7

As of 31 March 2014, receivables with a carrying value of £3,000 (2013: £10,000) were impaired and provided for. The amount of the provision was £7,000 (2013: £23,000). The aging of these receivables is as follows:

2013 £'000	2013 £'000
0	0
23	23
23	23

	2014 £'000	2014 £'000
3 to 6 months past due	0	0
Over 6 months past due	7	7
	7	7

The receivables assessed as individually impaired were mainly English, Welsh and Irish NHS Trusts/ Health Authorities, other Health Bodies, overseas patients, research companies and private individuals and it was assessed that not all of the receivable balance may be recovered.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

13. TRADE AND OTHER RECEIVABLES

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2014, receivables with a carrying value of £1,072,000 (2013: £735,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2013 £'000	2013 £'000		2014 £'000	2014 £'000
664	664	Up to 3 months past due	1,059	1,059
5	5	3 to 6 months past due	6	6
34	34	Over 6 months past due	7	7
703	703		1,072	1,072

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, Local Authorities and Universities and there is no history of default from these customers recently.

Concentration of credit risk is limited due to customer base being large and unrelated/government bodies. Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful receivables.

The credit quality of receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available. Where no external credit rating is available, historical information about counterparty default rates is used.

Receivables that are neither past due nor impaired are shown by their credit risk below:

2013 £'000	2013 £'000		2014 £'000	2014 £'000
0	0	Counterparties with external credit ratings	0	0
0	0	A	0	0
0	0	BB	0	0
0	0	BBB	0	0
0	0	Counterparties with no external credit rating:	0	0
0	0	New customers	0	0
0	0	Existing customers with no defaults in the past	0	0
0	0	Existing customers with some defaults in the past	0	0
0	0	Total neither past due or impaired	0	0

The maximum exposure to credit risk is the fair value of each class of receivable. The NHS Board does not hold any collateral as security.

2013 £'000	2013 £'000		2014 £'000	2014 £'000
731	726	The carrying amount of receivables are denominated in the following currencies:	1,059	1,058
0	0	Pounds	0	0
0	0	Euros	0	0
731	726	US Dollars	1,059	1,058

All non-current receivables are due within six years (2012-13: six years) from the balance sheet date.

The carrying amount of short term receivables approximates their fair value.

The fair value of long term other receivables is £0 (2012-13: £0)

The effective interest rate on non-current other receivables is 0% (2012-13: 0%). Pension liabilities are discounted at 1.8% (2012-13: 2.35%)

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

14. AVAILABLE FOR SALE FINANCIAL ASSETS

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Consolidated 2014 £'000	Board 2014 £'000
66	0	69	0	Government securities	59	0
621	0	604	0	Other	759	0
<u>687</u>	<u>0</u>	<u>673</u>	<u>0</u>	TOTAL	BS 818	0
642	0	687	0	At 1 April	673	0
115	0	203	0	Additions	591	0
(71)	0	(269)	0	Disposals	(446)	0
0	0	0	0	Impairment recognised in SOCNE	0	0
1	0	52	0	Revaluation surplus/(deficit) transferred to equity	0	0
<u>687</u>	<u>0</u>	<u>673</u>	<u>0</u>	At 31 March	818	0
0	0			Current	BS 0	0
<u>687</u>	<u>0</u>	<u>673</u>	<u>0</u>	Non-current	BS 818	0
<u>687</u>	<u>0</u>	<u>673</u>	<u>0</u>	At 31 March	818	0
0	0	0	0	The carrying value includes an impairment provision of	0	0

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

15. CASH AND CASH EQUIVALENTS

	Note	At 01/04/13 £'000	Cash Flow £'000	At 31/03/14 £'000
Government Banking Service account balance		2,717	(2,272)	445
Cash at bank and in hand		28	(28)	0
Endowment Cash		327	(178)	149
Total cash and cash equivalents - balance sheet	<u>B S</u>	3,072	(2,478)	594
Overdrafts	<u>16</u>	0	0	0
Total cash - cash flow statement		3,072	(2,478)	594
		<u>CFS</u>		<u>CFS</u>

CASH AND CASH EQUIVALENTS - PRIOR YEAR

	Note	At 01/04/12 £'000	Cash Flow £'000	At 31/03/13 £'000
Government Banking Service account balance		743	1,974	2,717
Cash at bank and in hand		22	6	28
Endowment Cash		210	117	327
Total cash and cash equivalents - balance sheet	<u>B S</u>	975	2,097	3,072
Overdrafts	<u>16</u>	0	0	0
Total cash - cash flow statement		975	2,097	3,072
		<u>CFS</u>		<u>CFS</u>

Cash at bank is with major UK banks. The credit risk associated with cash at bank is considered to be low.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

16. TRADE AND OTHER PAYABLES

Consolidated 2012 £'000	Board 2012 £'000	Consolidated 2013 £'000	Board 2013 £'000		Note	Consolidated 2014 £'000	Board 2014 £'000
				Payables due within one year			
				NHSScotland			
0	0	0	0	SGHSCO	SFR 30.1	0	0
737	737	693	693	Boards	SFR 30	1,313	1,313
737	737	693	693	Total NHSScotland Payables		1,313	1,313
				NHS Non-Scottish Bodies			
15	15	36	36	Amounts Payable to General Fund		7	7
765	765	2,745	2,745	FHS Practitioners		445	445
551	551	655	655	Trade Payables		644	644
516	516	331	331	Accruals		628	628
451	451	612	612	Deferred Income		498	498
0	0	1	1	Payments received on account		1	1
0	0	0	0	Interest payable		0	0
0	0	0	0	Net obligations under Finance Leases	22	0	0
0	0	0	0	Net obligations under PPP/PFI Contracts	23	0	0
0	0	0	0	Bank overdrafts	15	0	0
468	468	433	433	Income tax and social security	SFR 30.1	425	425
369	369	281	281	Superannuation		320	320
27	27	21	21	Holiday Pay Accrual		18	18
0	0	35	35	Clinical and medical negligence claims		0	0
0	0	0	0	VAT	SFR 30.1	0	0
27	27	102	102	Other Public Sector Bodies		238	238
0	0	0	0	EC Carbon Emissions		0	0
0	0	0	0	Other payables		0	0
3	0	1	0	Endowments Consolidation		2	0
0	0	0	0	Other Significant Payables (please specify)		0	0
3,929	3,926	5,946	5,945	Total Payables due within one year	BS	4,539	4,537
				Payables due after more than one year			
				NHSScotland			
0	0	0	0	- SGHSCO	SFR 30.1	0	0
0	0	0	0	- Boards		0	0
0	0	0	0	Other Public Sector Bodies		0	0
0	0	0	0	Net obligations under Finance Leases due within 2 years	22	0	0
0	0	0	0	Net obligations under Finance Leases due after 2 years but within 5 years	22	0	0
0	0	0	0	Net obligations under Finance Leases due after 5 years	22	0	0
0	0	0	0	Net obligations under PPP/PFI Contracts due within 2 years	23	0	0
0	0	0	0	Net obligations under PPP/PFI Contracts due after 2 years but within 5 years	23	0	0
0	0	0	0	Net obligations under PPP/PFI Contracts due after 5 years	23	0	0
0	0	0	0	EC Carbon Emissions Grant		0	0
0	0	0	0	Accruals		0	0
0	0	0	0	Deferred Income		0	0
0	0	0	0	Other payables		0	0
0	0	0	0	Total Payables due after more than one year	BS	0	0
3,929	3,926	5,946	5,945	TOTAL PAYABLES		4,539	4,537
				WGA Classification			
737	737	693	693	NHSScotland		1,313	1,313
837	837	714	714	Central Government Bodies	SFR 30.1	745	745
27	27	102	102	Whole of Government Bodies	SFR 30.2	238	238
15	15	36	36	Balances with NHS Bodies in England and Wales		7	7
2,313	2,310	4,401	4,400	Balances with bodies external to Government		2,236	2,234
3,929	3,926	5,946	5,945	Total		4,539	4,537
				Borrowings included above comprise:			
		£'000	£'000	Bank overdrafts		£'000	£'000
		0	0	Finance Leases		0	0
		0	0	PFI Contracts		0	0
		0	0			0	0
				The carrying amount and fair value of the non-current borrowings are as follows:			
		2013	2013	Carrying amount		2014	2014
		£'000	£'000	Finance Leases		£'000	£'000
		0	0	PFI Contracts		0	0
		0	0			0	0
				The carrying amount and fair value of the non-current borrowings are as follows:			
		2013	2013	Fair value		2014	2014
		£'000	£'000	Finance Leases		£'000	£'000
		0	0	PFI Contracts		0	0
		0	0			0	0
				The carrying amount of short term payables approximates their fair value.			
		2013	2013			2014	2014
		£'000	£'000	The carrying amount of payables are denominated in the following currencies:		£'000	£'000
		5,946	5,945	Pounds		4,539	4,537
		0	0	Euros		0	0
		0	0	US Dollars		0	0
		5,946	5,945			4,539	4,537

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

17. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical £'000	EC Carbon Emissions £'000	Other £'000	2014 Total £'000
At 1 April 2013	453	109	0	112	674
Arising during the year	44			248	292
Utilised during the year	(78)	(109)		(112)	(299)
Unwinding of discount					0
Reversed unutilised					0
At 31 March 2014	419	0	0	248	667

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2014

	Pensions and similar obligations £'000	Clinical & Medical £'000	EC Carbon Emissions £'000	Other £'000	2014 Total £'000
Payable in one year	63			248	311 B.S.
Payable between 2 - 5 years	0				0
Payable between 6 - 10 years	0	0	0	0	0
Thereafter	356	0	0	0	356 B.S.
Total as at 31 March 2014	419	0	0	248	667

PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions and similar obligations £'000	Clinical & Medical £'000	EC Carbon Emissions £'000	Other £'000	2013 Total £'000
At 1 April 2012	493	28	0	463	984
Arising during the year	51	81		112	244
Utilised during the year	(91)			(190)	(281)
Unwinding of discount					0
Reversed unutilised	0			(273)	(273)
At 31 March 2013	453	109	0	112	674

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows - to 31 March 2013

	Pensions and similar obligations £'000	Clinical & Medical £'000	EC Carbon Emissions £'000	Other £'000	2013 Total £'000
Payable in one year	76	109	0	112	297 B.S.
Payable between 2 - 5 years	0	0	0	0	0
Payable between 6 - 10 years	0	0	0	0	0
Thereafter	377	0	0	0	377 B.S.
At 31 March 2013	453	109	0	112	674

Analysis of expected timing of discounted flows - to 31 March 2012

	Pensions and similar obligations £'000	Clinical & Medical £'000	EC Carbon Emissions £'000	Other £'000	2012 Total £'000
Payable in one year	89	28	0	463	580 B.S.
Payable between 2 - 5 years	0	0	0	0	0
Payable between 6 - 10 years	0	0	0	0	0
Thereafter	404	0	0	0	404 B.S.
At 31 March 2012	493	28	0	463	984

	Pensions and similar obligations £'000	Clinical & Medical £'000	EC Carbon Emissions £'000	Other £'000	Total £'000
Current	89	28		463	580 B.S.
Non-current	404				404 B.S.
At 31 March 2012	493	28	0	463	984

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.8% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical & Medical

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

EC Carbon Emissions

Other

The Board currently has two employment disputes which may result in payments to claimants. The Board currently has four invoice disputes which may result in payments. It is anticipated that all six issues will be resolved within financial year 2014/2015.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

18. MOVEMENT ON WORKING CAPITAL BALANCES

2013 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	2014 Net Movement £'000
	INVENTORIES				
	25 Balance Sheet	12	421	463	
	25 Net Decrease/(Increase)				(42)
	TRADE AND OTHER RECEIVABLES				
(256)	Due within one year	13	726	1,058	
0	Due after more than one year	13	0	0	
			726	1,058	
	0 Less: Property, Plant & Equipment (Capital) included in above (enter as negative)		0	0	
	0 Less: Intangible Assets (Capital) included in above (enter as negative)		0	0	
	0 Less: General Fund Debtor included in above (enter as negative)		0	0	
			726	1,058	
(256)	Net Decrease/(Increase)				(332)
	TRADE AND OTHER PAYABLES				
2,019	Due within one year	16	5,945	4,537	
0	Due after more than one year	16	0	0	
113	Less: Property, Plant & Equipment (Capital) included in above		(95)	(210)	
0	Less: Intangible Assets (Capital) included in above		0	0	
0	Less: Bank Overdraft	16	0	0	
(1,980)	Less: General Fund Creditor included in above	16	(2,745)	(445)	
0	Less: Lease and PFI Creditors included in above	16	0	0	
0	Less: Interest payable included in above	16	0	0	
			3,105	3,882	
152	Net (Decrease)/Increase				777
	PROVISIONS				
(310)	Balance Sheet	17	674	667	
0	Transfer from Provision to General Fund		0	0	
(310)	Net (Decrease)/Increase				(7)
(389)	NET MOVEMENT (Decrease)/Increase	CFS			396

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

19. CONTINGENT LIABILITIES

The following contingent liabilities have not been provided for in the Accounts:

2013 £'000	Nature	2014 Value £'000
30	Clinical and medical compensation payments	5
0	Employer's liability	0
0	Third party liability	0
0	Doubtful debts	0
0	Legal Claims for Equal Pay Disputes	0
0	Other	0
0		0
30 TOTAL CONTINGENT LIABILITIES		5

The Board has also entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37, since the possibility of a transfer of economic benefits in settlement is too remote.

Guarantees

0	None	0
0		0

Indemnities

0	None	0
0		0

Letter of comfort

0	None	0
0		0

CONTINGENT ASSETS

0	Clinical and medical compensation payments	0
0	Employer's liability	0
0		0
0		0
0		0
0		0
0		0
0		0
0		0

NHS Orkney currently has 1 claim which has been lodged with the Employment Tribunal under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements. In the past year 0 claims have been withdrawn by claimants.

The basis of claims is as follows:

- The claimant's job has been rated as being of equivalent to that of their comparator using a valid Job Evaluation Study, and/or is of equal value to that of their comparator.
- Their comparator is currently paid or has been paid more than them.
- They claim equal pay, back pay and interest.

The current position and recent developments are summarised below.

Claimant Information

Work is ongoing to ensure that there is consistency in relation to the data that is held on the CLO data, and that held by the claimants' representatives, and the Employment Tribunal. Until this exercise is concluded it is not possible to accurately advise of the number of live claims.

Comparator Information

Named comparators have still not been identified. Work is still ongoing by both claimants and respondents in this regard. In a significant number of cases the term/terms that is/are said to breach the equality clause has/have not been identified. Work is however being planned in order to capture the information necessary to progress claims once the terms have been identified.

Period of Claim

The period over which back pay for any established breach would have to be calculated is the period between the effective date of the claim and September 2004.

Summary

The NHS Scotland Central Legal Office and Equal Pay Unit are continuing to monitor the progress of all equal pay claims in NHS Scotland as well as developments relating to NHS equal pay claims elsewhere that may further inform the position. They continue to advise that it is not possible to provide any financial quantification at this stage because of the lack of information available. On the basis of their view the appropriate accounting treatment is to disclose the claims as a contingent liability that is not possible to quantify.

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

20. EVENTS AFTER THE END OF THE REPORTING YEAR

Events after the end of the reporting period having a material effect on the accounts are:

There are no events after the reporting period having a material effect on the accounts.

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

21. COMMITMENTS

2013 £'000	Capital Commitments The Board has the following Capital Commitments which have not been Included for in the accounts	Property, plant and equipment:		Intangible assets:	2014 Total
		£'000	£'000	£'000	£'000
	Contracted				
0	YES migration	10	0	0	10
0	Eday surgery and nurses house upgrade	51	0	0	51
0	CT Scanner works	519	0	0	519
0	CT scanner	400	0	0	400
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
<u>0</u>	Total	<u>980</u>	<u>0</u>	<u>0</u>	<u>980</u>

Authorised but not Contracted					
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
0		0	0	0	0
<u>0</u>	Total	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

Other financial commitments					
2013	The Board has entered into no other non-cancellable contracts	2014			
£'000	The payments to which the Board is committed during 2012-13, analysed by the period during which the commitments expire are as follows:	£'000			
0	Expiry within 1 year	0			
0	Expiry within 2 to 5 years	0			
0	Expiry after 5 years	0			
<u>0</u>	Total	<u>0</u>			

NHS Orkney
 NOTES TO THE ACCOUNTS
 FOR THE YEAR ENDED 31 MARCH 2014

21. COMMITMENTS, cont.

Financial Guarantees, Indemnities and Letter of Comfort

The Board has entered into the following quantifiable guarantees, indemnities or provided letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39.

Managing public money requires that the full potential costs of such contracts be reported. These costs are reproduced in the table below.

2013 £'000		At 1 April 2013 £'000	Increase in year £'000	Liabilities crystallised in year £'000	Obligation expired in year £'000	At 31 March 2014 £'000
	Guarantees					
0	None	0	0	0	0	0
	Indemnities					
0	None	0	0	0	0	0
	Letter of comfort					
0	None	0	0	0	0	0

The Board has entered into no other non-cancellable contracts

Amount reported to Parliament by departmental Minute

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

22. COMMITMENTS UNDER LEASES

2013	Operating Leases	2014
£'000	Total future minimum lease payments under operating leases are given the in the table below for the each of the following periods.	£'000
	Obligations under operating leases comprise:	
	Land	
17	Not later than one year	14
15	Later than one year, not later than 2 years	14
42	Later than two year, not later than five years	42
70	Later than five years	56
	Buildings	
137	Not later than one year	112
116	Later than one year, not later than 2 years	111
334	Later than two year, not later than five years	334
959	Later than five years	847
	Other	
3	Not later than one year	10
8	Later than one year, not later than 2 years	3
3	Later than two year, not later than five years	0
0	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
13	Hire of equipment (including vehicles)	17
147	Other operating leases	145
<u>160</u>	Total	<u>162</u>
	Contingent rents recognised as an expense in the period were:	
0	Contingent rents	0
	Finance Leases	
	Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods.	
2013		£'000
£'000		
	Obligations under Finance leases comprise:	
	Buildings	
0	Rentals due within one year	16
0	Rentals due between one and two years (inclusive)	16
0	Rentals due between two and five years (inclusive)	16
0	Rentals due after five years	16
<u>0</u>		<u>0</u>
0	Less interest element.	<u>0</u>
<u>0</u>		<u>0</u>
	Other	
0	Rentals due within one year	16
0	Rentals due between one and two years (inclusive)	16
0	Rentals due between two and five years (inclusive)	16
0	Rentals due after five years	16
<u>0</u>		<u>0</u>
0	Less interest element	<u>0</u>
<u>0</u>		<u>0</u>
	This total net obligation under finance leases is analysed in Note 16 (Creditors)	
	Aggregate Rentals Receivable in the year	
0	Total of finance & operating leases	0

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

23a. COMMITMENTS UNDER PFI CONTRACTS - Off Balance Sheet

The Board has entered into the following PFI contracts.

The Board had no PFI contracts in 2013/14 or 2012/13

OFF BALANCE SHEET

Project	Estimated Capital Value £'000	Period of Contract	Prepayment £'000	Reversionary Interest £'000
Total	0		0	0

The total amount charged in the SOcNE in respect of off balance sheet PFI/PPP deals is:

2013 £'000	Project	2014 £'000
0	[Name 1]	0
0	[Name 2]	0
0	[Name 3]	
0	[Name 4]	
0	Total	0

Contingent rents recognised as an expense in the period were;

2013 £'000		2014 £'000
0	Contingent rents	0

Total future minimum lease payments, in respect of PFI/PPP operating leases, are given in the table below for each of the following periods;

2013 £'000		2014 £'000
0	Not later than one year	0
0	Later than one year, not later than two years	0
0	Later than two year, not later than five years	0
0	Later than five years	0
0		0

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

23b. COMMITMENTS UNDER PFI CONTRACTS - On Balance Sheet

[PFI Arrangement 1]

[PFI Arrangement 2]

[PFI Arrangement 3]

[PFI Arrangement 4]

[PFI Arrangement 5]

[PFI Arrangement 6]

[PFI Arrangement 7]

[PFI Arrangement 8]

[PFI Arrangement 9]

Under IFRIC 12 the asset is treated as an asset of the Board and included in the Board's accounts as a non-current asset. The liability to pay for the property is in substance a finance lease obligation. Contractual payments therefore comprise two elements: imputed finance lease charges and service charges. The imputed finance lease obligation is as follows:

Total obligations under on-balance sheet PFI/PPP contracts for the following periods comprises:

2012 £'000	2013 £'000	Gross Minimum Lease Payments	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	2014 Total £'000
0	0	0 Rentals due within 1 year	0	0	0	0	0	0	0	0	0	0
0	0	0 Due within 1 to 2 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Due within 2 to 5 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Due after 5 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Total	0	0	0	0	0	0	0	0	0	0
2012 £'000	2013 £'000	Less Interest Element	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	Total £'000
0	0	0 Rentals due within 1 year	0	0	0	0	0	0	0	0	0	0
0	0	0 Due within 1 to 2 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Due within 2 to 5 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Due after 5 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Total	0	0	0	0	0	0	0	0	0	0
2012 £'000	2013 £'000	Present value of minimum lease payments	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	[Name] £'000	Total £'000
0	0	0 Rentals due within 1 year	0	0	0	0	0	0	0	0	0	0
0	0	0 Due within 1 to 2 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Due within 2 to 5 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Due after 5 years	0	0	0	0	0	0	0	0	0	0
0	0	0 Total	0	0	0	0	0	0	0	0	0	0
2012 Total £'000	2013 Total £'000		2014 Total £'000									
0	0	0 Service charges	0									
0	0	0 Interest charges	0									
0	0	0 Other charges	0									
0	0	0 Total	0									
2012 £'000	2013 £'000		2014 £'000									
0	0	0 Contingent rents (Included in Other charges)	0									

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

24. PENSION COSTS

The NHS board participates in the National Health Service Superannuation Scheme for Scotland which is a notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost is assessed every five years by the Government Actuary; details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA).

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The NHS board will therefore account for its pension costs on a defined contribution basis as permitted by IAS 19. NHS Orkney's participation in the pension scheme is 0.36% as indicated by the proportion of total contributions paid in 2012-13

For the current year, normal employer contributions of £2,288,000 were payable to the SPPA (prior year £2,151,000) at the rate of 13.5% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £175,000 (prior year £52,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be met by future contributions from employing authorities.

Provisions amounting to £419,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

Changes to the scheme were implemented from 1 April 2008. Existing staff, and those joining the scheme up to 31 March 2008, will keep the benefits of the existing scheme but will be given the choice to transfer to the new scheme.

Existing scheme:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 13.3% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

On death, pensions are payable to the surviving spouse at a rate of half the member's pension. On death in service, the scheme pays a lump-sum benefit of twice pensionable pay and also provides a service enhancement on computing the spouse's pension. The enhancement depends on length of service and cannot exceed 10 years. Child allowances are payable according to the number of dependant children and whether there is a surviving parent who will get a scheme widow/widower's pension. Medical retirement is possible in the event of serious ill health. In this case, pensions are brought into payment immediately where the member has more than 2 years service. Where service exceeds 5 years, the pension is calculated using specially enhanced service, with a maximum enhancement of 10 years.

Members aged 50 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this the member will be able to retire on the full pension and lump sum which they have earned.

Arrangements from 2008:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5% to 13.3% of pensionable earnings. Pensions and allowances are index linked to protect their value.

Members aged 55 or above may take voluntary early retirement and receive a reduced pension. Alternatively, if the employer agrees to this the member will be able to retire on the full pension and lump sum which they have earned.

	2014 £'000	2013 £'000
Pension cost charge for the year	2,288	2,151
Additional Costs arising from early retirement	175	52
Provisions/Liabilities/Pre-payments Included in the Balance Sheet	419	453

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

Prior year adjustments which have been recognised in these Accounts are:

	Dr. £000	Cr. £000
Adjustment 1		
Consolidation of Endowment accounts for 2013/14		
Note 7 Other Non Clinical Services		53
Note 8 Other Operating Income		106
Note 13 Trade and Other Receivables		5
Note 14 Available for Sale Financial Assets	672	
Note 15 Cash and Cash Equivalents	328	
Note 16 Trade and Other Payables		1
SOCTE Funds Held in Trust		899
SOCNE Other Comprehensive Net Expenditure		52
Adjustment 2		
Consolidation of Endowment accounts for 2013/14		
Balance sheet adjustments 2011/12		
Note 13 Trade and Other Receivables		5
Note 14 Available for Sale Financial Assets	687	
Note 15 Cash and Cash Equivalents	211	
Note 16 Trade and Other Payables		4
SOCTE Funds Held in Trust		899
Adjustment 3		
Incorrect Inclusion of Revaluation Reserve balances in relation to assets with zero net book value.		
SOCTE General Fund		1,633
SOCTE Revaluation Reserve	1,633	
Adjustment 4		
Adjustment 5		

NHS Orkney
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 MARCH 2014

26a. RESTATED SOCNE

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Adjustment 4 £'000	Adjustment 5 £'000	These Accounts £'000
Clinical Services Costs							
Hospital and Community	31,866						31,866
Less: Hospital and Community Income	446						446
	<u>31,420</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>31,420</u>
Family Health Services	12,151						12,151
Less: Family Health Services Income	195						195
	<u>11,956</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,956</u>
Total Clinical Services Costs	<u>43,376</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>43,376</u>
Administration Costs	1,250						1,250
Less: Administration Income	0						0
	<u>1,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,250</u>
Other Non Clinical Services	3,063	53					3,116
Less: Other Operating Income	646	106					752
	<u>2,417</u>	<u>(53)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,364</u>
Net Operating Costs	<u>47,043</u>	<u>(53)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,990</u>

26b. RESTATED BALANCE SHEET

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Adjustment 4 £'000	Adjustment 5 £'000	These Accounts £'000
Non-current assets							
Property, plant and equipment	14,587						14,587
Intangible assets	125						125
Financial assets:							
Available for sale financial assets	0	672					672
Trade and other receivables	0						0
	<u>14,712</u>	<u>672</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>15,384</u>
CURRENT ASSETS							
Inventories	421						421
Financial assets:							
Trade and other receivables	726	5					731
Cash and cash equivalents	2,745	328					3,073
Available for sale financial assets	0						0
Derivatives financial assets	0						0
Assets classified as held for sale	465						465
	<u>4,357</u>	<u>333</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,690</u>
TOTAL ASSETS	<u>19,069</u>	<u>1,005</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>20,074</u>
CURRENT LIABILITIES							
Provisions	(297)						(297)
Financial liabilities:							
Trade and other payables	(5,945)	(1)					(5,946)
Derivatives financial liabilities	0						0
TOTAL CURRENT LIABILITIES	<u>(6,242)</u>	<u>(1)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(6,243)</u>
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	<u>12,827</u>	<u>1,004</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,831</u>
Non-current liabilities							
Provisions	(377)						(377)
Financial liabilities:							
Trade and other payables	0						0
Total non-current liabilities	<u>(377)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(377)</u>
Assets less liabilities	<u>12,450</u>	<u>1,004</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,454</u>
TAXPAYERS' EQUITY							
General Fund	10,017		1,633				11,650
Revaluation Reserve	2,433		(1,633)				800
Donated Asset Reserve	0						0
Other Reserves	0	1,004					1,004
Government Grant Reserve	0						0
Total taxpayers' equity	<u>12,450</u>	<u>1,004</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>13,454</u>

26c. RESTATED CASH FLOW STATEMENT

	Previous Accounts £'000	Adjustment 1 £'000	Adjustment 2 £'000	Adjustment 3 £'000	Adjustment 4 £'000	Adjustment 5 £'000	These Accounts £'000
Cash flows from operating activities							
Net operating cost	(47,043)	53					(46,990)
Adjustments for non-cash transactions	1,440	0					1,440
Add back: Interest payable recognised in net operating cost	0	0					0
Deduct: Interest receivable recognised in net operating cost	0	0					0
Investment Income	0	0					0
(Increase) / decrease in trade and other receivables	(256)	0					(256)
(Increase) / decrease in inventories	25						25
Increase / (decrease) in trade and other payables	152	(2)					150
Increase / (decrease) in provisions	(310)						(310)
Net cash outflow from operating activities	(45,992)	51	0	0	0	0	(45,941)
Cash flows from investing activities							
Purchase of property, plant and equipment	(600)						(600)
Purchase of intangible assets	(37)						(37)
Investment additions	0	(203)					(203)
Proceeds of disposal of property, plant and equipment	13						13
Proceeds of disposal of intangible assets	0						0
Receipts from sale of investments	0	269					269
Interest received	0						0
Net cash outflow from investing activities	(624)	66	0	0	0	0	(558)
Cash flows from financing activities							
Funding	46,616						46,616
Movement in general fund working capital	1,980						1,980
Cash drawn down	48,596	0	0	0	0	0	48,596
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	0						0
Interest paid	0						0
Interest element of finance leases and on-balance sheet PFI/PPP contracts	0						0
Net Financing	48,596	0	0	0	0	0	48,596
Net Increase / (decrease) in cash and cash equivalents in the period	1,980	117	0	0	0	0	2,097
Cash and cash equivalents at the beginning of the period	765	210					975
Cash and cash equivalents at the end of the period	2,745	327	0	0	0	0	3,072
Reconciliation of net cash flow to movement in net debt/cash							
Increase/(decrease) in cash in year	1,980	117	0	0	0	0	2,097
Net debt/cash at 1 April	765	210					975
Net debt/cash at 31 March	2,745	327	0	0	0	0	3,072

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

27. FINANCIAL INSTRUMENTS

a FINANCIAL INSTRUMENTS BY CATEGORY

Financial Assets

CONSOLIDATED

At 31 March 2014	Note	Loans and Receivables £'000	Assets at Fair Value through profit and loss £'000	Available for sale £'000	Total £'000
Assets per balance sheet					
Investments	14			818	818
Derivative financial Instruments	28		0		0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	202			202
Cash and cash equivalents	15	594			594
		<u>796</u>	<u>0</u>	<u>818</u>	<u>1,614</u>

BOARD

At 31 March 2014	Note	Loans and Receivables £'000	Assets at Fair Value through profit and loss £'000	Available for sale £'000	Total £'000
Assets per balance sheet					
Investments	14			0	0
Derivative financial Instruments	28		0		0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	201			201
Cash and cash equivalents	15	445			445
		<u>646</u>	<u>0</u>	<u>0</u>	<u>646</u>

CONSOLIDATED (Prior Year)

At 31 March 2013	Note	Loans and Receivables £'000	Assets at Fair Value through profit and loss £'000	Available for sale £'000	Total £'000
Assets per balance sheet					
Investments	14			673	673
Derivative financial Instruments	28		0		0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	281			281
Cash and cash equivalents	15	3,072			3,072
		<u>3,353</u>	<u>0</u>	<u>673</u>	<u>4,026</u>

BOARD (Prior Year)

At 31 March 2013	Note	Loans and Receivables £'000	Assets at Fair Value through profit and loss £'000	Available for sale £'000	Total £'000
Assets per balance sheet					
Investments	14			0	0
Derivative financial Instruments	28		0		0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	276			276
Cash and cash equivalents	15	2,745			2,745
		<u>3,021</u>	<u>0</u>	<u>0</u>	<u>3,021</u>

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

27. FINANCIAL INSTRUMENTS (cont.)

Financial Liabilities

CONSOLIDATED

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
At 31 March 2014				
Liabilities per balance sheet				
Finance lease liabilities	<u>16</u>		0	0
PFI liabilities	<u>16</u>		0	0
Derivative financial instruments	<u>28</u>	0		0
Trade and other payables excluding statutory liabilities (VAT and Income tax and social security), deferred income and superannuation	<u>16</u>		2,480	2,480
		0	2,480	2,480

BOARD

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
At 31 March 2014				
Liabilities per balance sheet				
Finance lease liabilities	<u>16</u>		0	0
PFI liabilities	<u>16</u>		0	0
Derivative financial instruments	<u>28</u>	0		0
Trade and other payables excluding statutory liabilities (VAT and Income tax and social security), deferred income and superannuation	<u>16</u>		2,478	2,478
		0	2,478	2,478

CONSOLIDATED (Prior Year)

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
At 31 March 2013				
Liabilities per balance sheet				
Finance lease liabilities	<u>16</u>		0	0
PFI liabilities	<u>16</u>		0	0
Derivative financial instruments	<u>16</u>	0		0
Trade and other payables excluding statutory liabilities (VAT and Income tax and social security) and superannuation	<u>16</u>		4,538	4,538
		0	4,538	4,538

BOARD (Prior Year)

	Note	Liabilities at Fair Value through profit and loss £'000	Other financial liabilities £'000	Total £'000
At 31 March 2013				
Liabilities per balance sheet				
Finance lease liabilities	<u>16</u>		0	0
PFI liabilities	<u>16</u>		0	0
Derivative financial instruments	<u>16</u>	0		0
Trade and other payables excluding statutory liabilities (VAT and Income tax and social security) and superannuation	<u>16</u>		4,537	4,537
		0	4,537	4,537

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

27. FINANCIAL INSTRUMENTS, cont.

b FINANCIAL RISK FACTORS

Exposure to Risk

The NHS Board's activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due.

Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

a) Credit Risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the NHS Board.

The utilisation of credit limits is regularly monitored.

No credit limits were exceeded during the reporting period and no losses are expected from non-performance by any counterparties in relation to deposits.

b) Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the NHS Board for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. The NHS Board is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2014				
PFI liabilities	0	0	0	0
Finance lease liabilities	0	0	0	0
Derivative financial instruments	0	0	0	0
Trade and other payables excluding statutory liabilities	2,478	0	0	0
Total	2,478	0	0	0

	Less than 1 year £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000
At 31 March 2013				
PFI liabilities	0	0	0	0
Finance lease liabilities	0	0	0	0
Derivative financial instruments	0	0	0	0
Trade and other payables excluding statutory liabilities	4,537	0	0	0
Total	4,537	0	0	0

c) Market Risk

The NHS Board has no powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing the NHS Board in undertaking its activities.

i) Cash flow and fair value interest rate risk

The NHS Board has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

ii) Foreign Currency Risk

The NHS Board is not exposed to foreign currency risk.

iii) Price risk

The NHS Board is not exposed to equity security price risk.

e FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined using valuation techniques. (Provide details of the technique used).

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

28. DERIVATIVE FINANCIAL INSTRUMENTS (Consolidated and Board)

2012 £'000	2013 £'000		2014 £'000
		Forward foreign currency contract	
0	0	Balance at 1 April	0
0	0	Additions	0
0	0	Repayments and disposals	0
0	0	Revaluation	0
<u>0</u>	<u>0</u>	Balance at 31 March	<u>BS 0</u>
<hr/>			
	£'000	Liabilities	£'000
		Forward foreign currency contract	
0	0	Balance at 1 April	0
0	0	Additions	0
0	0	Repayments and disposals	0
0	0	Revaluation	0
<u>0</u>	<u>0</u>	Balance at 31 March	<u>BS 0</u>
<u>0</u>	<u>0</u>	Gain / loss recognised in SOCNE	<u>0</u>
<u>0</u>	<u>0</u>	The notional principal amounts of the outstanding forward exchange contracts at 31 March were:	<u>0</u>

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

29. RELATED PARTY TRANSACTIONS

Dr Andrew Trevett, Non Executive Director of the Board, is a General Medical Practitioner at the Stromness Practice which provided Primary Medical Services to the Board. Payments to this practice in 2013/14 totalled £696,498.99. At 31.3.14 there were £ 1.87 of outstanding debts. There were no special terms attached to these debts. There were no doubtful outstanding debts or provisions.

The directors of the Board are also Trustees of Orkney Health Board Endowments Fund. In 2013/14 the Board received receipts totalling £2,432.72, at 31.3.14 there was £161.50 of outstanding debts. There were no doubtful outstanding debts or provisions.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

30. SEGMENT INFORMATION

Segmental Information as required under IFRS has been reported for each strategic objective

Note	HCH Services provided locally	HCH services provided off Island	FHS services unified budget	FHS services non- discretionary budget	(name)	(name)	2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost *	29,704	8,575	12,028	876	0	0	51,183
If reported to Senior Management also disclose;							
Total assets *	0	0	0	0	0	0	0
Total liabilities *	0	0	0	0	0	0	0
Total segment revenue	0	0	0	0	0	0	0
Inter-segment revenue	0	0	0	0	0	0	0
Revenue from external sources	0	0	0	0	0	0	0
Impairment losses recognised in SOCNE							0
Impairment losses recognised in Reserves							0
Impairment reversals recognised in SOCNE							0
Impairment reversals recognised in Reserves							0
Depreciation and amortisation							0
Interest income							0
Interest expense							0
Non-current assets held for sale							0
Additions to non-current assets (other than financial instruments and deferred tax assets) (i.e. capital expenditure)							0

[* Provide reconciliation of net operating costs to net operating costs per SOCNE if the amount disclosed above does not agree to SOCNE]

[* Provide reconciliation of assets and liabilities to assets and liabilities per the Balance Sheet, if the amount disclosed above does not agree to BS].

30. SEGMENT INFORMATION - PRIOR YEAR

Segmental Information as required under IFRS has been reported for each strategic objective

Note	HCH Services provided locally	HCH services provided off Island	FHS services unified budget	FHS services non- discretionary budget	(name)	(name)	2013
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost *	26,311	8,723	8,725	3,231	0	0	46,990
If reported to Senior Management also disclose;							
Total assets *	0	0	0	0	0	0	0
Total liabilities *	0	0	0	0	0	0	0
Total segment revenue	0	0	0	0	0	0	0
Inter-segment revenue	0	0	0	0	0	0	0
Revenue from external sources	0	0	0	0	0	0	0
Impairment losses recognised in SOCNE	0	0	0	0	0	0	0
Impairment losses recognised in Reserves	0	0	0	0	0	0	0
Impairment reversals recognised in SOCNE	0	0	0	0	0	0	0
Impairment reversals recognised in Reserves	0	0	0	0	0	0	0
Depreciation and amortisation	0	0	0	0	0	0	0
Interest income	0	0	0	0	0	0	0
Interest expense	0	0	0	0	0	0	0
Non-current assets held for sale	0	0	0	0	0	0	0
Additions to non-current assets (other than financial instruments)	0	0	0	0	0	0	0

[* Provide reconciliation of net operating costs to net operating costs per SOCNE if the amount disclosed above does not agree to SOCNE]

[* Provide reconciliation of assets and liabilities to assets and liabilities per the Balance Sheet, if the amount disclosed above does not agree to BS].

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

31. THIRD PARTY ASSETS

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts. There were no third party assets in 2013/14 or 2012/13

These are not departmental assets and are not included in the accounts. The assets held at the reporting period date to which it was practical to ascribe monetary values comprised monetary assets, such as bank balances and monies on deposit, and listed securities. They are set out in the table immediately below.

	2013 £'000	Gross Inflows £'000	Gross Outflows £'000	2014 £'000
Monetary amounts such as bank balances and monies on deposit	0	0	0	0
Unclaimed dividends and unapplied balances	0	0	0	0
Securities	0	0	0	0
Other monetary assets	0	0	0	0
Total Monetary Assets	0	0	0	0

Other significant assets held at the reporting period date to which it was not practical to ascribe monetary values comprised:

Any necessary details should be given of any investments in unlisted non monetary financial assets and of physical assets, the numbers of which should be disclosed in the following categories:

Description	2013 Number Held	2014 Number Held
Residential property	0	0
Farms and other agricultural holdings	0	0
Other property assets	0	0
Motor vehicles, boats and caravans	0	0
Chattels deemed of significant value:	0	0
Works of Art	0	0
Antiques and collections	0	0
Silverware and jewellery	0	0
Miscellaneous	0	0

NHS Orkney

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

32. EXIT PACKAGES

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2014	
			Total number of exit packages by cost band	
<£10,000	0	0	0	
£10,000 - £25,000	0	0	0	
£25,000 - £50,000	0	0	0	
£50,000 - £100,000	0	0	0	
£100,000 - £150,000	0	1	1	
£150,000 - £200,000	0	0	0	
>£200,000	0	0	0	
Total number exit packages by type	0	1	1	
Total resource cost (£'000)	0	112	112	

EXIT PACKAGES - PRIOR YEAR

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	2013	
			Total number of exit packages by cost band	
<£10,000	0	0	0	
£10,000 - £25,000	0	1	1	
£25,000 - £50,000	0	0	0	
£50,000 - £100,000	0	3	3	
£100,000 - £150,000	0	0	0	
£150,000 - £200,000	0	0	0	
>£200,000	0	0	0	
Total number exit packages by type	0	4	4	
Total resource cost (£'000)	0	191	191	

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

33a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group
2013
£'000

Board 2014
Endowments 2014
Intra Group adj. 2014
Consolidated 2014
£'000 £'000 £'000 £'000

Clinical Services Costs	31,866	35,371	0	0	35,371
Hospital and Community	446	445	0	0	445
Less: Hospital and Community Income	31,420	34,926	0	0	34,926
Family Health	12,151	12,904	0	0	12,904
Less: Family Health Income	1,956	237	0	0	237
Total Clinical Services Costs	43,376	47,593	0	0	47,593
Administration Costs	1,250	1,105	0	0	1,105
Less: Administration Income	0	0	0	0	0
Other Non Clinical Services	3,116	3,230	81	0	3,311
Less: Other Operating Income	752	783	43	0	826
Net Operating Costs	46,990	51,145	38	0	51,183

Brief details should be provided for each adjustment included in column E (Intra Group Adjustments) above:

NHS Orkney
NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

33b. CONSOLIDATED GROUP BALANCE SHEET

Group	2013	2014
	£'000	£'000
Non-current assets:		
Property, plant and equipment	14,587	15,133
Intangible assets	125	128
Financial assets:		
Available for sale financial assets	673	818
Trade and other receivables	0	0
Total non-current assets	15,385	16,089
Current Assets:		
Inventories	421	463
Financial assets:		
Trade and other receivables	731	1,058
Cash and cash equivalents	3,072	445
Available for sale financial assets	0	149
Derivatives financial assets	0	0
Assets classified as held for sale	455	187
Total current assets	4,689	2,135
Total assets	20,074	17,424
Current liabilities		
Provisions	(297)	(311)
Financial liabilities:		
Trade and other payables	(5,946)	(2)
Derivatives financial liabilities	0	(4,539)
Total current liabilities	(6,243)	(4,850)
Non-current liabilities		
Non-current assets plus/less not current assets/liabilities	13,831	12,575
Provisions	(377)	(356)
Financial liabilities:		
Trade and other payables	0	0
Total non-current liabilities	(377)	(356)
Assets less liabilities	13,454	12,220
Taxpayer's Equity		
General fund	11,650	9,520
Reserve	800	2,700
Other reserves	0	0
Funds Held on Trust	1,004	966
Total taxpayer's equity	13,454	13,186

Note	Board 2014 £'000	Endowment 2014 £'000	Intra Group adjustment 2014 £'000	Group 2014 £'000
11	15,133			15,133
12	138			128
13	0	818		818
14	0	0	0	0
15	15,271	318	0	16,089
12	463			463
13	1,058	1		1,059
14	445	149		594
15	0	0		0
16	187			187
17	2,135	150	0	2,303
17	17,424	968	0	18,392
18	(311)			(311)
19	(4,537)	(2)		(4,539)
20	0	(2)		0
21	(4,849)			(4,850)
22	12,575	966	0	13,542
23	(356)			(356)
24	0	0		0
25	(356)			(356)
26	12,220	966	0	13,186
27	9,520			9,520
28	2,700			2,700
29	0	966		966
30	12,220	966	0	13,186

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2014

33c. CONSOLIDATED STATEMENT OF CASHFLOWS

Board £'000	Endowment £'000	Group £'000		Board £'000	Endowment £'000	Group £'000
			Cash flows from operating activities			
(47,043)	53	(46,990)	Net operating cost	(51,145)	(39)	(51,183)
1,440	0	1,440	Adjustments for non-cash transactions	2,337		2,337
0	0	0	Add back: Interest payable recognised in net operating cost	0	0	0
0	0	0	Deduct: Interest receivable recognised in net operating cost	0	0	0
0	0	0	Investment income	0	0	0
(256)	0	(256)	(Increase) / decrease in trade and other receivables	(332)	5	(327)
25	0	25	(Increase) / decrease in inventories	(42)	0	(42)
152	(2)	150	Increase / (decrease) in trade and other payables	777		777
(310)	0	(310)	Increase / (decrease) in provisions	(7)	0	(7)
(45,992)	51	(45,941)	Net cash outflow from operating activities	(48,412)	(33)	(48,445)
			Cash flows from investing activities			
(600)		(600)	Purchase of property, plant and equipment	(854)	0	(854)
(37)		(37)	Purchase of intangible assets	(76)	0	(76)
0	(203)	(203)	Investment additions	0	(591)	(591)
13		13	Proceeds of disposal of property, plant and equipment	327	0	327
0		0	Proceeds of disposal of intangible assets	0	0	0
0	269	269	Receipts from sale of investments	0	446	446
0		0	Interest and dividends received	0	0	0
(624)	66	(558)	Net cash outflow from investing activities	(603)	(145)	(748)
			Cash flows from financing activities			
46,616		46,616	Funding	49,015		49,015
1,980		1,980	Movement in general fund working capital	(2,300)		(2,300)
48,596	0	48,596	Cash drawn down	46,715	0	46,715
0	0	0	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	0	0	0
0	0	0	Interest paid	0	0	0
0	0	0	Interest element of finance leases and on-balance sheet PFI/PPP contracts	0	0	0
48,596	0	48,596	Net financing	46,715	0	46,715
1,980	117	2,097	Net increase / (decrease) in cash and cash equivalents in the period	(2,300)	(178)	(2,478)
765	210	975	Cash and cash equivalents at the beginning of the period	2,745	327	3,072
2,745	327	3,072	Cash and cash equivalents at the end of the period	445	149	594
1,980	117	2,097	Reconciliation of net cash flow to movement in net debt/cash	(2,300)	(178)	(2,478)
765	210	975	Increase/(decrease) in cash in year	2,745	327	3,072
2,745	327	3,072	Net debt/cash at 31 March	445	149	594



Orkney Health Board

DIRECTION BY THE SCOTTISH MINISTERS

The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

A handwritten signature in black ink, appearing to be 'M. A.', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated: 10/02/06