



ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2022

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2021/22

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NHS ORKNEY

ANNUAL REPORT AND ACCOUNTS 2021/22

PERFORMANCE REPORT - OVERVIEW

1. Purpose

The Overview aims to provide the reader with sufficient information to understand the purpose of the NHS Orkney Board, the key risks to the achievement of its objectives and how it has performed during 2021/22. Additional information has been provided in the Performance Report, the Accountability Report and the financial statements.

NHS Orkney publishes a wide range of information on its services and activities on its website which you can find at: <https://www.ohb.scot.nhs.uk>

2. Chief Executive Statement

2021/22 has been another demanding year for us as we have continued to navigate the challenges posed by the Covid-19 pandemic. On behalf of the Board, I would like to express my sincere thanks and appreciation to all our staff and partners for their fantastic work in supporting the provision of high-quality health and social care to patients across our community.

As an organisation we have had to respond to the enduring challenges posed by Covid-19, not only the ongoing demands of rising cases and outbreaks but also the impact of staff sickness and the need to self-isolate that has placed unprecedented stress on our whole system. Even with these demands our teams have worked tirelessly to support those we care for and maintain our services even extending this support into Orkney's Care Home to support and protect the most vulnerable in our community.

Covid-19 will remain with us for the foreseeable future and will be a significant factor not only in how we live our lives but also how we seek to provide our services, and this will mean we will need to continue the journey of redesigning how and where care is provided to ensure that we can continue to meet the health and social care needs of our population now and in the future. Across Orkney we remain committed to providing care in the right places to meet the needs of our communities and build on the solid foundations already established through the integration of health and social care.

The continued response and commitment from our staff, partners and the public in reacting to Covid-19 has been remarkable. Covid-19 has brought with it challenges but also opportunities including the successful implementation of new ways of working at a pace that few thought was possible. We will continue to learn and benefit from these new approaches to innovate and develop new approaches and we intend to build on these as we embark on the next phase of our development led by our new Clinical Strategy.

The Clinical Strategy has been developed during 2021/22 as part of the organisation's commitment to a clear strategic future vision for Orkney's health and care services for the next 5 years. The Strategy will be presented to the Board at its meeting on 23rd June 2022. Huge effort has been made to engage with internal and external stakeholders to devise a plan which meets the needs of our community.

The Board continues to focus and respond to key strategic issues that are critically important to the future of NHS Orkney. The recommendations from the Care Inspectorate report into Children and Young People Services in Orkney is being progressed with the progress made across Orkney recognised. However, we still have much to do in delivering the necessary changes required to ensure the best possible outcomes for children, young people and families across Orkney and addressing the failings previously highlighted remains front and centre for the Board.

Building on the Digital Health and Care Innovation Centre (DHI) Listening Exercise undertaken in 2020/21 to shift the culture of NHS Orkney remains a key action for the Board. We continue to focus our efforts on taking forward the agreed recommendations through a comprehensive set of action in partnership with the staff of NHS Orkney. Progress continues to be made in these areas with a number of vital actions concluded this financial year.

The Executive Team also agreed the key priorities for NHS Orkney for 2021/22 which resulted in a 'Plan on a Page', with a key focus on the following five areas:

- Covid-19
- Culture
- Quality and Safety
- Systems and Governance
- Sustainability

A refreshed plan with key priorities for 2022/23 is being developed as part of our refresh of our vision and values. This is being developed across NHS Orkney's Leadership Team.

It has been a real privilege to lead NHS Orkney over the past twelve months and I remain committed to an organisation that places the health and well-being of our community at the heart of how we work. I am proud to have been part of the team and I look forward to continuing to work with the amazing staff, partners, community and dedicated Executive Team, as we navigate through 2022/23 and welcome the exciting future possibilities we can deliver for the people of Orkney.

3. Background and Principal Activities

Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing health care services for the residents of Orkney, with a growing population of approximately 22,000. We employ 756 staff and provide a range of primary, community-based and acute hospital services.

In 2021/22 we treated 2,551 individual inpatient/daycases in comparison to 2020/21 when 1,982 were treated. In 2021/22, 4,492 patients on a new waiting list attended our specialist outpatient clinics (2020/21 – 5,867) and our accident and emergency department treated 5,870 people (2020/21 – 4,805).

NHS Orkney is one of the smallest territorial health boards in Scotland by general funding allocation, and our services are delivered through an Acute Sector, a Public Health Directorate and a range of Primary and Community Care services delegated to the Integrated Joint Board (IJB). Our clinical services are supported by corporate functions such as Finance, Human Resources, Estates and E-Health.

The IJB is a legally constituted cross sector body providing a focus for NHS Orkney to work in partnership with other agencies, including the Local Authority and Primary

Healthcare contractors, in the provision of integrated services to the local community. Executive Directors and Non-Executive members of the NHS Orkney Board are members of the Integration Joint Board which provide the strategic direction for the integration of health and social care.

4. Non-Financial Performance

NHS Orkney strives to encompass a culture of continuous performance improvement which is achieved through our performance framework. Our vision, to be the best remote and rural care provider in the UK, is supported by our strategic priorities:

- Covid-19
- Culture
- Quality & Safety
- Systems & Governance
- Sustainability

These priorities are further defined in NHS Orkney's Plan on a Page.

Our core values are at the heart of all we do:

- Care and compassion
- Dignity and respect
- Openness, honesty and responsibility
- Quality and teamwork.

During 2021/22 the Board continued to strive to deliver a safe and effective service whilst managing ongoing requirements in relation to Covid-19 and successfully meeting its financial targets.

The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The performance measures in this section use national and local sources to present the 2021/22 performance. It is important to note that much of this data is taken from live systems that may be updated, these therefore may be revisited in the future. The Board's non-financial performance measures focus on the six dimensions of healthcare quality as highlighted in the Healthcare Quality Strategy for NHS Scotland which demonstrate that the system is Person Centred, Safe, Effective, Efficient, Equitable and Timely.

On 1 April 2020, the Scottish Government established a new body, Public Health Scotland in order to support national and local partners across Scotland to work together to improve healthy life expectancy and reduce health inequalities in our communities. Further information is available on the Public Health Scotland website (<https://www.publichealthscotland.scot>).

Public Health Scotland – Data and Intelligence publishes reports on various activities and performance of all NHS Boards, the most up-to-date information can be found at the following website:

<https://www.nhsperforms.scot>

Performance against the key national clinical treatment targets have clearly been impacted by the changes made to support the Boards response to the Covid-19 pandemic. The figures below highlight the performance data achieved to the end of March, taken from internal data sources, and not yet formally verified.

Standard	Target	March 2022 Position
A&E 4 Hour	95%	96%
Treatment Time Guarantee	95%	67%
OP 12 weeks	95%	56%
Cancer 31 day	95%	100%
Cancer 62 day	95%	72%
18 weeks RTT	90%	91%
18 weeks PT	90%	71%
CAMHS	90%	Data not yet available

During 2021/22 performance against a number of the standards continued to be adversely affected by the Covid-19 pandemic although work to implement the Board's Remobilisation Plan enabled a reduction in backlog and waiting times in some speciality areas. Achieving performance levels for the 12 week Outpatients standard and the treatment time guarantee were particularly adversely affected where performance reduced as a result of the pausing of elective services during the Covid-19 response phase and social distancing and increased infection prevention and control measures have negatively impacted on clinic and theatre capacity. Throughout the year performance in regard to the 4-hour emergency standard has remained good and through the prioritisation of urgent suspected cancer diagnostic pathways and cancer treatments throughout the pandemic, performance in relation to the cancer standards has also been good, although on occasion impacted by small numbers. Continued access to CAMHS and Psychological Therapies was facilitated throughout 2021/22 through the adoption and embedding of NearMe as a critical aspect of service delivery. This allowed clinicians to continue to provide access to services without the risks of face-to-face contact. Data quality issues have impacted on the submission of national datasets during 2021/22 thus the presentation of data in respect of CAMHS performance is not yet possible however, submission of aggregate returns will restart in Quarter 1 of 2022/23 and be back dated for the previous year.

The Board's third and fourth Remobilisation Plans were developed and implemented throughout the course of 2021/22 with the priorities of improving access and addressing the backlog which had built up during the pandemic being clearly articulated. Remobilisation has involved working closely with partner Boards to access elective capacity in other areas and ongoing clinical prioritisation to ensure timely access to services for those who are in greatest need.

5. Key Issues and Risks

The Board's Annual Operational Plan and Strategic Risk Register set out the key priorities, challenges and risks NHS Orkney faces in future years and how these will be mitigated. The challenge for the Board is to manage these risks in a way that ensures we continue to deliver a high standard of operational performance and provide quality clinical services, whilst ensuring financial balance and achievement of our financial targets.

The key strategic risks impacting NHS Orkney as of March 2022 are outlined below. These risks are managed within the Board's Corporate (Strategic) Risk Register which includes the controls and mitigation measures that are in place to manage these risks.

Corporate Risk

Owner	Risk Title	Current Scoring	Target Score	Controls in place
Director of Finance	Data Security – Control of Access to Clinical and Non-Clinical Personal Data	15	4	IT Access request process Information security Policy
Chief Executive	NHS Orkney's ability to comply with the requirements to manage Violence and Aggression towards staff within NHSO	20	6	V&A Lead (Training Officer) in place for 0.5 WTE. Budget for further hours approved and being progressed. External provider being used to support backlog. Work started on remedial <u>plan</u> , taskforce set up to delivery on Actions from HSE reports. Challenge freeing up staff time to attend training. Online Learning tools being reviewed to ensure training meets statutory requirements. Policy is in place, being reviewed and in process of being ratified. Risk assessment process is in place.
Chief Executive	NHS Orkney's ability to comply with the requirements of the Manual Handling Operations Regulations 1992.	20	6	Training Officer in place for 0.5 WTE. Budget for further hours approved and being progressed. External provider being used to support backlog. Work started on remedial <u>plan</u> , taskforce set up to delivery on Actions from HSE reports. Challenge freeing up staff time to attend training. Online Learning tools being reviewed to ensure training meets statutory requirements. Policy is in place, being reviewed and in process of being ratified. Risk assessment process is in place. Robust system for maintaining hoists in place. Robust system for inspecting slings in place.
Chief Executive	Senior Leadership, Oversight and Support - the leadership team at NHS Orkney is experiencing ongoing gap due to unplanned absence and transitioning from interim to permanent arrangements. This creates the risk that staff may not be clear of who to approach, where to seek line management support and therefore defer actions or decisions.	10	8	The EMT have communicated out to the small number of staff impacted by this who they are being managed <u>by</u> further extensions are being put in place to interim arrangements to facilitate transfer to the permanent structures and the Board is in discussion with the Scottish Government about the current interim CEO position.
Medical Director	Failure to meet <u>patients</u> specialist healthcare needs - there is a risk that the limitations of our remote and rural setting and rural general hospital facility may mean the health needs of those requiring more specialist care are not met.	12	8	Partnership arrangements in place with mainland Boards to ensure access to more specialist secondary and tertiary services. Visiting services provided for more widely used specialities to avoid the need for off island.
Chief Executive	Failure to meet population health needs arising from the pandemic - there is a risk that NHS Orkneys approach to the provision of health care may not meet the changed needs of our island population which result from the COVID 19 pandemic.	16	8	Clinical Strategy being developed which will consider future population health need. IJB strategy group reviewed highlighted risk areas from IJB needs assessment Remobilisation and winter plan in place.
Director of Public Health	Impact of NHS service provision of Climate Change and Sustainability – there is a risk that NHS Orkney may have a negative impact on <u>peoples</u> health and the environment through the delivery of services should it not focus on climate change and sustainability.	12	8	Sustainability Steering Group <u>established</u> and low carbon transport adopted across NHS Orkney. Reduced off island and local travel through imbedding of Near Me. Reduced staff travel as result of working from home and the use of Microsoft Teams reducing off island travel.
Chief Executive	Failure to respond appropriately to Covid-19 - there is a risk that population health may be impaired due to NHS Orkney inability to respond appropriately to COVID 19	12	8	Mobilisation and Surge Plans in place to manage COVID 19 infection within community. Remobilisation planning undertaken to minimise the impact of the pandemic on access to services. Clinical prioritisation of access in place for elective care. Testing process in place and well established. Vaccination booster programmes scheduled for delivery in line with national guidance.

Corporate Risk

Owner	Risk Title	Current Scoring	Target Score	Controls in place
Chief Executive	NHS Orkney (NHSO) could experience significant issues regarding supply of stock/equipment/food and medicines leading to potential patient harm.	9	6	Brexit assessment has been completed Brexit Steering Group Monthly report to Senior Management Team (SMT) Ongoing general monitoring of situation as Brexit date passed Executive Lead – Acting Director of Nursing, Maternity and Allied Health Professionals (DoNMAP) Professional Leads: - Acting Nursing, Midwifery and AHP - Medical Director - Lead Dentist Executive & Senior Management Team meetings Management Team Clinical Care & Governance, & Staff Governance framework; 6 monthly update report General Management Structure within Community Policies / Procedures / Guidelines Health & Care (Staffing) (Scotland) Act 2019: Guidance Summaries dated 17 Aug 21 Remobilisation Plan 4 (RMP4): Health & Care Staffing Delivery Plan created 28 Sep 21 Scottish Government (SG)/ Health and Social Care Partnership (HSPP) Board Self-assessment Report Improvement plan being developed being led by Senior Information Risk Owner (SIRO). With oversight mechanisms in place for delivery.
Director of Nursing, Midwifery & AHPs	Potential non-compliance with Health and Care (Staffing) (Scotland) Act	12	9	To be updated with support from Executive lead Situation has been occurring for some time, so organisation has partly accepted risk - Use of regular locums where possible - Interviews held and Appointment of surgical staff - Interviews for medical consultant planned - Appropriate HR checks on any locums, and review of any incidents occurs in relation to quality of care General Funding Overspend, Recurring Financial Balance and Capital Programme - Remobilisation Plan which information is placed to AOP which goes to Finance and Performance Committee (F&P) for consideration and then to Board for ratification and approval and finally signed off by Scottish Government. Ongoing dialogue across organisation to ensure they deliver financial balance. Scottish Government is cited on various discussion through the F&P, Remobilisation and Capital Updates Report. Cost Savings - outlined in Annual Operating Plan (AOP) and also outlined in Finance and Performance Committee reports. The savings are discussed at the F&P Committee and Board with plans put in place to address the target. Discussed with each budget manager and regular dialogue with Executive Management Team (EMT). Staff training and awareness Lessons learned from other organisations and implementing controlled measures and spreading data storage Meetings with managers around mitigations and measures in place Air gap containers in a different security context Scottish Government Playbook and National Centre of Cyber Excellence support.
Director of Finance	NHSO lacks adequate systems, safeguards & process which could result in data loss/system outage compromising patient care.	16	8	
Medical Director	Care and financial sustainability may be compromised should the current medical workforce model continue	16	12	
Director of Finance	Corporate Finance Risk – There is a risk that: General funding uplift over estimated resulting in inability to implement planned commitments. Cost savings forecasts for major projects overestimated resulting in failure to achieve boards financial objectives (i.e. RRL) ability to meet cost of ongoing compliance with policy changes, statutory changes and updated guidance issued by SGHD. Inability to deliver against the boards capital programme (CRL) failure to deliver reoccurring financial balance.	20	8	
Director of Finance	Nefarious Applications, Operators or Agents - there is a risk that some/all data systems could be encrypted/data mined/erased resulting the deniability of access to all databases, backup servers and messaging systems resulting in NHS Orkney being unable to provide any form of clinical service and personal data being made available on the common market. All clinical services would be impacted with significant reduced ability to deliver any interventions.	20	8	

Corporate Risk

Owner	Risk Title	Current Scoring	Target Score	Controls in place
Chief Executive	Failure to Deliver DHI Listening Exercise Action Plan - there is a risk that NHS Orkney will fail to deliver the actions arising from the DHI Listening Exercise negatively impacting on the engagement of the workforce.	15	5	Partnership arrangements in place with mainland Boards to ensure access to more specialist secondary and tertiary services. Visiting services provided for more widely used specialities to avoid the need for off island travel. Repatriation off clinical care when it is safe to do so. (Good relationships and Standard Operating Procedures (SOPs) to support access to senior clinical decision makers off island as required eg Paediatrics.
Director of Public Health	Cruise liners dock in Orkney, risk of outbreak on liner services, both Public Health and Hospital will be overwhelmed which could cause harm.	4	8	Port Health Plan in place and subject to regular review. Memorandum of Understanding (MOU) in place with NHS Grampian, Shetland, Highland & Western Isles. Joint Port Health Exercise held annually at commencement of Cruise Liner season. Current risk scoring low on basis of significant reduction in cruise liner activity during pandemic however this will be reviewed at pre-season meeting for 2022 summer season.

6. Clinical Strategy

After a period of inactivity, due to the Covid-19 pandemic, development of the Clinical Strategy is well underway and will be presented to the Board for approval early in 2022/23.

The aim of this project is to produce a strategic plan for Orkney's health and care services which will ensure that we have a clearly articulated strategic vision for the next 5 years. A whole system approach has been taken in order to produce continuity of care provision across the spectrum of health and social care. The type and range of care provided will be determined by the needs of the patient/service user.

A wealth of information has been gathered to inform the Clinical Strategy, along with the Covid-19 response work. These influences have been captured and integrated into the Clinical Strategy.

7. Remobilisation Plan

The Covid-19 pandemic has resulted in unprecedented impact on population health and wellbeing, and the way in which services are delivered at a time of crisis.

In March 2021, the Board submitted its third Remobilisation Plan which was based on a series of principles and key objectives suited to the current emergency footing for NHS Scotland at that time and included summaries of activities in Acute, Mental Health, Primary Care and Community, and public health services building on previous Remobilisation Plans which covered the period up until 31st July 2020 and then 31st March 2021. In line with the national framework the third Remobilisation Plan was developed with the intention of delivering the three priorities of:

- Delivering Essential Services
- Living with Covid-19
- Supporting Staff Wellbeing

In September 2021, the Board built on this by developing its fourth Remobilisation Plan and articulating the aims of:

- a) Reducing morbidity and mortality from Covid-19 and non-Covid-19 ill health;
- b) Ensuring the delivery of essential services equitably to meet the general health needs of the population whilst at the same time minimising the risk of virus transmission;
- c) Ensuring that the Board is compliant in meeting the requirements of Scottish Government in responding to and recovering from the Covid-19 pandemic.

The Board will work in collaboration with local, regional and national partners to maximise the opportunities that have been presented as a result of the Covid-19 pandemic to capitalise on an increased appetite for change.

Work to develop the Board's three year Delivery Plan for the period 2022/23 to 2023/25 is ongoing.

8. Orkney Health and Care – Integrated Joint Board

The Integration Joint Board's Strategic Plan for 2019/2022 was approved on the 2 October 2019 and, the following is an extract of the 2019/22 plan and can be located [here](#):

“This plan aims to set out the ambitions for health and social care in Orkney for those functions and services delegated to Orkney Health and Care by Orkney Islands Council and NHS Orkney. The plan however, also includes the services provided by the new Balfour Hospital and other functions that remain with NHS Orkney. We believe that this will allow us to make the most of our stretched resources and to ensure that movement in and out of the hospital setting is safe, seamless and efficient. The plan clearly sets out the principles, values and approach, which will shape all that we do. Our focus will always be on innovation and the continual improvement of the health and wellbeing of all living in Orkney. It will also be about ensuring our activities maximise our ability to reduce health inequalities that exist in our communities. The plan sets out our new approaches to health and social care. We need to develop different ways of working.”

During 2020/21, a detailed Strategic Commissioning Implementation Plan was developed and agreed by the Integration Joint Board early in 2021/22.

The Integration Scheme was reviewed and approved by the NHS Board and Orkney Islands Council for submission to Scottish Government.

The Integration Joint Board approved revised Terms of Reference for the Strategic Planning Group and an enhanced Audit Committee, becoming a Performance and Audit Committee, which will be implemented in 2022/23. Orkney Islands Council also took the decision to disestablish the Orkney Health and Care Committee, streamlining and simplifying the governance arrangements.

The Rapid Mobile Community Responder Service has enabled many people to remain within their own homes and is valued by those who use it. It has also demonstrated success in the objectives that were set. The Home First team was established and has begun to see good outcomes for those they support.

A new Distress Brief Interventions project was established in conjunction with Penumbra and the Orkney Blide Trust. The Integration Joint Board also approved plans to significantly grow our Child and Adolescent Mental Health Services, increasing the staffing complement to 14. Some key permanent appointments have been made across mental health services, with a consultant psychiatrist, a Service Manager and a Clinical Director for CAMHS.

NHS Orkney, the Integration Joint Board and Orkney Islands Council engaged with the National Care Service Consultation and submitted respective responses. In addition, the three organisations, alongside Voluntary Action Orkney, submitted a joint response.

A Joint Strategic Needs Assessment was completed during 2021/22 to help inform the new strategic plan – scheduled to be considered by the IJB early in 2022/23.

9. Financial Performance

The Scottish Government sets three annual financial targets at NHS Board level. NHS Boards are expected to contain their net expenditure within these targets, and to report on variation from the limits set.

Revenue resource limit	a resource budget for ongoing operations
Capital resource limit	a resource budget for new capital investment
Cash requirement	a requirement to fund the cash consequences of ongoing operations and new capital investment

NHS Orkney achieved each target as shown below.

	Limit as set by SGHD £000	Actual Outturn £000	Surplus £000
Core Revenue Resource Limit	79,611	79,541	70
Non Core Revenue Resource Limit	2,593	2,593	0
Core Capital Resource Limit	2,192	2,192	0
Cash Requirement	76,713	76,713	0

		£000
Memorandum of In Year Outturn	Core Revenue Resource Variance (Deficit)/ Surplus in 2021/22	70
	Financial Flexibility: Funding Banked with Scottish Government	(46)
	Underlying (Deficit)/ Surplus against Core Revenue Resource Limit	24
	Percentage	0.009%

A one year financial plan was submitted to Scottish Government by NHS Orkney on 31 March 2021. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the three year Annual Operating and financial planning process. Recognising the exceptional nature of 2021/22 and the impact on delivery of financial plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Orkney received £11.749m.

The notes to the accounts provide further details on the Board's income and expenditure during the year. Demand-led income and expenditure in respect of family health services (including dental, ophthalmic and pharmacy services) is not included in the Board's Revenue Resource Limit. The net expenditure on family health services is deducted from the Statement of Consolidated Comprehensive Net Expenditure to arrive at the performance against the Board's Revenue Resource Limit. This is set out in the Resource Outturn Statement in Note 2a.

Payment Policy

NHS Orkney is committed to supporting the Scottish Government by paying bills more quickly to aid businesses' cash flow. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies.

Measure of Better Payment	2021/22	2020/21
Paid by value – in 10 days	64%	47%
In 30 days	89%	80%
Credit taken	20 days	20 days
Paid by volume – in 10 days	64%	57%
In 30 days	85%	84%

**Whilst the payment performance has improved in the year, mechanisms are being put in place to strengthen performance.*

Other Financial Disclosures

Outstanding liabilities

NHS Orkney has £15.477m of current liabilities and no long-term liabilities in 2021/22, compared with £11.870m and nil respectively in 2020/21. Current liabilities have increased in the year, this is mainly due to the earmarked funding carried forward by the IJB at year end.

Pension Liabilities

The accounting policy for pensions is provided in Note 1 to the Accounts and disclosure is shown within Note 19 and the Remuneration Report.

Non-Profit Distributing (NPD) – The Balfour Hospital and Healthcare Facility

The funding arrangements and accounting treatment for the New Hospital and Healthcare Facility reflects the nature of the contract, which is a Non Profit Distribution (NPD) Scheme with a funding variant. Robertson Capital Projects was selected as the Preferred Bidder to design, build, maintain and provide hard facilities management services over the 25 year service contract period. Ownership of the property remains with Robertson Capital Projects for 25 years when it transfers to NHS Orkney. The asset is recognised on the NHS Orkney's Statement of Financial Position.

The total cost of the project estimated in the Full Business Case is £115m, this is split into two elements: the prepayment for construction of the new build and the ongoing Annual Service Payment. NHS Orkney is required to support 50% of lifecycle maintenance costs and 100% of hard FM maintenance costs, with the Scottish Government supporting all other running costs. In 2021/22 Scottish Government funded around 58% of the ASP payable in year with NHS Orkney funding the remaining 42%.

Orkney Health Board Endowment Fund

The Annual Accounts consolidate the results of Orkney Health Board Endowment Fund. The basis of consolidation, explained in note 1 Accounting Policies, is determined by the extent of control Orkney Health Board can effectively exercise over each of its partner organisations. All Trustees of the Orkney Health Board Endowment Fund are members of Orkney Health Board. The Board therefore has majority control and, using the principles stipulated by IFRS 10, must consolidate, in full, the financial results of the Orkney Health Board Endowment Fund into the main Board accounts.

The Orkney Health Board Endowment Fund's net assets of £1.124m represented by £0.982m unrestricted and £0.142m restricted funds (2020/21: £1.115m, £0.960m unrestricted and £0.155m restricted). The increase in net assets of £0.009m (2020/21 £0.223m increase) relates to an in-year deficit on charitable activities of £0.034m (2020/21 £0.065m surplus), and a net gain on investments of £0.043m (2020/21 £0.157m gain).

Total income for the year was £0.051m (2020/21: £0.131m), £0.019m (2020/21: £0.107m) relating to donations and legacies and £0.032m relating to dividends and interest on investments (2020/21: £0.024m).

Total reported expenditure for the year was £0.084m (2020/21 £0.066m).

Integrated Joint Board (IJB)

The IJB is established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 with full delegation of functions and resources to enable integration of primary and community health and social care services.

The IJB is a separate legal organisation and acts as principal in its own right. Accordingly, the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this, in the Health Board's accounts, is expenditure of £44.100m (2020/21 £41.873m – restated ([note 20](#))) and income of £40.745m (2020/21 £39.892m – restated ([note 20](#))). The expenditure is included in [note 3](#) and income in [note 4](#) and analysed below. The increase in income and expenditure is mainly due to additional cost pressures and funding related to Covid-19, of the £44.100m in year, £5.579m (2020/21 £2.536m) relates to additional costs for Covid-19 for Health Board delegated services. Costs incurred as a result of Covid-19 include Community Hub (Covid Assessment Centre), additional staffing costs to maintain capacity and remobilise services and additional accommodation costs. There is earmarked Covid funding of £2.364m carried forward to 2022/23.

There has been substantial additional investment from Scottish Government in relation to specific workstreams such as the Mental Health Recovery and Renewal Fund and Primary Care Improvement Plan which will see further investment in services commissioned.

There were underachieved savings of £1.800m attributed to the IJB in the year. The £44.100m includes funding passed through NHS Orkney to the IJB for Local Authority delegated IJB services relating to Covid expenditure in the year, this totals £1.067m in 2021/22.

There were earmarked funding allocations received in year which were unutilised at year end, and therefore have been carried forward to the following financial year, £5.679m of earmarked funding will be carried forward to 2022/23.

NHS Orkney has 50% share of funds held in reserve by the IJB as a joint venture. This is reflected in the [Consolidated Statement of Financial position](#) of £3.042m.

	2020/21			2021/22		
	Budget - Restated	Actual - Restated	Variance	Budget	Actual	Variance
	£000	£000	£000	£000	£000	£000
IJB	33,301	33,301	0	35,017	35,017	0
Set Aside	8,572	8,572	0	9,083	9,083	0
Total	41,873	41,873	0	44,100	44,100	0

The set aside is a notional budget for delegated hospital service functions and calculated on the basis that the use of underlying resources is within the remit of the IJB's commissioning decision, predominantly within the acute services.

There is a draft three-year medium term financial plan which will be submitted to the IJB in June 2022 for approval. This plan outlines the financial challenges and opportunities the Orkney Integration Joint Board (IJB) and the associated delivery of services through the Orkney Health and Social Care Partnership (OHAC) faces over the next 3 years and provides a framework which will support OHAC to remain financially sustainable. It also complements the Strategic Plan, highlighting how the partnership's financial planning principles will support the delivery of OHAC's strategic objectives and priorities for the years 2022-25. During the year, the IJB was set a target of £1.800m recurring savings and of this £0k (zero) was delivered. In addition, the IJB has been allocated a further £0.6m efficiency savings target for 2022/23, therefore a savings target of £2.4m requires to be delivered over the one year period 2022/23.

Covid-19

NHS Orkney was exposed to significant additional costs as a result of the Covid-19 pandemic in 2021/22. The Board received additional funding from the Scottish Government to cover Covid-19 cost pressures in the year. Funding received in year is broken down as follows:-

COVID-19 Impact	2021/22	2020/21
	£000s	£000s
Gross COVID-19 Additional Costs – Health Board	3,435	6,419
Gross COVID-19 Additional Costs - Health & Social Care Partnership	4,450	2,099
Unachieved Savings – Health Board	2,605	5,231
Unachieved Savings – Health & Social Care Partnership (Health Board functions)	1,800	670
Offsetting Cost Reductions – Health Board	(540)	(2,379)
Offsetting Cost Reductions – Health & Social Care Partnership (Health Board functions)	0	(233)
Net COVID-19 impact on RRL	11,749	11,807

Additional Health Board expenditure in the year was incurred in relation to Covid-19, the most significant areas of spend include additional hospital bed capacity, Covid-19 screening and testing for virus, test and protect, cleaning costs, personal protective equipment (PPE), Covid-19 vaccine programme delivery costs and remobilisation costs. This also includes £1.067m passed to the Local Authority for their Covid expenditure.

10. Fraud, Bribery and Corruption

NHS Orkney has a zero tolerance for fraud, bribery or corruption. As part of NHS Orkney's Statutory/ Mandatory Training all staff are required to complete the Counter Fraud Services training module, ensuring staff are reminded regularly about counter

fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including training in relation to absence fraud, anti-bribery and corruption and general fraud awareness.

In addition, NHS Orkney works closely with Counter Fraud Services on cases of suspected fraud and we issue Intelligence Alerts to staff when updates are received.

11. Social Matters

NHS Orkney Equality and Diversity

NHS Orkney promotes equality and celebrates diversity both in the services we provide and within our organisation. We also take our Public Sector Equality Duty to promote equality and diversity in the wider community very seriously.

The Equality Act 2020 defined the nine building blocks or “protected characteristics” of equality and diversity as:

- Race
- Disability
- Sexual Orientation
- Religion or belief
- Sex (male or female)
- Gender reassignment
- Age
- Pregnancy and maternity
- Marriage and civil partnership

Despite Covid-19, we have continued to make excellent progress in all of these nine areas. This is due to the dedication and commitment of large numbers of NHS Orkney staff, who deserve much praise for their efforts.

The Board has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports in 2021/22 including the following key updates on progress:

- NHS Orkney Equality Outcomes Report (Objectives) for 2021-2025, published March/ April 2021
- NHS Orkney “Mainstreaming” Report, published April 2021
- NHS Orkney Equal Pay Report, published June 2021
- NHS Orkney Equality and Diversity Workforce Monitoring Report, published May 2021

During 2021/22, twenty-nine NHS Orkney colleagues attended Equality and Diversity Training and at a level appropriate to their role in the organisation via Microsoft Teams. This training is delivered via a service level agreement between NHS Grampian and NHS Orkney.

We are also fully engaged with the newly created National NHS Ethnic Minority Forum and we continue to work with the other two Island Boards to create a network to enable staff colleagues within this category to find a voice.

Employment

NHS Orkney has 756 members of staff (excluding bank), which of itself has significant economic and social impacts and benefits to a small community as a major employer. We seek to continuously improve the experience of our staff at work. As part of our Cultural overview, we established a Staff Engagement and Experience Programme 'The Listening Project' led and supported by the Digital Health and Care Innovation Centre (DHI). An Action Plan was created following this exercise with 28 recommendations covering the following areas:

- Strategic
- Organisation
- Digital Improvement
- Staff Levels and Profile
- Staff Development
- Workforce
- Communication
- Culture
- Discharge

Sustainable workforce planning and development requires us to identify and cultivate new talent pools, and to think about not only the 'what' we need to deliver as services but how we can deliver those services and the use of technology enabled solutions to support this. The implementation and embedding of the Clinical Strategy will enable us to understand further the levels, types and locations of staff that we need to attract and develop over the next 1-5 years and creates an exciting backdrop for workforce planning. We will understand our people needs through the articulation of our integrated workforce plan – addressing the five elements of the National Strategy: Plan, Train, Recruit, Employ and Nurture.

NHS Orkney continues to have 23 active volunteers in the organisation, these include 12 Breastfeeding Supporters and 11 Spiritual Care Volunteers.

As part of our development agenda we continue to provide opportunities for colleagues to study at Modern Apprenticeship level in collaboration with Orkney College, University of the Highlands and Islands and Skills Development Scotland. These courses are targeted at anyone over the age of 16 with the opportunity to gain a recognised qualification whilst in full time employment. NHS Orkney currently have 2 colleagues undertaking this level of study in 2021/22, one undertaking Social Services and Healthcare and another in Business and Management studies. During 2021/22 there have been two colleagues who have successfully completed their Modern Apprenticeship in Business and Management. NHS Orkney also have a further 14 active Graduate Apprenticeship students who, in collaboration with Robert Gordon University, will receive a degree qualification. Courses have continued to be delivered online during 2021/22 as a result of COVID-19, however, remain a great success. Our students are at various stages of their studies which include 11 colleagues studying Business Management and 3 colleagues studying Data Science.

To support the confidence and capability of our managers within NHS Orkney, the Human Resources team, working in partnership and in collaboration with our colleagues in Shetland, have created and delivered a number of training, development and improvement sessions throughout 2021/22. The manager bundles were aimed at providing managers with information and support to allow them to build key skills which are required in their role. This year the manager bundles subjects have been focused

at the application of NHSScotland Workforce Policies which were launched in March 2020; Attendance Management, Managing Difficult Conversation, and Workforce Investigations.

Continuing our focus on developing and improvement, 11 colleagues virtually attended a Scottish Improvement Foundation Skills (SIFS) course during 2021/22. The aim of SIFS is to support individuals to develop the skills, knowledge, and confidence in using improvement methodology and contribute as part of an improvement team testing, measuring and reporting on changes made. Originally developed by NHS Education for Scotland (NES) this course was delivered by NHS Shetland and will continue to be offered to colleagues in NHS Orkney during 2022/23.

12. Sustainability and the Environment

The Climate Change (Scotland) Act 2009 originally set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK. In 2020 'The Climate Change (Scotland) Amendment order came into force to reflect this and now requires NHS Boards to report on their progress in delivering their emissions reduction targets.

All designated Major Players (of which NHS Orkney is one) are required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act and the Amendment order. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports. Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource:

<https://sustainablesotlandnetwork.org/reports>

Signed

Date 23 June 2022



Michael Dickson
Interim Chief Executive

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

1. Naming convention

NHS Orkney is the common name for Orkney Health Board.

2. Date of Issue

The Accountable Officer authorised these financial statements for issue on 23 June 2022.

3. Going Concern

After making enquiries, the Board has a reasonable expectation that the organisation has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Board continues to adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis are included in Note 1 of the accounts on page 59.

4. Accounting Convention

In accordance with IFRS 10 – Consolidated Financial Statements, the Annual Accounts consolidate the results of the Orkney Health Board Endowment Fund. Any intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation. The Annual Accounts also consolidate the Board's interest in the Integrated Joint Board, under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. In accordance with IFRS 11 – Joint Arrangements, the IJB is considered to be a Joint Venture and under IAS 28 – Investments in Associates and Joint Arrangements, the basis of consolidation used is the equity method of accounting.

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, and available for sale financial assets. The accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced on pages 95 and 96 of these accounts. The statement of the accounting policies which have been adopted, is shown at Note 1 to the Accounts of page 59.

5. 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. For the financial years 2016/17 to 2021/22, the Auditor General appointed Gillian Woolman, Audit Director, Audit Scotland to undertake the audit of NHS Orkney. The original 5-year term of the appointment was extended by a further year on 9 June 2020. 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 which can be accessed on the Audit Scotland website at the following link: <https://www.audit-scotland.gov.uk>

6. Role of the Board

Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing health care services for the residents of Orkney, with a growing population of approximately 22,000. NHS Orkney's purpose is to:

- Optimise health;
- Optimise care; and
- Optimise cost.

NHS Orkney is responsible for improving the health of the local population and delivering the healthcare they require. The Board, having approved its strategy 'Our Orkney, Our Health – transforming services strategy', set out that more of the same is not an option. The time to change has never been as important to NHS Orkney as we adopt and spread the language and practice of transformation and innovation as part of everyday culture.

All Board members are also trustees of the NHS Orkney Endowment Fund, a registered charity established by the NHS (Scotland) Act 1978 and subject to the legal framework of the Charities and Trustees Investments (Scotland) Act 2005.

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014, the Integrated Joint Board (IJB), Orkney Health and Care (OHAC) is established in Orkney with full delegation of functions and resources to enable integration of primary and community health and social care services. Executive and Non-Executive members of Orkney Health Board are appointed to represent the Board as voting members on the IJB. The voting membership, and therefore control over the IJB, is shared equally between Orkney Health Board and Orkney Islands Council.

7. Board membership

Under the terms of the Scottish Health Plan, the Health Board 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.

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

The following served as members of the Board during the year:

Chair and Vice Chair		
Meghan McEwen	Chair	
David Drever	Vice Chair	Until 31 st January 2022
David Campbell	Vice Chair	From 1 st February 2022
Non-Executive Directors		
David Campbell	Non-Executive Board member	Until 31 st January 2022
Caroline Evans	Non-Executive Board member	
Isobel Grieve	Non-Executive Board member	
Steven Johnston	Area Clinical Forum Chair	
Joanna Kenny	Non-Executive Board member	
Fiona MacKellar	Employee Director	Until 31 st March 2022
James Stockan	Local Authority Representative	
Jason Taylor	Non-Executive Board member	
Des Creasey	Non-Executive Board member	From 7 th March 2022

Executive Directors		
Michael Dickson	Interim Chief Executive	
Mark Doyle	Director of Finance	
David McArthur	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	
Mark Henry	Medical Director	From 15 th November 2021
Dr Louise Wilson	Director of Public Health	

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

8. Board members' interests

The interests of board members, senior managers and other senior staff in contracts or potential contractors with NHS Orkney are shown here as required by IAS 24 (Related Party Transactions are disclosed in note 24).

Board Member	Declared Interest
David Campbell	Trustee – Orkney Health Board Endowment Fund Chair – Integration Joint Board Audit Committee Voting member of the Integration Joint Board
Mark Doyle	Trustee – Orkney Health Board Endowment Fund
David Drever	Green Badge Tour Guide Qualification for Orkney Trustee Orkney Health Board Endowment Fund Voting Member - Integration Joint Board Chairperson – Heilendi Practice Patient Focus Group Chairperson – Orkney Archaeology Society (voluntary)
Caroline Evans	Trustee Orkney Health Board Endowment Fund Deputy member - Integration Joint Board
Issy Grieve	Trustee - Orkney Health Board Endowment Fund Member – Integration Joint Board
Steven Johnston	NHS Orkney Employee Trustee of Orkney Health Board Endowment Fund
Joanna Kenny	Partner – Bayview Cottage self-catering accommodation Trustee – Orkney Health Board Endowment Fund
Fiona MacKellar	NHS Orkney Employee Trustee of Orkney Health Board Endowment Fund
David McArthur	Board Member Highland RFCA – No remuneration Trustee Orkney Health Board Endowment Fund
Meghan McEwen	Trustee – Friends of the Westray Playpark Trustee Orkney Health Board Endowment Fund Deputy member - Integration Joint Board Patient – Westray Surgery Parent of children in Westray Junior High School, Kirkwall Grammar and Papdale Halls of Residence Friends with NHS employees
Michael Dickson	Chief Executive of NHS Shetland Trustee of Orkney Health Board Endowment Fund
James Stockan	Leader of Orkney Islands Council Joint landlord of various properties Member of Friends of St Magnus Cathedral Member of Orkney Natural History Museum Trustee Orkney Health Board Endowment Fund
Jason Taylor	Planning (Enforcement) Consultant Member – Management Committee Orkney Housing Association Ltd

	Chair – Forum Management Group, BuildHub (Members Association operating Online forum for self-builders) Trustee of Orkney Health Board Endowment Fund
Dr Louise Wilson	Trustee Orkney Health Board Endowment Fund Member - Integration Joint Board Vice convenor faculty of Public Health Scotland Member of EURIPA (European Isolated Practitioners) Executive Committee Quality Lead for Scotland, Faculty of Medical Leadership and Management
Des Creasey	Vice President (Banking Europe) – FIS (UK) Director – Since 1970 Ltd Trustee – Orkney Health Board Endowment Fund

9. Disclosure of information to Auditor

The directors who held office at the date of approval of this Director’s Report confirm that, so far as they are each aware, there is no relevant audit information of which the Board’s auditor is 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 the Board’s auditor is aware of that information.

10. Remuneration for non audit work

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

11. Public Services Reform (Scotland) Act 2010

NHS Orkney 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.

12. Personal Data Related Incidents

NHS Orkney formally reported personal data related incidents to the Information Commissioners Office (ICO) on eleven occasions during 2021/22 (2020/21 three). All of these incidents, and those relating to prior years, are now closed. Recommendations were made and acted upon, no enforcements action or penalties were applied by the ICO.

In 21/22 NHS Orkney invested in a creating its own in-house Information Governance team, previously services were supplied by Orkney Islands Council. This led to an increased awareness of incidents within the organisation that required reporting to the ICO. This number represents an increased focus by the organisation to identify and learn from data incidents.

13. Financial Instruments

Information in respect of the financial risk management objectives and policies of the Board and the exposure of the Board to price risk, credit risk and cash flow risk is disclosed in Note 19.

THE STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

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 2022 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.

THE STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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 the Board's disposal; and
- safeguarding the assets of the Board.

In preparing the Accounts I am required to comply with the requirements of the Government's 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's Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

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 Officer's letter to me of 1 July 2020.

GOVERNANCE STATEMENT

1. Strategic Vision, Themes and Values

The Board is committed to working with our staff and partners to improve the health of the residents of Orkney. The Clinical Strategy is being developed in line with our strategic vision and values:

Vision:

‘Be the best remote and rural care provider in the UK’

Values:



The Board engages with a range of stakeholders to deliver our objectives, these key stakeholders include our staff, independent care practitioners, the local authority, the general public, community planning partners and third sector or charitable organisations. Many of these relationships have been crucial to enable ongoing delivery of our services during the pandemic.

2. Assurance Framework

The NHS Orkney Board meets regularly during the year to progress the business of NHS Orkney. The overall purpose of the Board is to ensure efficient, effective and accountable governance, and to provide strategic leadership and direction. The Board articulates the ambition for NHS Orkney and demonstrates leadership by:

- Giving leadership and strategic direction
- Putting in place controls to safeguard public resources
- Supervising the overall management of its activities
- Reporting on management and performance.

Attendance at Board meetings

Name	Role	Number of Meetings	Number Attended	%
Meghan McEwen	Chair of the Board	7	7	100%
David Campbell	Non-Executive Board member	7	7	100%
David Drever	Non-Executive Board member	7	7	100%
Caroline Evans	Non-Executive Board member	7	5	71%
Isobel Grieve	Non-Executive Board member	7	7	100%
Steven Johnston	Non-Executive Board member	7	6	86%
Joanna Kenny	Non-Executive Board member	7	7	100%

Fiona MacKellar	Non-Executive Board member	7	6	86%
James Stockan	Non-Executive Board member	7	7	100%
Jason Taylor	Non-Executive Board member	7	7	100%
Michael Dickson	Interim Chief Executive	7	7	100%
Mark Doyle	Director of Finance	7	7	100%
David McArthur	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	7	1	14%
Dr Louise Wilson	Director of Public Health	7	6	86%

The work of the Board is supported by a framework of assurance, through the operation of governance committees which report to the Board:

- Finance and Performance
- Remuneration
- Clinical and Care Governance
- Staff Governance
- Audit and Risk

Finance and Performance	Reviews the financial and non financial targets of NHS Orkney, to:			
	<ul style="list-style-type: none"> • ensure that appropriate arrangements are in place to deliver against organisational performance measures • secure economy, efficiency, and effectiveness in the use of all resources • provide assurance that the arrangements are working effectively • provide cross committee assurance to the Integrated Joint Board in relation to performance on delegated function 			
Five meetings held during 2021/22				
Members	Attendance	Role	From / To	
David Campbell	5 of 5	Chair of Committee		
James Stockan	4 of 5	Vice Chair		
Michael Dickson	4 of 5	Interim Chief Executive		
Mark Doyle	5 of 5	Director of Finance		
Steven Johnston	5 of 5	Non-Executive Board Member		
Meghan McEwen	5 of 5	Board Chair		

Remuneration	Responsible for:			
	<ul style="list-style-type: none"> • determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance • agreeing the individual in-year objectives of NHS Orkney's executive directors • approving the annual performance assessment of executive directors. 			
Three meetings held during 2021/22				
Members	Attendance	Role	From / To	
Meghan McEwen	3 of 3	Chair of Committee		
Davie Campbell	3 of 3	Non-Executive Board Member		
James Stockan	3 of 3	Vice Chair		
Fiona MacKellar	2 of 3	Employee Director/Non-Executive Board Member		

Joint Clinical and Care Governance	Fulfil several purposes as follows:			
	<ul style="list-style-type: none"> • fulfils the function of the non-executive members of NHS Orkney and advisors providing the Board of NHS Orkney with the assurance that robust clinical governance controls and management systems are in place and effective in NHS Orkney, in relation to delegated and non-delegated services it delivers • fulfils the function of providing the Integration Joint Board with assurance that robust clinical and care governance controls and management systems are in place and effective for the functions that NHS Orkney and Orkney Islands Council have delegated to it. • fulfils the requirements set out in MEL (1998)75, MEL (2000)29 and HDL (2001)74 around the guidance on the implementation of Clinical Governance in the NHS in Scotland. 			
Four meetings held during 2021/22				
Members	Attendance	Role	From / To	
Isobel Grieve	1 of 1	Chair of Committee	Until 30 April 2021	
Steven Johnston	3 of 3	Chair of Committee	From 1 May 2021	

Steven Johnston	1 of 1	Vice Chair	Until 30 April 2021
Joanna Kenny	3 of 3	Vice Chair	From 1 May 2021
David Drever	4 of 4	Non-Executive Director	Until 31 January 2022
Rachael King	3 of 4	Elected Orkney Islands Council member	
David McArthur	2 of 4	Director of Nursing, Midwifery and Allied Health Professions	
Meghan McEwen	1 of 1	Chair of the Board	Until 30 April 2021
Michael Dickson	4 of 4	Interim Chief Executive	
Steve Sankey	1 of 4	Elected Orkney Islands Council member	
Heather Tait	4 of 4	Public representative	
Dr Louise Wilson	4 of 4	Director of Public Health	

Staff Governance	Advises the Board on:		
	Three meetings held during 2021/22	<ul style="list-style-type: none"> its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets, and organisational effectiveness. 	
Members	Attendance	Role	From / To
Caroline Evans	2 of 3	Chair of Committee	
Fiona MacKellar	3 of 3	Vice Chair	
Joanna Kenny	3 of 3	Non-Executive Board member	
Jason Taylor	3 of 3	Non-Executive Board member	
Michael Dickson	2 of 3	Interim Chief Executive	
Lorraine Hall	3 of 3	Interim Director of Human Resources	
Kate Smith	2 of 3	Partnership representative	
Ryan McLaughlin	3 of 3	Staff representative	

Audit and Risk	Supports the Board in its responsibilities for:		
	Six meetings held during 2021/22	<ul style="list-style-type: none"> issues of risk, control and governance and associated assurance through a process of constructive challenge liaising closely with the Integrated Joint Board Audit Committee and sharing information of benefit to the Integrated Joint Board. 	
Members	Attendance	Role	From / To
David Drever	5 of 5	Chair of Committee	Until 31 January 2022
Jason Taylor	1 of 1	Chair of Committee	From 1 February 2022
Jason Taylor	5 of 5	Vice Chair	Until 31 January 2022
Fiona MacKellar	6 of 6	Employee Director/Non Executive Board Member	
Issy Grieve	6 of 6	Non Executive Board Member	

Responsibilities of Members of the Board

Membership of the NHS Board carries with it a collective and corporate responsibility for the discharge of these functions carried out by the committees. 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 me as 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 staff understand their own responsibilities.

The NHS Board has arrangements which provide an integrated approach to governance across clinical areas, staff arrangements, involving and engaging people in our service, developments and performance management. The conduct and proceedings of the NHS Board are set out in the Code of Corporate Governance; this document specifies the matters which are reserved for the NHS Board, the matters which are delegated under the Scheme of Delegation and the matters which are remitted to a Committee of the NHS Board.

Board members must comply with the Code of Corporate Governance and the Endowment Charter, including the Code of Conduct, along with the Standing Financial Instructions. These Standing Orders for regulation of the conduct and proceedings of Orkney NHS Board, and its Committees are made under the terms of The Health Boards (Membership and Procedure) (Scotland) Regulations 2001 (2001 No. 302), as amended up to and including The Health Boards (Membership and Procedure) (Scotland) Amendment Regulations 2016 (2016 No. 3).

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 Board has a Corporate Plan which sets out 'our promise' to patients and their families and how NHS Orkney prides itself in delivering high quality care whilst ensuring all our patients are treated with dignity and respect. The Corporate Plan sets out 'our promise' to 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 review their development needs as part of the annual performance management and development process. This process is directed by the corporate objectives detailed within the Corporate Plan.

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 cohort, are subject to Scottish Government guidance, determined by the Remuneration Committee.

3. Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the achievement of NHS Orkney's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. I am also responsible for safeguarding the public funds and assets assigned to the Board. In accordance with IAS 27 – Separate Financial Statements, these financial statements consolidate Orkney Health Board Endowment Fund. This statement includes any relevant disclosure in respect of these Endowment Accounts.

NHS Orkney complies with the requirements as set out in the Scottish Public Finance Manual (SPFM). To ensure adherence to the requirements of the SPFM, in 2021/22, the following governance arrangements have been in place:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection, Prevent and Control;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;

- The Board receives regular updates on key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos from appointed staff who are tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- The Board receives regular reports for consideration from the chairs of the finance and performance, staff governance, clinical and care governance, audit and risk committees' and from the Chair of the Endowment Fund which highlight key issues raised;
- The governance committees are supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Finance and Performance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical and Care Governance Committee;
- An active Area Partnership Forum with an Employee Director who is a member of the Board;
- Regular review of Capital priorities for investment against the agreed plan;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Promotion of effective cross sector governance arrangements through participation by IJB Board members and the Chief Executive at IJB committee meetings and performance review meetings with the IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints, and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the Orkney Health Board Endowment Fund which includes an Endowment Sub Committee of Trustees with delegated authority to manage the day to day operational matters of the charity.

4. Purpose of the System 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, and is designed to manage rather than eliminate the risk of failure to achieve the Board's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process is consistent with the 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 Scottish Ministers issue the SPFM to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds, and it can be accessed via the following link:

<https://www.gov.scot/publications/scottish-public-finance-manual>

5. Data Quality

The Board receives numerous reports which include detailed information covering financial, clinical and staffing information. In general these reports are considered by the Executive Management Team and at various Governance Committees prior to being discussed at the Board. This allows for detailed consideration of the content, completeness and clarity of the information being provided to the Board. Assurance on the information included in reports also comes from the overall approach to the management of information (through the Information Governance group) and validation processes and assurances on the quality of information provided from internal audit and other scrutiny bodies.

6. Risk Management Arrangements

The Chief Executive of the NHS Board as Accountable Officer whilst personally answerable to the Parliament is ultimately also accountable to the Board for the effective management of risk.

NHS Scotland bodies are subject to the requirements of the 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. As Chief Executive I ensure there is suitable review and management of corporate risks and that all significant risk management concerns are prioritised, considered and communicated to our Governance Committees and the Board on a regular basis. This is supported by an established assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit.

The Board of NHS Orkney reviewed its position against the blueprint for good governance in 2019 and identified risk management as one of its priority areas for action. A review of the Board's approach to risk management took place and working within the context of our approved Risk Management Strategy and Policy which includes the articulation and management of risk through a three tier risk register structure we have developed our risk management approach to ensure it is well embedded and provides clear routes for escalation and de-escalation of risk as well as ensuring risk is an integral part of organisation wide decision making.

Risk is considered in the context of the national Quality of Care framework and thus aligns with the Board's approach to clinical governance and patient safety. There is regular comprehensive and organisation wide review of our risks and ongoing development of the risk management arrangements at an operational level. Risk management procedures were developed and implemented during 2021/22 to reflect changes in our risk management approach and governance arrangements, including the relationships between the Risk Management Forum and Occupational Health and Safety Committee have been further enhanced.

At present, there are four very high risks on the Board's risk register relating to information security, regulatory compliance and corporate finance. The Board's exposure in high risks includes a number of areas which pose a threat to the delivery

of services and patient care. This includes risks covering IT and technology, workforce and ability to meet population health needs with management plans in place to bring risk exposure down to the identified tolerable level.

7. Internal Control Matters

NHS Orkney is committed to a process of continuous development and improvement, ensuring processes and systems are in place to address key risks and respond to developments in best practice. The Audit and Risk Committee monitors progress of all medium to high risk recommendations arising from internal audit reports.

In the period covering the year to 31 March 2022 and up to the signing of the accounts, the organisation has implemented the following actions to further enhance the Board's governance arrangements and to provide additional assurance over the system of internal control and the key risks identified in the strategic risk register on pages 8 to 10 above:-

7.1 Board Development and Governance

7.1.1 Covid-19 Pandemic

Following the declaration of Covid-19 as a worldwide pandemic in March 2020 the Board implemented our emergency planning arrangements. In line with Scottish Government guidance, the Board agreed revised governance arrangements for the duration of the Covid-19 response and recovery period, reviewing these on a regular basis to ensure that a return to established governance could take place whenever appropriate. During 2021/22, the Board approved a temporary revised approach to Corporate Governance Arrangements from the 16th December 2021 to the 31st January 2022.

7.1.1 a) Board and Board Sub Committees

- To protect the health and wellbeing of anyone who would have attended the meeting, the Board did not convene its meetings in public during the period that preventative measures, including social distancing were in place.
- All Board minutes and meeting papers did however continue to be made publicly available on the Board's website and contact details provided for members of the public to attend Board meetings virtually if required.
- The Board engaged with local media to inform the public about matters discussed and agreed to maintain important links with the public and community. Local media were virtually invited to all public meetings of the Board.
- The Interim Chief Executive has regular contact with the public through Facebook live feed which provides updates and allows the public opportunities to interact and ask questions.
- Board agendas reverted to the standard governance format, with additional assurance provided around the Covid-19 response and recovery.
- The Board moved to fortnightly meetings of the Agile Board and stood down all non-essential meetings from 16th December 2021 to 31st January 2022, while the organisation continued to deal with the Covid-19 pandemic and the additional immediate pressures caused by the Omicron variant and accelerated vaccination programme.

7.1.1 b) Performance Governance

- The senior finance team continued to adjust workload priorities to ensure provision of advice and support to enable management to operate within appropriate financial framework and to ensure that additional Covid-19 expenditure was only incurred where necessary and essential to the Board's Covid-19 response.

7.1.1 c) System Leadership

NHS Orkney stood down its gold, silver, bronze command structure in May 2020 resuming its business as usual governance and management structures supported by additional sub groups reporting into the senior management team for the management of the Board's response to the pandemic and the re-mobilisation of services. This includes a multi-agency Whole System Recovery group which was established to progress the development and implementation of this Re-mobilisation Plan ensuring the preparation of services for moving forward out of the acute phase of the Covid-19 pandemic and a focus on recovery and renewal to ensure the health needs of the population can be met whilst our ability to respond to Covid-19 is maintained. Group membership includes representation from across clinical and non-clinical service areas as well as the Employee Director and Chair of the Area Clinical Forum.

Work to embed changes following the introduction of Associate Medical Director positions for both Community and Acute Services, to enhance medical leadership across the system, as well as the establishment of a standalone Director of Acute Services position continues. Work also continues to progress the recommendations identified through the Digital Health and Care Institute Listening Exercise, with an action plan being implemented to deliver change throughout the organisation, whilst acknowledging the challenges that the continuing gaps in leadership present.

The Board has supported the focus of efforts on a smaller set of priority areas, in light of the unprecedented demands and unique set of circumstances that the pandemic has brought and the need to focus resources and efforts in these areas. The Board have approved the NHS Orkney 2021 Plan on a Page which articulate these areas, the reasons for them and the supportive actions under each priority.

Governance arrangements have been reviewed regularly throughout the pandemic to ensure they remain fit for purpose and support effective decision making, whilst continuing to recognise and appreciate the additional strain on staff and resources; this balanced and pragmatic approach will continue throughout the coming year.

As with other Boards in Scotland NHS Orkney has put in place the necessary structures and processes to facilitate operation of the National Whistleblowing Standards and is continuing work to progress implementation.

NHS Orkney is supportive of the Scottish Government initiative to introduce an active governance approach across NHS Boards through the programme of work being taken forward by NHS Education for Scotland and have participated in a Board development session on this matter and incorporated changes based on early work in this area to support the Board to focus on the right things, consider the right evidence and respond in the right way.

7.1.2 Other matters affecting Board Development and Governance

- The Board and the Audit and Risk Committee continue to review regular updates on progress against the following identified areas for improvement - Risk Management, Information Governance, Joint Clinical and Staff Governance.
- All Board Executive and Non-Executive directors have formal annual appraisals, a key element of which is identification of the personal development requirements of each individual for the following 12 months.
- The Board is embarking on a programme of identifying leaders of the future throughout NHS Orkney. The programme will ensure that staff are supported to develop their skills, experience and knowledge in line with our ambition to progress as a health and social care system.
- NHS Board Executive and Non-Executive members have participated in development sessions during the year, consistent with the Board's commitment for continuous improvement and assessment of our performance.
- The Chair of NHS Orkney meets regularly with Non-Executive members to ensure they are kept up to date with current developments and allows opportunities for discussion.
- The Board have delegated responsibility for monitoring implementation of key strategic plans, to the Finance and Performance Committee.
- Continuation of arrangements for the Board's corporate register of interests including regular reminders to all staff on the process.

7.2 Quality and Safety

The Clinical and Care Governance Committee has a number of functions that serve both the NHS Board and the Integrated Joint Board. In regard to NHS Orkney, it provides assurance in respect of clinical quality and patient safety, effectiveness and experience through robust performance monitoring and reporting.

The Quality Forum is responsible for providing the assurance to the Clinical and Care Governance Committee. The Chair and/ or Vice Chair of this Committee have an open invitation to observe the working of the Quality Forum. The Quality Forum brings together clinicians from across the range of healthcare services to provide a forum for clinical and professional discussion, advice, leadership and development for all matters relating to the quality and safety of care provided. The overarching aim of the Forum is to eliminate preventable deaths, seek out and reduce harm, improve patient outcomes and demonstrate delivery of high quality reliable care based on what matters most to patients, families and their carers.

The group reviewed and updated its Terms of Reference and Membership in July 2021.

During 2021/22 the Quality Forum maintained a high level of engagement and participation despite substantial operational pressures and focussed on:

- Refreshing the Learning from Adverse Events Policy to ensure alignment with national policy and the Quality of Care Framework as well as enhance consistency of practice across information governance and healthcare governance.
- Considering and sharing learning obtained from Adverse Events, building on the triangulation which takes place between Weekly Incident Review Group, Patient Experience and Morbidity and Mortality meetings, providing a strong Multi Disciplinary Team (MDT) approach to governance.

- Shaping refreshed policies on manual handling, violence and aggression and falls.
- Securing progress in reviewing and updating clinical policies and procedures.
- Maintaining oversight of performance in relation to complaints, feedback and patient experience and ensuring NHS Orkney continues to operate a well-established complaints system.

Additionally, during 2021/22 arrangements for the implementation of the Health and Care (Staffing) (Scotland) Act 2019, which is primarily focused on ensuring that we are resourced to deliver safe and effective care, have been progressed and are being overseen by the Clinical and Care Governance and Staff Governance Committees.

Looking ahead, NHS Orkney's new Clinical Strategy is underpinned by a commitment to a long-term approach of continuous improvement which will take account of evolving national and local priorities. Through the development of a supporting Quality Framework the Board will focus on improving how it measures and evaluates the effectiveness for improvement is built across the workforce, equipping staff for fully engaging in delivering measurable improvement outcomes for patients and service users.

7.3 Workforce

The People Directorate report workforce narrative via the Staff Governance Committee via a number of specific reporting templates and a standing workforce report.

Report on Agency Locum Medical Staff fitness to Practice File Audit

Following the submission of a workforce report to the Staff Governance Committee the Committee requested, Human Resources to provide findings from an annual audit on Agency Locum files. During this audit NHS Orkney's local Safer Pre and Post Employment Checks Policy was applied (underpinned by the pre and post-employment checks: NHSScotland PIN policy 27 March 2014). These policies set a minimum standard for the undertaking of checking procedures, where required by law or otherwise considered mandatory both prior to, and following, appointment to undertake paid work or prior to and following engagement in other forms of unpaid placement within NHSScotland Boards.

One audit has been completed: Agency Locum Medical Staff Fitness to Practice File.

The Audit findings were reported to Staff Governance Committee:-

- 12 files audited:
 - 6 Agency locums had evidence of the Occupational Health questionnaire having been submitted and subsequently had Occupational Health clearance.
 - All 12 Agency locums had CVs as well as professional registration checks.
 - 1 Agency locum had no photographic ID saved in file.
 - 5 of the 12 Agency locums have the required 2 reference checks saved within their file.

This Audit created visibility and an opportunity for the Medical Staffing Officer to engage with agencies and future Locum workers to ensure work was only being offered where all pre-employment documentation was received before the first day of

their assignment. The HR team and Medical Staffing Officer continue to ensure work is undertaken with reference to PIN compliance and Home Office guidance to both mitigate organisational risk and ensure quality and safety in all recruitment activity.

7.4 Compliance

The Audit and Risk Committee received briefings during the year on the following key risk areas highlighted in recent audit reviews:-

- Financial Impact of Covid-19 and the controls in place to manage this.
- Remobilisation planning process
- Regular updates received from the Information Governance Committee with actions to date and any items agreed be progressed to the Audit and Risk Committee for consideration and in some instances for further discussion at the Board.
- Review of the effectiveness of Digital and IT services within NHS Orkney and approval of the Digital Strategy by the Finance and Performance Committee.
- Regular updates on progress of implementation of the refreshed approach to risk management across NHS Orkney.
- Business Continuity Plans reviewed and updated in line with response to Covid-19 pandemic.
- Interim Director of Human Resources is carrying out review and update of Workforce Strategy.
- Development of refreshed Corporate Strategy underway.
- Development of communications policy and related procedures.
- Updates on development of Clinical Strategy.

7.5 Involvement and Engagement

- NHS Orkney, in partnership with the Integrated Joint Board, continues to progress consistent visions and values aimed at ensuring consistent messages in all communications between clinical staff, service users and their carers.
- The Board's assurance framework continues to recognise the importance of the role of staff side and the advisory structure in supporting the work of Board sub committees through the Area Partnership Forum and staff side representatives on various committees.

8. Best Value

I can confirm that Orkney Health Board is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the SPFM. The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that they are part of everyday business and integral to the Board's decision making in all key areas. In addition, the Board continues to enhance the system of internal control with specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

9. Review of Adequacy and Effectiveness

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

- the Executive Directors, who have a responsibility for development and maintenance of the internal control framework, and their subsidiary report on governance;
- The Board's membership has been refreshed. The Board has throughout the year refreshed its membership of committees;
- the work of the internal auditors, who submit regular reports to the Audit and Risk Committee 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;
- financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees
- reports from Health Improvement Scotland and other inspection agencies;
- statements of Assurance from the assurance committees;
- annual reports from assurance committees.

In addition to the above, the processes that have been applied to assist me in reviewing the effectiveness of the system of internal control include:

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance arrangements that exist for the NHS Orkney Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- Assurance from the External Auditor of the NHS Orkney Endowment Funds, in their management letter, that expenditure complies with the charitable purpose and that endowment funds have not been used retrospectively for expenditure originally authorised as a commitment against exchequer funds;
- Independent consideration of the governance statements and its disclosures by Internal Audit and the Audit and Risk Committee;
- Consideration and approval of the annual accounts, including the Governance Statement by the Board; and
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.

I have been advised on the implications of the result of my review of the effectiveness of internal control by the Board and the Audit and Risk Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

10. Disclosures

Based on the evidence considered during my review of the effectiveness of the internal control environment operating within NHS Orkney, I am not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance on governance, risk management and control.

ACCOUNTABILITY REPORT – REMUNERATION AND STAFF REPORT

A) REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

The total remuneration disclosed on pages 38 to 43 includes all amounts paid or payable to the Executive Directors and Non-Executive members in 2020/21 and 2021/22. This includes a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement. These disclosures have been subject to audit.

REMUNERATION REPORT FOR THE YEAR ENDED 31 MARCH 2022

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
Remuneration of:					
Executive Members					
Interim Chief Executive: Michael Dickson (1)	90-95	0	90-95	0	90-95
Director of Nursing, Midwifery and AHP: David McArthur	85-90	0	85-90	21	105-110
Director of Finance: Mark Doyle	90-95	0	90-95	32	120-125
Interim Director of Human Resources: Lorraine Hall (2)	75-80	0	75-80	0	75-80
Medical Director: Mark Henry (3)	45-50	0	45-50	9	55-60
Director of Public Health: Dr Louise Wilson	145-150	0	145-150	0	145-150
Other Senior Employees					
Director of Acute Services: Kim Wilson	115-120	0	115-120	28	140-145
Non Executive Members					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
David Drever	5-10	0	5-10	0	5-10
Caroline Evans	5-10	0	5-10	0	5-10
James Stockan	5-10	0	5-10	0	5-10
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor	5-10	0	5-10	0	5-10
Joanna Kenny	5-10	0	5-10	0	5-10
Des Ceasey (4)	0-5	0	0-5	0	0-5
Steven Johnston (5)	100-105	0	100-105	30	130-135
Fiona MacKellar (6)	50-55	0	50-55	13	60-65

Note 1: Michael Dickson - commenced as Interim Chief Executive for 2.5 days per week with effect from 01/07/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.

Note 2: Lorraine Hall – commenced as Interim Director of Human Resources for 2.5 days per week with effect from 01/10/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.

Note 3: Mark Henry – commenced 15/11/2021. Gross salary would be in the range £125,000-£130,000

Note 4: Des Creasey – commenced 21/03/2022, gross salary would be in the range £5,000-£10,000

Note 5: S Johnston - The remuneration disclosed comprises remuneration for his role as Chair of Area Clinical Forum and his remuneration for his substantive post as a Dentist. The gross remuneration for his role as Non Executive Director would be in the annual range of £5,000 - £10,000.

Note 6: F MacKellar - the remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a Physiotherapist. The gross remuneration for her role as a Non Executive Director is in the annual range of £5,000 - £10,000. Left 31/03/2022

FOR THE YEAR ENDED 31 MARCH 2021

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
Remuneration of:					
Executive Members					
Chief Executive: Gerry O'Brien (1)	25-30	0	25-30	0	25-30
Interim Chief Executive: Michael Dickson (2)	65-70	0	65-70	0	65-70
Director of Nursing, Midwifery and AHP: David McArthur (3)	105-110	0	105-110	22	125-130
Director of Finance: Mark Doyle (4)	45-50	0	45-50	94	140-145
Interim Director of Finance: Mark Doyle (4)	55-60	0	55-60	0	55-60
Interim Director of Human Resources: Lorraine Hall (5)	35-40	0	35-40	0	35-40
Medical Director: Marthinus Roos (6)	275-280	0	275-280	17	285-290
<i>Restated</i> Director of Public Health: Dr Louise Wilson (7)	140-145	0	140-145	48	190-195
Non Executive Members					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
David Drever	5-10	0	5-10	0	5-10
Caroline Evans	5-10	0	5-10	0	5-10
James Stockan	5-10	0	5-10	0	5-10
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor	5-10	0	5-10	0	5-10
Joanna Kenny (8)	0-5	0	0-5	0	0-5
Steven Johnston (9)	100-105	0	100-105	31	130-135
Fiona MacKellar (10)	45-50	0	45-50	20	65-70

- Note 1: Gerry O'Brien – opted out of the pension scheme 31/12/18, left NHS Orkney on 30/06/2020, gross salary would represent an annual range of £105,000-£110,000
- Note 2: Michael Dickson - commenced as Interim Chief Executive for 2.5 days per week with effect from 01/07/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them
- Note 3: David McArthur – paid arrears of £1,737.53 in 2020/21 relating to 2019/20. Gross salary annual range would not change
- Note 4: Mark Doyle commenced substantive role 29/09/2020, gross salary would represent an annual range of £85,000-£90,000. Interim Director of Finance 01/04/2020-24/09/2020 seconded from NHS Fife, total charges invoiced, pension benefits for this period will be disclosed by NHS Fife
- Note 5: Lorraine Hall – commenced as Interim Director of Human Resources for 2.5 days per week with effect from 01/10/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them
- Note 6: Marthinus Roos – left the NHS Orkney on 31/03/2021. PILON and Annual Leave due paid in April 2021, accrued at year end and added above. Gross salary would represent an annual range of £195,000-£200,000
- Note 7: Louise Wilson – paid arrears of £3,204 in 2020/21 relating to 2019/20, gross salary range would not change
- Note 8: Joanna Kenny – commenced 08/02/2021, gross salary would represent annual range £5,000-£10,000
- Note 9: S Johnston - The remuneration disclosed comprises remuneration for his role as Chair of Area Clinical Forum and his remuneration for his substantive post as a Dentist. The gross remuneration for his role as Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 10: F MacKellar - the remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a Physiotherapist. The gross remuneration for her role as a Non Executive Director is in the annual range of £5,000 - £10,000.

PENSION TABLE
FOR THE YEAR ENDED 31 MARCH 2022

	Total accrued pension at pensionable age at 31 March 2022 (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 65 at 31 March 2022 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2022 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2021 £'000	Real increase in CETV in year £'000
Interim Chief Executive: Michael Dickson (1)	10-15	0-2.5	10-15	0	231	202	28
Director of Nursing, AHPs & Midwifery: David McArthur	30-35	0-2.5	65-70	0-2.5	651	605	46
Director of Finance: Mark Doyle	0-5	0-2.5	0	0	11	0	11
Interim Director of Human Resources: Lorraine Hall (2)	65-70	0	195-200	0	1,595	1,593	2
Medical Director: Mark Henry (3)	20-25	0-2.5	0	0	201	179	22
Director of Public Health: Dr Louise Wilson	10-15	0-2.5	25-30	0	258	242	16
Non Executive Director: Steven Johnston	45-50	12.5-15.0	145-150	42.5-45	1,100	758	328
Non Executive Director: Fiona MacKeller							
Other Senior Employee: Kim Wilson							
					Total	Total	453

Note 1: Michael Dickson commenced as Interim Chief Executive with effect from 01/07/2020. He is seconded from NHS Shetland and pension benefits will be disclosed by them

Note 2: Lorraine Hall commenced as Interim Director of Human Resources from 01/10/2020. She is seconded from NHS Shetland and pension benefits will be disclosed by them

Note 3: Mark Henry commenced as Medical Director with effect from 15/11/2021

FOR THE YEAR ENDED 31 MARCH 2021

	Total accrued pension at pensionable age at 31 March 2021 (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 65 at 31 March 2021 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2021 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Real increase in CETV in year £'000
Chief Executive: Gerry O'Brien	35-40	0	110-115	0	874	858	16
Interim Chief Executive: Michael Dickson (1)	5-10	0-2.5	10-15	(0)-(2.5)	196	168	28
Director of Nursing, AHPs & Midwifery: David McArthur	25-30	2.5-5	65-70	7.5-10	587	488	98
Director of Finance: Mark Doyle (2)							
Interim Director of Human Resources: Lorraine Hall (3)							
Medical Director: Marthinus Roos	50-55	0-2.5	155-160	5-7.5	1,265	1,220	19
Director of Public Health: Dr Louise Wilson - Restated	60-65	2.5-5	180-185	10-12.5	1,448	1,331	82
Non Executive Director: Steven Johnston	15-20	0-2.5	0	0	174	152	22
Non Executive Director: Fiona MacKeller - Restated	10-15	0-2.5	25-30	0-2.5	235	213	22
						Total	287

Note 1: Michael Dickson commenced as Interim Chief Executive with effect from 01/07/2020. He is seconded from NHS Shetland and pension benefits will be disclosed by them

Note 2: Mark Doyle commenced substantive role 25/09/2020

Note 3: Lorraine Hall commenced as Interim Director of Human Resources from 01/10/2020. She is seconded from NHS Shetland and pension benefits will be disclosed by them

Additional Disclosure in respect of Hutton Review on Fair Pay in the Public Sector

The Hutton Review reported its recommendations on disclosure of public sector pay in March 2011. The additional disclosure compares the banded remuneration of the highest paid Director against the median salary for the workforce each year. This disclosure is subject to audit.

2021/22		2020/21		% Change
Range of staff remuneration (£000s)	10-219	Range of staff remuneration (£000s)	8-286	
Highest Earning Director's Total Remuneration* (£000s)	145-150	Highest Earning Director's Total Remuneration (£000s)	285-290	(49)
Median (salary only)	£34,230	Median (salary only)	£33,256	3
Ratio	4.32	Ratio	8.61	
25 th Percentile (salary only)	£26,792			
Ratio	6			
75 th Percentile (salary only)	£49,081			
Ratio	3.02			
Commentary The values above are based on salaries for full time equivalent pay.				

*The Board's Highest Earning Director in 2020/21 (Medical Director) left 31.03.2021 resulting in a drop from in ratio from 8.61 in 2020/21 to 4.32 in 2021/22

Remuneration Committee

The Remuneration Committee ensures that arrangements are in place to comply with NHS Orkney policy and Scottish Government direction and guidance for determining the employment, remuneration and terms and conditions of employment, The committee is also responsible for approving the personal objectives of all Executive Directors.

Membership of the Remuneration Committee comprises:

Meghan McEwen	(Chair) From
James Stockan	(Vice Chair)
David Campbell	(Non Executive Board Member)
Fiona MacKellar	(Employee Director)

During 2021/22 the Remuneration Committee met 3 times.

Remuneration

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

Board Members' Contracts of Employment

The Executive Board members of NHS Orkney are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-

Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with relevant updates to Pay and Conditions of Service issued.

Performance Appraisal

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

B) STAFF REPORT

1. The Workforce/ Staff Governance

Covid-19 brought many challenges and highlighted the real value of working together. The Board's Staff Governance Action Plan set a stretching and challenging set of activities (not all to be delivered in one year) across each of the pillars of Staff Governance: well informed, appropriately trained and developed, involved in decisions, treated fairly and consistently, with dignity and respect, in an environment where diversity is valued and Provided with a continuously improving and safe working environment, promoting the health and wellbeing of staff, patients and the wider community. The Committee receive an update on progress at each meeting.

To enable us to deliver quality patient services we need to ensure that we attract, recruit and retain staff. Enabling and supporting staff to be the best that they can be is a key aspiration and to empower means that we need to be an employer that listens. We recognise that being a listening employer is something that we have to work at continuously with staff to ensure that we build together a culture of one that hears, listens and takes action in a caring, compassionate and thoughtful way.

An Interim Workforce Plan covering 1 April 2021 – 31 March 2022 is in place. Work is continuing alongside counterparts in the Orkney Island Council (OIC) to prepare a three year integrated workforce plan which will be published in October 2022. The three year Workforce Plan will use the Five Pillars of Workforce Planning outlined within the National Workforce Strategy (Plan, Attract, Train, Employ, Nurture) as the basis for outlining proposed actions to secure sufficient workforce to meet local projected short-term recovery and medium-term growth requirements across Orkney health and social care services. We are very conscious that our plan needs to meet the needs of the service, the aspiration for the future as spelled out in the clinical strategy and Governments ambitions, whilst delivering within a tight financial budget.

In 2021/22, we recruited 281 colleagues, 110 were internal and 171 were external (160 permanent, 78 Fixed term, and 53 Bank – which include 10 secondments and 13 Locums Appointed for Service Doctors).

Throughout the year the use of agency medical, nursing and Allied Health Professional staffing has remained at a high level. This continued to be necessary during 2021/22 to cover critical roles whilst meeting our Covid-19 service requirements and to remobilise our services with the board. We have been working with key clinical colleagues to determine the roles for the future and to look at innovative ways to recruit. We have signed an agreement around locum costs and usage that will support not only gaining quality candidates but capping the price structure wherever possible.

Staff Support and Wellbeing

The revised Wellbeing Champion Group took place on 25th November. The group is inclusive of members from the 'Fit 2' group which preceded the Staff Wellbeing Group along with new members to cover a wider demographic. A bid is in progress to the Endowments Trustees to look at how we can support staff improve physical fitness. A number of Display Screen Equipment (DSE) Assessments have taken place to ensure that staff are working with equipment in the right way and that breaks are being taken. The Wellbeing Champion Group supported the Campaign 'Friendly February' - actions for happiness and engaging with Corporate Communications Team ensure that for each blog newsletter there are signposts to staff wellbeing activities. The group will be looking at a calendar of Wellbeing events in conjunction with NHS Shetland in the new financial year.

Occupational Health continue to provide ongoing support to the organisation as part of recruitment, referrals and general wellbeing. Two of the Occupational Health nurses have completed their audiometry and spirometry training to support colleagues in the organisation and also small and medium sized enterprises (SME's) as part of providing a wider service to the Community.

Organisational Development

NHS Orkney participates in iMatter, NHS Scotland's Staff Experience continuous improvement tool.

The use of iMatter is aimed to help individuals, teams, directorates and Board to understand and improve experiences. This term is used to describe the extent to which colleagues feel supported, cared for and motivated at work, and it is reflected in levels of engagement, motivation and productivity.

This year the Organisational Development team introduced iMatter awareness sessions designed to ensure all line managers were equipped with the tools to create and implement improvement plans within their teams. Improvement plans are captured on team 'storyboards' which are designed to allow colleagues the ability to monitor and measure their progress prior to the next iMatter (the process is usually completed annually). This year 29 managers attended the iMatter awareness sessions; and 67 team 'Storyboards' were created across the Board.

Training and Education

Early in 2020 the Learning & Development (L&D) team rolled out an online learning magazine self-service, learning management system, to the organisation. With Covid-19, staff were advised to work from home and the new system proved to be difficult due to accessibility issues. Unfortunately, the team had to return to booking all staff onto training manually. For the team, with Covid-19 the focus soon changed to supporting with inducting emergency new starts and covering all the necessary training - coordinating start dates, inductions, and training sessions. Also, during this period, the L&D team heavily supported the organisation by co-ordinating and recording all training that took place in the surge and ventilation units.

Due to Covid-19 the team have had to develop new ways of working, including the development of a digital induction for new starts and students as well as new processes for onboarding. The team have had to explore and adapt the way that training is delivered. With the rollout of Microsoft Teams there have been opportunities to offer many sessions via video conferencing. Microsoft Teams has also been utilised for creating groups such as a line managers page with all information on onboarding

new starts, training and development opportunities and information on all statutory and mandatory learning requirements. The team have supported the move from the LearnPro training system, an unsupported and outdated training platform, to TURAS learn and been heavily involved in supporting the organisation with the requirements of the Health and Safety Executive.

2. Staff Costs

The following table summarises total staff costs and numbers for 2021/22 and the prior year:

2020/21		2021/22						
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total £'000
27,679	Salaries and wages	574	243	26,988				27,805
2,751	Taxation and Social security costs	49	22	2,765				2,836
4,599	NHS scheme employers' costs	78	28	4,689				4,795
261	Secondees				552		(233)	319
4,857	Agency staff					4,214		4,214
40,147		701	293	34,442	552	4,214	(233)	39,969
89	Compensation for loss of office or early retirement	0	0	6	0	0	0	6
40,236	TOTAL	701	293	34,448	552	4,214	(233)	39,975

There were no staff engaged directly on capital projects in 2021/22 (2020/21 nil).

£3.7m of total staff costs for 2021/22 relate to Covid-19 expenditure (2020/21 £5.5m).

The staff costs are included under Note [3a](#) £40.208m and Note [4](#) income £232,000 (£100,000 relates to other NHS Scotland bodies).

Staff Numbers

672	Whole Time Equivalent (WTE)	4	11	624	7	40	(3)	683
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0	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
6	Included in the total staff numbers above were disabled staff of:	8

3. Staff Composition

	As at 31 March 2021			As at 31 March 2022		
	Male	Female	Total	Male	Female	Total
Executive Directors	4	2	6	5	2	7
Non-Executive Directors and Employee Director	5	5	10	5	5	10
Senior Employees	21	19	40	22	25	47
Other	110	552	662	115	577	692
Total Head Count	140	578	718	147	609	756

4. Higher Paid Employees Remuneration

2020/21 Number		2021/22 Number	
Clinicians			
5	£70,001 to £80,000	6	
5	£80,001 to £90,000	5	
5	£90,001 to £100,000	3	
3	£100,001 to £110,000	5	
2	£110,001 to £120,000	0	
2	£120,001 to £130,000	2	
2	£130,001 to £140,000	5	
4	£140,001 to £150,000	1	
3	£150,001 to £160,000	0	
0	£160,001 to £170,000	1	
0	£170,001 to £180,000	0	
0	£180,001 to £190,000	0	
1	£190,001 to £200,000	0	
2	£200,001 and above	2	
Other			
3	£70,001 to £80,000	2	
0	£80,001 to £90,000	1	
3	£90,001 to £100,000	6	
1	£100,001 to £110,000	0	
0	£110,001 to £120,000	1	

5. Sickness Absence Data

NHS Orkney proactively manage staff who are absent in the workplace due to sickness. Staff are supported and encouraged to return to work as soon as possible which may include adjustment programmes longer than 4 weeks when clinically justified. With an aging workforce, people take longer to recover from accidents and injuries and it's paramount that they be supported to return to work as soon as possible.

Our overall sickness absence rate continues to be higher than that of the National Health Standard of 4% and Orkney have for a number of years now been in the middle of the NHS Scotland Pack. The Wellbeing group has been re-established to look at ways in which we can support and maintain staff wellbeing and resilience. Along with all Boards in Scotland the main areas of focus are Musculo-skeletal, anxiety stress and depression. Alongside the Wellbeing group we will consult with staff and Area Partnership Forum about ways in which we can offer wider support to reduce the number of staff of where we can with the symptoms above.

	2020/21	2021/22
Sickness absence data	4.9%	4.9%

6. Staff Policies applied during the year relating to employment of disabled persons

All health boards across NHS Scotland are required to comply with the three aims of the Public Sector General Duty, Equality Act (2010) and (Specific Duties) (Scotland) Regulations 2012, outlined below. The implementation of these legal duties will be monitored by the Equality and Human Rights Commission in Scotland.

The purpose of the Public Sector General Equality Duty is to ensure that all public bodies, including health boards, mainstream equality into their day to day business by proactively advancing equality, encouraging good community relations and addressing

discrimination. The current duty requires equality to be considered in relation to key health board functions including the development of internal and external policies, decision making processes, procurement, workforce support, service delivery and improving outcomes for patients/service users.

The Board is committed to ensuring the elimination of all forms of discrimination on the basis of race, disability, age, gender, sexual orientation, gender reassignment, pregnancy and maternity, marriage and civil partnership, religion or beliefs.

Our work in each of these areas is designed to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited under this Act
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The disability policy can be found at the [NHS Orkney website](#).

This year four colleagues within Human Resources attended a two-day training session with the Advisory, Conciliation and Arbitration Service (ACAS) on Disability Discrimination and Reasonable Adjustments within the workplace. This module was to receive additional training and expert advice to assist with current and future reasonable adjustments, and to provide clarity on what is meant by reasonable and the legal areas surrounding reasonable adjustments.

7. Exit Packages

There were no compulsory redundancies in 2021/22 or 2020/21. There was one exit package in 2020/21 and 2021/22:

2021/22

Exit package cost band	Number of other departures agreed	Cost of exit packages £'000
<£10,000	1	6
Total exit packages	1	6

2020/21

Exit package cost band	Number of other departures agreed	Cost of exit packages £'000
£50,000 - £100,000	1	89
Total exit packages	1	89

8. Trade Union Regulations

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

Number of employees who were relevant union officials during the period 1 April 2021 to 31 March 2022	Full-time equivalent employee number
21	18

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	10
1 - 50%	11
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£15,051
Total pay bill	£40,208,036
Percentage of the total pay bill spent on facility time	0.04%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	3%
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C) PARLIAMENTARY ACCOUNTABILITY

1. Losses and Special Payments

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts of which none arose in 2021/22 or 2020/21.

There were no special payments written off during 2021/22 or 2020/21, however, the losses accounted for are as follows:-

	2021/22		2020/21	
	No. of cases	£'000	No. of cases	£'000
Losses	18	2	19	2

The Board is also required to provide for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in note 13.

2. Fees and Charges

As required in the fees and charges guidance in the SPFM, NHS Orkney charges for services provided on a full cost recovery basis, wherever applicable.

There were no material amounts in 2021/22 or 2020/21.

3. Contingent Liabilities

There were no contingent liabilities in 2021/22 or 2020/21.

Signed

Date 23 June 2022



Michael Dickson
Interim Chief Executive

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

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Orkney Health Board and its group for the year ended 31 March 2022 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 FReM).

In my opinion the accompanying 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 2022 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is six years. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the board and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the board's current or future financial sustainability. However, I report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

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.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on the audited part of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been 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 Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman

24 June 2022

Gillian Woolman MA FCA CPFA

Audit Director

Audit Scotland

4th Floor

102 Westport

Edinburgh

EH3 9DN

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2022**

2020/21 <i>Restated</i> £'000		Notes	2021/22 £'000
	Total income and expenditure		
40,435	Employee expenditure	3	40,208
	Other operating expenditure:		
6,823	Independent Primary Care Services	3	6,433
8,693	Drugs and medical supplies	3	8,775
67,750	Other health care expenditure	3	71,931
123,701	Gross Expenditure for the year		127,347
(41,788)	Less: Other Operating Income	4	(43,168)
(991)	Associates and joint ventures accounted for on an equity basis		(1,880)
80,922	Net expenditure for the year		82,299

OTHER COMPREHENSIVE NET EXPENDITURE

2020/21 <i>Restated</i> £'000		2021/22 £'000
0	Net (gain)/loss on revaluation of Property Plant and Equipment	(4,042)
(158)	Net (gain)/loss on revaluation investments	(43)
(158)	Other Comprehensive Expenditure	(4,085)
80,764	Comprehensive net expenditure	78,214

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022**

31 March 2021		Notes	31 March 2022	
Consolidated £'000	Board £'000		Consolidated £'000	Board £'000
		Non-Current Assets:		
71,388	71,388	Property, plant and equipment	75,066	75,066
400	400	Intangible assets	276	276
		Financial assets:		
991	0	Investments	1,013	0
1,162	0	Investments in associates and joint ventures	3,042	0
8	8	Trade and other receivables	12	12
73,949	71,796	Total non-current assets	79,409	75,354
		Current Assets:		
722	722	Inventories	833	833
		Financial assets:		
877	874	Trade and other receivables	1,044	1,044
2,232	2,107	Cash and cash equivalents	352	234
41	41	Assets classified as held for sale	100	100
3,872	3,744	Total current assets	2,329	2,211
77,821	75,540	Total assets	81,738	77,565
		Current liabilities		
(367)	(367)	Provisions	(327)	(327)
		Financial liabilities:		
(11,874)	(11,870)	Trade and other payables	(15,487)	(15,480)
(12,241)	(12,237)	Total current liabilities	(15,814)	(15,807)
65,580	63,303	Non-current assets plus/less net current assets/liabilities	65,924	61,758
		Non-current liabilities		
(1,177)	(1,177)	Provisions	(1,177)	(1,177)
0	0	Trade and other payables	0	0
(1,177)	(1,177)	Total non-current liabilities	(1,177)	(1,177)
64,403	62,126	Assets less liabilities	64,747	60,581
		Taxpayers' Equity		
61,310	61,310	General fund	55,800	55,800
816	816	Revaluation reserve	4,781	4,781
1,162	0	Other reserves – associates and joint ventures	3,042	0
1,115	0	Funds held on Trust	1,124	0
64,403	62,126	Total taxpayers' equity	64,747	60,581

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

The financial statements on pages 55 to 58 were approved by the board on 23 June 2022 and signed on their behalf by

Mark Doyle

.....Director of Finance



.....Chief Executive

Date: 23 June 2022

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2022

2020/21 £'000			2021/22	
		Notes	£'000	£'000
	Cash flows from operating activities			
(80,922)	Net expenditure	SOCTE	(82,299)	
1,625	Adjustments for non-cash transactions	2b	586	
3,180	Movements in working capital	2b	5,103	
(76,117)	Net cash outflow from operating activities			(76,610)
	Cash flows from investing activities			
(898)	Purchase of property, plant and equipment		(2,175)	
(20)	Purchase of intangible assets		0	
(38)	Investment Additions	10	(21)	
63	Proceeds of disposal of property, plant and equipment		171	
52	Receipts from sale of investments		42	
(841)	Net cash outflow from investing activities			(1,983)
	Cash flows from financing activities			
76,954	Funding	SOCTE	78,589	
701	Movement in general fund working capital	SOCTE	(1,876)	
77,655	Net Financing		76,713	
697	Net Increase in cash and cash equivalents in the period			(1,880)
1,535	Cash and cash equivalents at the beginning of the period			2,232
2,232	Cash and cash equivalents at the end of the period			352
	Reconciliation of net cash flow to movement in net debt/cash			
697	Increase in cash in year			(1,880)
1,535	Net debt/cash at 1 April			2,232
2,232	Net debt/cash at 31 March			352

The Notes to the Accounts, numbered 1 to 25, form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2021	61,310	816	1,162	1,115	64,403
Changes in taxpayers' equity for 2021-22					
Net gain/(loss) on revaluation/indexation of property, plant and equipment 7a	0	4,041	0	0	4,041
Net gain/(loss) on revaluation of investments 10	0	0	0	43	43
Impairment of property, plant and equipment	0	(138)	0	0	(138)
Impairment of intangible assets 6	0	(64)	0	0	(64)
Revaluation and impairments taken to operating Costs 2a	0	172	0	0	172
Transfers between reserves	46	(46)	0	0	0
Net operating cost for the year SOCNE	(84,145)	0	1,880	(34)	(82,299)
Total recognised income and expense for 2021-22	(84,099)	3,965	1,880	9	(78,245)
Funding:					
Drawn down	76,713	0	0	0	76,713
Movement in General Fund (Creditor) / Debtor CFS	1,876	0	0	0	1,876
Balance at 31 March 2022 SoFP	55,800	4,781	3,042	1,124	64,747

FOR THE YEAR ENDED 31 MARCH 2021

Balance at 31 March 2020	66,299	851	171	892	68,213
Changes in taxpayers' equity for 2020-21					
Net gain/(loss) on revaluation/indexation of property, plant and equipment 7a	0	0	0	0	0
Net gain/(loss) on revaluation of investments 10	0	0	0	158	158
Impairment of property, plant and equipment	0	(237)	0	0	(237)
Impairment of intangible assets 6	0	(13)	0	0	(13)
Revaluation and impairments taken to operating Costs 2a	0	250	0	0	250
Transfers between reserves	35	(35)	0	0	0
Other non cash costs - transfer of asset NHS Highland	0	0	0	0	0
Net operating cost for the year SOCNE	(81,978)	0	991	65	(80,922)
Total recognised income and expense for 2020-21	(81,943)	(35)	991	223	(80,764)
Funding:					
Drawn down	77,655	0	0	0	77,655
Movement in General Fund (Creditor) / Debtor CFS	(701)	0	0	0	(701)
Balance at 31 March 2021 SoFP	61,310	816	1,162	1,115	64,403

The Notes to the Accounts, numbered 1 to 25, 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 (FReM) 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

(a) New standards in 2021/22:

There are no new standards, amendments and interpretations that became effective in 2021/22 for the first time.

(b) Standards amendments and interpretation adopted early this year:

There are no new standards, amendments or interpretations adopted early this financial year.

(c) Standards issued but not yet effective:

The following standards have been issued but are not yet effective:

- IFRS 16 – Leases (IAS 17 - replacement);
- IFRS 17 Insurance Contracts.

The impact to the financial statements as a result of the above is expected to be minimal, with the exception of IFRS 16 – Leases.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. All existing operating leases will fall within the scope of IFRS 16 under 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract negotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-us assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as (i) right-of-use assets which represent the Board's right to use the underlying

leased asset; and (ii) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

Impact of the new standard

The Board has assessed the likely impact that the application of IFRS 16 would have on the Comprehensive Net Expenditure for the financial year ending 31 March 2023 and on the Statement of Financial Position at that date. The figures below are based on the opening position of existing leases as of 31 March 2022.

The standard is expected to increase total expenditure in 2022-23 by £2k. Right-of-use assets totalling £0.450 million will be brought onto the Statement of Financial Position, with an associated lease liability of £0.458 million.

2. Basis of Consolidation

Consolidation

In accordance with IFRS 10 – Consolidated 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 intra-group transactions between the Board and the Endowment Fund have been eliminated on consolidation.

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

In accordance with IAS 28 – Investments in Associates and Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the interest of IJBs using the equity method of accounting.

Note 26 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

To ensure consistency between the reporting of Income and Expenditure in both NHS Orkney's and the IJB's annual accounts, a prior year adjustment has been made to the Income for Services Commissioned by Integrated Joint Board (IJB) (Note 4) and Contributions from the Integrated Joint Board (Note 3) for the brought forward reserves for the amounts of (£1.981m for 2020/21 and £0.342m for 2019/20). These are detailed in ([Note 20](#))

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 for NHS Orkney 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 (RRL) 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 Consolidated 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 are 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 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 Consolidated 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 Consolidated 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 Consolidated 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 Consolidated 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.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Office, short life medical and IT Equipment	5
Vehicles and soft furnishings	7
Mainframe IT installations	8
Medium life medical equipment	10
Engineering plant and long life medical equipment	15
Building Structure	15 – 50
Building 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:

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.

8.2 Measurement

Valuation:

- intangible assets are recognised 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.

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 Consolidated Comprehensive Net Expenditure on each main class of intangible asset as follows:

- 1) software is amortised over their expected useful life
- 2) software licences are amortised over the shorter term of the licence and their useful economic lives.
- 3) other intangible assets are amortised over their expected useful life.
- 4) intangible assets which have been reclassified as 'Held for Sale' cease to be amortised upon reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

<u>Asset Category/Component</u>	<u>Useful Life</u>
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 ie
 - 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'
- 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. 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 Consolidated Comprehensive Net Expenditure. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

11. Leasing

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.

12. 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 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.

13. 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 Scottish Government. 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 Scottish Government.

14. 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.

15. 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.

16. 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 (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Board 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 defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board'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 the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation 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 Consolidated Comprehensive Net Expenditure at the time the Board commits itself to the retirement, regardless of the method of payment.

17. 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.

NHS Orkney also provides for its liability from participating in the scheme. The participation in CNORIS provision recognises the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

18. Related Party Transactions

Material related party transactions are disclosed in the Note 24 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

19. 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.

20. NPD Schemes

NHS Orkney has a Non Profit Distributing (NPD) scheme which was agreed with the Scottish Government for the provision of the New Hospital and Healthcare Facility. The new facility opened in 2019/20 and is accounted for in accordance with the HM Treasury application of IFRIC 12, Service Concession Arrangements.

On completion the asset was recognised on the Statement of Financial Position at Fair Value. Ownership will pass to NHS Orkney at the end of the 25 year service contract period. Annual Service Payments (ASP) will be made over the 25 year service contract period and charged to the Statement of Comprehensive Net Expenditure.

21. 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.

22. 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 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14, 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.

23. 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.

24. 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) 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.

(b) 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) 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 Consolidated 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 Consolidated Comprehensive Net Expenditure.

(b) 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 Consolidated Comprehensive Net Expenditure. Dividends on available-for-sale equity instruments are recognised in the Statement of Consolidated 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 Consolidated Comprehensive Net Expenditure. Impairment losses recognised in the Statement of Consolidated 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.

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.

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

25. 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 note 3.

26. 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.

27. 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.

28. 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.

29. 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 material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below:

Clinical and Medical Negligence Provision: The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Orkney. The provision covers all claims classified as category 3 and 50% of the value of claims in category 2 which have been assessed as having a probability of settlement. The share of NHS Scotland CNORIS liability is estimated based on actual settlement trends in prior years.

Pension Provision: The pension provision is calculated using information received from the Scottish Public Pension Agency (SPPA) relating to former NHS Orkney employees

for whom NHS Orkney have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.

Fair Value of Property, Plant and Equipment: 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 New Balfour Hospital and Healthcare Facility was valued on 1 July 2019, all other land and buildings were valued on 31 March 2018. In years where no valuation exercise is performed by the valuers, all property, plant and equipment are subject to a desktop valuation on the basis of local market related indices at 31 March 2022, and the impact of any impairment in value on operating costs agreed. Such indices, included zero indexation factors, were applied following consultation and advice from the Board's Property Advisor. The basis of property valuation is explained in the performance report.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards, the valuation is not reported as being subject to 'material valuation uncertainty'.

Leases: For all relevant agreements, NHS Orkney has made judgement as to whether substantially all the significant risks and rewards of ownership of leased assets are transferred in line with IAS 17.

NHS ORKNEY

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2022

		2021/22 £'000
2a. Summary of Core Revenue Resource Outturn	Notes	
Net Expenditure	SOCNE	82,299
Total Non Core Expenditure (see below)		(2,593)
FHS Non Discretionary Allocation		(2,011)
Endowment Net Expenditure		(34)
Associates and joint ventures accounted for on an equity basis		1,880
Total Core Expenditure		79,541
Core Revenue Resource Limit		79,611
Saving/(excess) against Core Revenue Resource Limit		70

Summary of Non Core Revenue Resource Outturn		
Depreciation/Amortisation		2,420
Annually Managed Expenditure – Impairments		171
Annually Managed Expenditure – Provisions		2
Total Non Core Expenditure		2,593
Non Core Revenue Resource Limit		2,593
Saving/(excess) against Non Core Revenue Resource Limit		0

Summary Resource Outturn	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	79,611	79,541	70
Non Core	2,593	2,593	0
Total	82,204	82,134	70

2b. Notes to the cash flow statement

Consolidated adjustments for non-cash transactions

2020/21 £'000		2021/22 £'000	Notes
	Expenditure Not Paid In Cash		
2,320	Depreciation	2,358	7a
109	Amortisation	60	6
237	Impairments on PPE charged to SoCNE	138	
0	Net revaluation on PPE charged to SoCNE	(30)	
0	Reversal of impairments on PPE charged to SOCNE	0	
13	Impairments on intangible assets charged to SoCNE	64	6
(63)	Loss/(Profit) on disposal of property, plant and equipment	(124)	
(991)	Associates and joint ventures accounted for on an equity basis	(1,880)	SOCNE
1,625	Total Expenditure Not Paid In Cash	586	CFS

Interest payable recognised in operating expenditure

There was no interest payable in 2020/21 or 2021/22.

Consolidated movements in working capital

2020/21		2021/22			Notes
Net Movement £'000		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	
	INVENTORIES				
(188)	Consolidated Statement of Financial Position	722	833		8
(188)	Net Decrease/(Increase)			(111)	
	TRADE AND OTHER RECEIVABLES				
8	Due within one year	877	1,044		9
(3)	Due after more than one year	8	12		9
		885	1,056		
5	Net Decrease/(Increase)			(171)	
	TRADE AND OTHER PAYABLES				
4,225	Due within one year	11,874	15,487		12
0	Due after more than one year	0	0		
(223)	Less: Property, Plant & Equipment (Capital) included in above	(246)	(310)		
(701)	Less: General Fund Creditor included in above	(2,110)	(234)		
		9,518	14,943		
3,301	Net Increase/(Decrease)			5,425	
	PROVISIONS				
62	Statement of Financial Position	1,544	1,504		13a
62	Net Increase			(40)	
3,180	NET MOVEMENT Increase/(Decrease)			5,103	CFS

3. Operating expenses

3a. Staff costs

2020/21 £'000		2021/22 £'000	Notes
10,107	Medical and Dental	8,900	
13,266	Nursing	13,446	
17,062	Other Staff	17,862	
40,435	Total	40,208	SOCNE

Further detail and analysis of employee expenditure can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

3b. Other operating expenditure

2020/21 Consolidated Restated £'000		2021/22	
		Board £'000	Consolidated £'000
	Independent Primary Care Services:		
4,167	General Medical Services	4,217	4,217
1,218	Pharmaceutical Services	853	853
1,134	General Dental Services	1,107	1,107
304	General Ophthalmic Services	256	256
6,823	Total Independent Primary Care Services	6,433	6,433
	Drugs and medical supplies:		
4,077	Prescribed drugs and appliances - Primary Care	4,226	4,226
2,670	- Secondary Care	2,862	2,862
888	PPE and Testing Kits	198	198
1,058	Medical Supplies	1,489	1,489
8,693	Total Drugs and medical supplies	8,775	8,775
	Other health care expenditure		
41,873	Contribution to Integrated Joint Boards	44,100	44,100
7,147	Goods and services from other NHS Scotland bodies	8,017	8,017
45	Goods and services from other UK NHS bodies	(40)	(40)
819	Goods and services from private providers	812	812
90	Goods and services from voluntary organisations	70	70
2,270	Resource Transfer	2,301	2,301
0	Loss on disposal of assets	0	0
15,367	Other operating expenses	16,512	16,512
73	Auditor's remuneration - statutory audit fee	75	75
66	Endowment Fund expenditure	0	84
67,750	Total Other health care expenditure	71,847	71,931
83,266	Total	87,055	87,139

4. Operating Income

2020/21 Consolidated Restated £'000		2021/22		Notes
		Board £'000	Consolidated £'000	
214	Income from Scottish Government	182	182	
440	Income from other NHS Scotland bodies	1,019	1,019	
36	Income from NHS non-Scottish bodies	142	142	
39,892	Income for services commissioned by Integrated Joint Board (IJB)	40,745	40,745	
52	Patient charges for primary care	181	181	
201	Donations	0	0	
63	Profit of disposal of assets	124	124	
25	Contribution in respect of clinical and medical negligence claims	(25)	(25)	
	Non NHS:			
4	Overseas patients (non-reciprocal)	0	0	
131	Endowment Fund Income	0	50	
730	Other	750	750	
41,788	Total Income	43,118	43,168	SOCNE

5. Segmental Information

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

	Hospital Services £'000	Pharmacy & Drugs Costs £'000	Orkney Health & Care £'000	Dental, Ophthalmic and Pharmacy NCL £'000	Covid -19 £'000	Savings Target £'000	External Commissioning £'000	Estates & Facilities £'000
2021/22 Net operating cost	13,341	3,406	29,335	2,011	11,749	(2,605)	10,530	7,779

2020/21 Net operating cost	12,757	3,184	29,179	2,232	11,808	(5,231)	11,035	7,120
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	Annually Managed Expenditure £'000	Support Services £'000	Depreciation £'000	IJB Consolidation – Joint Venture £'000	Endowments £'000	Reserves £'000	Total £'000
2021/22 Net operating cost	174	6,642	2,420	(1,880)	34	(637)	82,299
2020/21 Net operating cost	290	7,176	2,428	(991)	(65)	0	80,922

6. Intangible Assets

Movements in 2021/22	Notes	Software Licences £'000	IT - Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2021		3	1,476	1,479
Impairment charges		0	(140)	(140)
At 31st March 2022		3	1,336	1,339
Amortisation				
As at 1st April 2021		3	1,076	1,079
Provided during the year		0	60	60
Impairment charges		0	(76)	(76)
At 31st March 2022		3	1,060	1,063
Net Book Value at 1st April 2021		0	400	400
Net Book Value at 31 March 2022	SoFP	0	276	276

Movements in 2020/21	Notes	Software Licences £'000	IT – Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2020		1,182	0	1,182
Additions	2	0	20	20
Completions		0	362	362
Transfers		(1,179)	1,179	0
Impairment charges		0	(85)	(85)
At 31st March 2021		3	1,476	1,479
Amortisation				
As at 1st April 2020		1,042	0	1,042
Provided during the year		0	109	109
Transfers between asset categories		(1,039)	1,039	0
Impairment charges		0	(72)	(72)
At 31st March 2021		3	1,076	1,079
Net Book Value at 1st April 2020		140	0	140
Net Book Value at 31 March 2021	SoFP	0	400	400

**7(a). Property, Plant and Equipment – Purchased Assets
Current Year Purchased Assets**

Movements in 2021/22	Notes	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 2021		1,896	66,086	373	444	11,020	5,472	1,003	753	87,047
Additions		0	0	0	0	246	246	0	1,747	2,239
Completions		0	148	0	74	97	141	20	(480)	0
Transfers (to)/ from non-current assets held for sale		(20)	(44)	(51)	0	0	0	(1)	(6)	(122)
Revaluation		0	4,306	3	0	0	0	0	0	4,309
Impairment charges		0	0	0	0	(313)	(11)	0	0	(324)
Disposals – purchased		0	0	0	(114)	0	0	0	0	(114)
At 31 March 2022		1,876	70,496	325	404	11,050	5,848	1,022	2,014	93,035
Depreciation										
At 1 April 2021		0	4,838	115	411	6,213	3,676	406	0	15,659
Provided during the year-purchased		0	1,329	22	26	396	514	71	0	2,358
Transfers (to)/ from non-current assets held for sale		0	(7)	(8)	0	0	0	(1)	0	(16)
Revaluation		0	265	3	0	0	0	0	0	268
Impairment charges		0	0	0	0	(183)	(3)	0	0	(186)
Disposals – purchased		0	0	0	(114)	0	0	0	0	(114)
At 31 March 2022		0	6,425	132	323	6,426	4,187	476	0	17,969
Net book value at 1 April 2021		1,896	61,248	258	33	4,807	1,796	597	753	71,388
Net book value at 31 March 2022	SoFP	1,876	64,071	193	81	4,624	1,661	546	2,014	75,066

Open Market Value of Land in Land and Dwellings Included Above	193
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Asset financing:		Land and Dwellings Included Above						
Owned-purchased		1,876	2,794	193	81	546	2,014	13,789
On-balance sheet NPD contracts		0	61,277	0	0	0	0	61,277
Net book value at 31 March 2021	SoFP	1,876	64,071	193	81	546	2,014	75,066

Prior year Purchased Assets

Movements in 2020/21	Notes	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 2020		1,896	65,971	373	444	11,344	5,728	1,041	552	87,349
Additions		0	13	0	0	228	202	0	678	1,121
Completions		0	102	0	0	5	8	0	(115)	0
Transfers between asset categories		0	0	0	0	0	0	0	(362)	(362)
Impairment charges		0	0	0	0	(126)	(438)	(32)	0	(596)
Disposals		0	0	0	0	(431)	(28)	(6)	0	(465)
At 31 March 2021		1,896	66,086	373	444	11,020	5,472	1,003	753	87,047
Depreciation										
At 1 April 2020		0	3,519	93	381	6,513	3,396	261	0	14,163
Provided during the year-purchased		0	1,319	22	30	199	576	174	0	2,320
Impairment charges		0	0	0	0	(68)	(268)	(23)	0	(359)
Disposals – purchased		0	0	0	0	(431)	(28)	(6)	0	(465)
At 31 March 2021		0	4,838	115	411	6,213	3,676	406	0	15,659
Net book value at 1 April 2020		1,896	62,452	280	63	4,831	2,332	780	552	73,186
Net book value at 31 March 2021	SoFP	1,896	61,48	258	33	4,807	1,796	597	753	71,388
Open Market Value of Land in Land and Dwellings Included Above		1,896		258						

Asset financing:

Owned-purchased	1,896	2,627	258	33	33	4,807	1,796	596	753	12,766
On-balance sheet NPD contracts	0	58,621	0	0	0	0	0	1	0	58,622
Net book value at 31 March 2019	1,896	61,248	258	33	33	4,807	1,796	597	753	71,388

7(b). Assets Held for Sale

The following asset related to NHS Orkney was presented as held for sale following the approval by NHS Orkney Board:

Greystones, Evie

The Board disposed of Bayview, Hoy during 2021/22

Movements in 2021/22	Notes	Property, Plant & Equipment £'000
At 1 April 2021		41
Transfers from property, plant and equipment		106
Disposals of non-current assets held for sale		(47)
As at 31 March 2022	SoFP	100

Movements in 2020/21		Property, Plant & Equipment £'000
At 1 April 2020		41
Transfers from property, plant and equipment		0
As at 31 March 2021	SoFP	41

The old Balfour site remains part of our non-current assets at 31/03/22 as the provision of additional capacity is required during the Covid-19 outbreak and the site usage is included in contingency plans required by Scottish Government. The site will be marketed for sale when it is surplus to requirements.

7(c). Property, Plant and Equipment Disclosures

2020/21 £'000		2021/22 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
71,388	Purchased	75,066	
71,388	Total	75,066	SoFP

1,896	Net book value related to land valued at open market value at 31 March	1,876
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258	Net book value related to buildings valued at open market value at 31 March	193
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58,622	Total value of assets held under NPD contract	61,277
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With the exception of the New Hospital and Healthcare Facility completed in 2019/20, all land and buildings were revalued by an independent valuer, the Valuation Office Agency, as at 31/03/2018 on the basis of fair value (market value or depreciated replacement costs where appropriate). As at 31/03/2022 the values were index linked. These values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS. The New Hospital and Healthcare Facility was valued by an independent valuer on 01/07/2019, the asset was impaired to recognise as a completed asset at fair value on that date.

The net impact was an increase of £4.042m (£0.00m in 2020/21) which was credited to the revaluation reserve. Impairment of £0.171m (2020/21: £0.237m) was charged to the Statement of Comprehensive

Net Expenditure and Summary of Resource Outturn for the impairment of Property, Plant and Equipment.

7(d). Analysis of Capital Expenditure

2020/21 £'000		2021/22 £'000	Notes
	EXPENDITURE		
20	Acquisition of Intangible Assets	0	6
1,121	Acquisition of Property, plant and equipment	2,239	7a
1,141	Gross Capital Expenditure	2,239	
	INCOME		
0	Net book value of disposal of Property, plant and equipment	0	7a
0	Value of disposal of Non-Current Assets held for sale	47	
0	Capital Income	47	

1,141	Net Capital Expenditure	2,192
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SUMMARY OF CAPITAL RESOURCE OUTTURN

1,078	Core capital expenditure included above	2,192
1,078	Core Capital Resource Limit	2,192
0	Saving/(excess) against Core Capital Resource Limit	0
1,078	Total Capital Expenditure	2,192
1,078	Total Capital Resource Limit	2,192

0	Saving/(excess) against Total Capital Resource Limit	0
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8. Inventories

2020/21 £'000	Notes	2021/22 £'000
722	Raw Materials and Consumables	833
722	Total Inventories SoFP	833

9. Trade and Other Receivables

Consolidated 2020/21 £'000	Board 2020/21 £'000		Consolidated 2021/22 £'000	Board 2021/22 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
127	127	Scottish Government Health & Social Care Directorate	39	39	
200	200	Boards	200	200	
327	327	Total NHS Scotland Receivables	239	239	
2	2	NHS Non-Scottish Bodies	69	69	
134	134	VAT recoverable	238	238	
179	179	Prepayments	184	184	
108	108	Other Receivables	300	300	
25	25	Reimbursement of provisions	0	0	
99	99	Other Public Sector Bodies	14	14	
3	0	Endowments consolidation	0	0	
877	874	Total Receivables due within one year	1,044	1,044	SoFP
		Receivables due after more than one year			
		NHS Scotland			
8	8	Accrued income	12	12	
8	8	Total Receivables due after more than one year	12	12	SoFP
885	882	TOTAL RECEIVABLES	1,056	1,056	
6	6	The total receivables figure above includes a provision for impairments of :	6	6	
		WGA Classification			
200	200	NHS Scotland	200	200	
129	129	Central Government Bodies	39	39	
99	99	Whole of Government Bodies	14	14	
2	2	Balances with NHS Bodies in England and Wales	69	69	
455	452	Balances with bodies external to Government	734	734	
885	882	Total	1,056	1,056	

2020/21 £'000	2020/21 £'000	Movements on the provision for impairment of receivables are as follows:	2021/22 £'000	2021/22 £'000
14	14	At 1 April	6	6
1	1	Provision for impairment	0	0
(8)	(8)	Receivables written off during the year as uncollectible	0	0
(1)	(1)	Unused amounts reversed	0	0
6	6	At 31 March	6	6

As of 31 March 2022, receivables with a carrying value of £6k (2020/21: £6k) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2020/21 £'000		Consolidated 2021/22 £'000
0	3 to 6 months past due	0
6	Over 6 months past due	6
6		6

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2022, receivables with a carrying value of £0.911m (2020/21: £0.836m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2020/21 £'000	Board 2020/21 £'000		Consolidated 2021/22 £'000	Board 2021/22 £'000
839	836	Up to 3 months past due	908	908
12	12	3 to 6 months past due	66	66
40	40	Over 6 months past due	82	82
891	888		1,056	1,056

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, 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.

All carrying amounts of receivables are denominated in pounds sterling and the carrying value of both short term and long term receivables is approximate to their fair value.

10. Investments

Consolidated 2020/21 £'000		Consolidated 2021/22 £'000	Notes
80	Government securities	57	
910	Other	956	
990	TOTAL	1,013	SoFP
847	At 1 April	991	
38	Additions	21	CFS
(52)	Disposals	(42)	
158	Revaluation surplus/(deficit) transferred to equity	43	SOCTE
991	At 31 March	1,013	
991	Non-current	1,013	SoFP
991	At 31 March	1,013	
0	The carrying value includes an impairment provision of	0	

All the transactions relate to the endowment funds.

11. Cash and Cash Equivalents

Consolidated 2020/21 £'000		Consolidated 2021/22 £'000	Notes
1,535	Balance at 1 April	2,232	
697	Net change in cash and cash equivalent balances	(1,880)	CFS
2,232	Balance at 31 March	352	SoFP
2,232	Total Cash – Cash Flow Statement	352	
2,095	Government Banking Service	199	
12	Commercial banks and cash in hand	35	
125	Endowment cash	118	
2,232	Balance at 31 March	352	

12. Trade and Other Payables

Consolidated 2020/21 £'000	Board 2020/21 £'000		Consolidated 2021/22 £'000	Board 2021/22 £'000	Notes
		Payables due within one year			
		NHS Scotland			
0	0	SGHSCD	0	0	
1,549	1,549	Boards	2,508	2,508	
1,549	1,549	Total NHS Scotland Payables	2,508	2,508	
61	61	NHS Non-Scottish Bodies	8	8	
2,110	2,110	Amounts Payable to General Fund	234	234	
659	659	FHS Practitioners	725	725	
816	816	Trade Payables	1,334	1,334	
2,621	2,620	Accruals	2,024	2,024	
55	55	Deferred income	116	116	
713	713	Income tax and social security	784	784	
550	550	Superannuation	605	605	
270	270	Holiday Pay Accrual	279	279	
2,467	2,467	Other Public Sector Bodies	6,863	6,863	
0	0	Other payables	0	0	
3	0	Endowments Consolidation	7	0	
11,874	11,870	Total Payables due within one year	15,487	15,480	SoFP
		Payables due after more than one year			
0	0	Other payables	0	0	
11,874	11,870	TOTAL PAYABLES	15,487	15,480	

WGA Classification

1,549	1,549	NHS Scotland	2,508	2,508	
0	0	Central Government Bodies	0	0	
2,465	2,465	Whole of Government Bodies Balances with NHS Bodies in England and Wales	6,863	6,863	
61	61		8	8	
7,799	7,795	Balances with bodies external to Government	6,108	6,101	
11,874	11,870	Total	15,487	15,480	

All carrying amounts of payables are denominated in pounds sterling

13. Provisions

Movements in 2021/22	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2021	327	50	1,167	1,544
Arising during the year	15	0	59	74
Utilised during the year	(27)	(50)	(37)	(114)
Unwinding of Discount	0	0	0	0
Reversed unutilised	0	0	0	0
At 31 March 2022	315	0	1,189	1,504

The amounts shown above in relation to Clinical & Medical Negligence Claims against NHS Orkney are stated gross and the amount of any expected reimbursements are disclosed as receivables in note 9.

Analysis of expected timing of discounted flows to 31 March 2022

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	27	0	300	327	SoFP
Payable between 2 - 5 years	0	0	722	722	
Payable between 6 - 10 years	0	0	62	62	
Thereafter	288	0	105	393	
At 31 March 2022	315	0	1,189	1,504	

Movements in 2020/21	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2020	315	0	1,167	1,482
Arising during the year	48	50	52	150
Utilised during the year	(27)	0	(52)	(79)
Unwinding of Discount	0	0	0	0
Reversed unutilised	(9)	0	0	(9)
At 31 March 2021	327	50	1,167	1,544

Analysis of expected timing of discounted flows to 31 March 2021

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	27	50	290	367	SoFP
Payable between 2 - 5 years	0	0	709	709	
Payable between 6 - 10 years	0	0	61	61	
Thereafter	300	0	107	407	
At 31 March 2021	327	50	1,167	1,544	

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 -1.30% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 17 years.

Clinical and Medical Legal Claims against NHS Board

The Board holds a provision to meet costs of outstanding 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 impact of the provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2020/21 £'000		2021/22 £'000	Notes
50	Provision recognising individual claims against the NHS Board as at 31 March	0	13
(25)	Associated CNORIS receivable at 31 March	0	9
1,167	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,189	13
1,192	Net Total Provision relating to CNORIS at 31 March	1,189	

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value of less than this are met directly from NHS Orkneys' own budget. Participants pool each financial year at a pre-agreed contribution rate based on the risks associated with each NHS board. If a claim is settled, the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against the board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable, recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivables are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHS Scotland has been made and this is reflected in the third line above.

Further information on the scheme can be found at <https://clo.scot.nhs.uk/our-services/cnoris.aspx>.

14. Contingent Liabilities

There are no contingent liabilities in 2021/22 or 2020/21.

15. Events After the Reporting Period

There were no Post Balance Sheet date events having a material effect on the accounts.

16. Capital Commitments

The board has the following capital commitments which have not been included for in the annual accounts.

2020/21		2021/22
Property, plant and equipment: £'000		Property, plant and equipment: £'000
	Contracted	
0	Building Works	45
40	Medical Equipment	8
40	Total	53

17. Commitments under leases

2020/21		2021/22
£'000	Operating Leases	£'000
	Obligations under operating leases comprise:	
	Land	
16	Not later than one year	7
0	Later than one year, not later than 2 years	0
0	Later than two year, not later than five years	0
0	Later than five years	0
	Buildings	
157	Not later than one year	153
29	Later than one year, not later than 2 years	30
29	Later than two year, not later than five years	0
0	Later than five years	0
	Other	
5	Not later than one year	7
5	Later than one year, not later than 2 years	3
16	Later than two year, not later than five years	4

Amounts charged to Operating Costs in the year were:

7	Hire of equipment (including vehicles)	7
161	Other operating leases	353
168	Total	360

There are no finance leases within NHS Orkney.

18. Commitments under NPD contracts

The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2021/22 totalled £1.811m (2020/21 £1.801m).

19. Pension Costs

2020/21 £'000		2021/22 £'000
4,997	Pension cost charge for the year	5,239
25	Additional Costs arising from early retirement	9
327	Provisions/Liabilities/Pre-payments included in the Balance Sheet	315

NHS Orkney participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions

NHS Orkney has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme. The employer contribution rate for the period from 1 April 2021 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

NHS Orkney's level of participation in the scheme is 0.4% based on the proportion of employer contributions paid in 2020-21.

Changes to the scheme were implemented from 1 April 2008 and again from 1 April 2015.

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued

each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2020-21 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,136 up to £50,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2018	3%	2%	5%
1st October 2019	5%	3%	8%

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board they can continue to pay into NEST.

NEST Pension members can take money out of NEST at any time from age 55. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally, members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

20. Restated Primary Statement

20a. Restated SoCNE

	Previous Accounts	Adjustment	Adjustment	These Accounts
		1	2	
	£000	£000	£000	£000
Total income and expenditure				
Employee expenditure	40,435			40,435
Other expenditure				
Independent Primary Care Services	6,823			6,823
Drugs and medical supplies	8,693			8,693
Other health care expenditure	70,073	(1,981)	(342)	67,750
Less: operating income	(44,111)	1,981	342	(41,788)
	81,913	0	0	81,913
Associates and joint ventures accounted for on an equity basis	(991)			(991)
Net expenditure for the year	80,922	0	0	80,922

In order to ensure consistency between the reporting of Income and Expenditure in both NHS Orkney's and the IJB's annual accounts, a prior year adjustment has been made to the Income for Services Commissioned by Integrated Joint Board (IJB) (Note 4) and Contributions from the Integrated Joint Board (Note 3) for the brought forward reserves for the amounts of (£1.981m for 2020/21 and £0.342m for 2019/20).

21. Financial Instruments

21(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2021/22					
At 31 March 2021 Assets per Consolidated Statement of Financial Position					
Investments	0	1,013	1,013	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	395	0	395	395	9
Cash and cash equivalents	352	0	352	234	11
	747	1,013	1,760	629	

	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2020/21					
At 31 March 2021 Assets per Consolidated Statement of Financial Position					
Investments	0	990	990	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	220	0	220	217	9
Cash and cash equivalents	2,232	0	2,232	2,107	11
	2,452	990	3,442	2,324	

Financial Liabilities	Consolidated	Board	
	Other financial liabilities £'000	Other financial liabilities £'000	Notes
2021/22			
At 31 March 2022			
Liabilities per Consolidated Statement of Financial Position			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	11,474	11,467	12
	11,474	11,467	

	Consolidated	Board	
	Other financial liabilities £'000	Other financial liabilities £'000	Notes
2020/21			
At 31 March 2021			
Liabilities per Consolidated Statement of Financial Position			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	9,007	9,003	12
	9,007	9,003	

21(b). Financial Instruments – Financial Risk Factor

Exposure to Risk

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

- i. Credit risk - the possibility that other parties might fail to pay amounts due.
- ii. Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
- iii. 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 and 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.

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

ii) 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 trade and other payables excluding statutory liabilities as at the 31 March 2022 was £11.465m (31 March 2021 was £9.004m).

iii)

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.

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.

The NHS Board is not exposed to foreign currency risk or price risk.

22. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

23. Related Party Transactions

Jason Taylor is a member of Management Committee of Orkney Housing Association Ltd. In year, NHS Orkney received invoices from Orkney Housing Association Ltd for £30,318 (2020/21: £29,988). At 31 March 2022 nil (2020/21: nil) was due by NHS Orkney.

Michael Dickson, Interim Chief Executive is also Chief Executive for NHS Shetland. At 31 March 2022 the amount due to NHS Shetland was £172,612 (2020/21: £14,816). The spend with NHS Shetland for 2021/22 was £487,769 (2020/21: £185,664). The amount due from NHS Shetland was £93,148 (2020/21: £55,988), the income in year was £136,838 (2020/21: £18,340).

The directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2022 there were £2,718 (2020/21: nil) outstanding debts due to NHS Orkney and nil (2020/21: nil) due by NHS Orkney.

The Integrated Joint Board expenditure in 2021/22 was £44.100m (2020/21: £42.215m). £6.084m (2020/21: £2.323m) is due as a creditor to the IJB at 31 March 2022.

24. Third Party Assets

There were no Patients' Private Fund Accounts held in 2021/22 or 2020/21.

25(a). Consolidated Statement of Comprehensive Net Expenditure

2020/21		2021/22				
Group Restated		Notes	Board	IJB	Endowments	Consolidated
£'000			£'000	£'000	£'000	£'000
	Total income and expenditure					
40,435	Staff costs	N3	40,208	0	0	40,208
	Other operating expenditure:					
6,823	Independent Primary Care Services	N3	6,433	0	0	6,433
8,693	Drugs and medical supplies		8,775	0	0	8,775
67,750	Other health care expenditure		71,847	0	84	71,931
123,701	Gross Expenditure for the year		127,263	0	84	127,347
(41,788)	Less: Other Operating Income	N4	(43,118)	0	(50)	(43,168)
(991)	Associates and joint ventures accounted for on an equity basis	N4	0	(1,880)	0	(1,880)
80,922	Net Operating Costs		84,145	(1,880)	34	82,299

25(b). Consolidated Statement of Financial Position

2020/21		2021/22				
Consolidated		Notes	Board	IJB	Endowment	Consolidated
£'000			£'000	£'000	£'000	£'000
	Non-current assets:					
71,388	Property, plant and equipment	SoFP	75,066	0	0	75,066
400	Intangible assets	SoFP	276	0	0	276
	Financial assets:					
991	Investments	SoFP	0	0	1,013	1,013
1,162	Associates and joint ventures accounted for on an equity basis	26a	0	3,042	0	3,042
8	Trade and other receivables	SoFP	12	0	0	12
73,949	Total non-current assets		75,354	3,042	1,013	79,409
	Current Assets:					
722	Inventories	SoFP	833	0	0	833
	Financial assets:					
877	Trade and other receivables	SoFP	1,044	0	0	1,044
2,232	Cash and cash equivalents	SoFP	234	0	118	352
41	Assets classified as held for sale	SoFP	100	0	0	100
3,872	Total current assets		2,211	0	118	2,329
77,821	Total assets		77,565	3,042	1,131	81,738
(367)	Provisions	SoFP	(327)	0	0	(327)
	Financial liabilities:					
(11,874)	Trade and other payables	SoFP	(15,480)	0	(7)	(15,487)
(12,241)	Total current liabilities		(15,807)	0	(7)	(15,814)
65,580	Non-current assets plus/less net current assets/liabilities		61,758	3,042	1,124	65,924
	Non-current liabilities					
(1,177)	Provisions	SoFP	(1,177)	0	0	(1,177)
0	Trade and other payables		0	0	0	0
(1,177)	Total non-current liabilities		(1,177)	0	0	(1,177)
64,403	Assets less liabilities		60,581	3,042	1,124	64,747
	Taxpayers' Equity					
61,310	General fund	SoFP	55,800	0	0	55,800
816	Revaluation reserve	SoFP	4,781	0	0	4,781
1,162	Other reserves – IJB joint venture	SoFP	0	3,042	0	3,042
1,115	Funds Held on Trust	SoFP	0	0	1,124	1,124
64,403	Total taxpayers' equity		60,581	3,042	1,124	64,747

25(c). Consolidated Statement of Cash Flows

2020/21		2021/22		
Consolidated £'000		Board £'000	Endowment £'000	Group £'000
	Cash flows from operating activities			
(80,922)	Net operating cost	(84,145)	(34)	(84,179)
1,625	Adjustments for non-cash transactions	2,466	0	2,466
3,180	Movements in working capital	5,103	0	5,103
(76,117)	Net cash outflow from operating activities	(76,576)	(34)	(76,610)
	Cash flows from investing activities			
(898)	Purchase of property, plant and equipment	(2,175)	0	(2,175)
(20)	Purchase of intangible assets	0	0	0
(38)	Investment Additions	0	(21)	(21)
63	Proceeds of disposal of property, plant and equipment	171	0	171
52	Receipts from sale of investments	0	42	42
(841)	Net cash outflow from investing activities	(2,004)	21	(1,983)
	Cash flows from financing activities			
76,954	Funding	78,589	0	78,589
701	Movement in general fund working capital	(1,882)	6	(1,876)
77,655	Cash drawn down	76,707	6	76,713
77,655	Net Financing	76,707	6	76,713
697	Net Increase / (decrease) in cash and cash equivalents in the period	(1,873)	(7)	(1,880)
1,535	Cash and cash equivalents at the beginning of the period	2,107	125	2,232
2,232	Cash and cash equivalents at the end of the period	234	118	352
	Reconciliation of net cash flow to movement in net debt/cash			
697	Increase/(decrease) in cash in year	(1,873)	(7)	(1,880)
1,535	Net debt/cash at 1 April	2,107	125	2,232
2,232	Net debt/cash at 31 March	234	118	352



Orkney Health Board

DIRECTIONS BY THE SCOTTISH MINISTERS

The Scottish Ministers, in exercise of their functions under section 86(1) and (3) of the National Health Service (Scotland) Act 1978, in relation to the functions of Health Boards in that section which apply to NHS Orkney by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

1. NHS Orkney must prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual which is applicable for the financial year for which the statement of accounts is prepared.
2. In preparing a statement of accounts in accordance with paragraph 1, NHS Orkney must use the NHS Orkney Annual Accounts template which is applicable for the financial year for which the statement of accounts is prepared.
3. In preparing a statement of accounts in accordance with paragraph 1, NHS Orkney must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –
 - (a) The NHS Scotland Capital Accounting Manual,
 - (b) The Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns, and
 - (c) The Scottish Public Finance Manual.
4. A statement of accounts prepared by NHS Orkney in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.
5. NHS Orkney must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.
6. In these Directions –

“financial year” has the same meaning as that given by Schedule 1 of the Interpretation Act 1978,

“Government Financial Reporting Manual” means the technical accounting guide for the preparation of financial statements issued by HM Treasury,

“Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns” means the guidance on preparing annual accounts issued to Health Boards by the Scottish Ministers,

“NHS Act 1978” means the National Health Service (Scotland) Act 1978 (c. 29),

“NHS Scotland Capital Accounting Manual” means the guidance on the application of accounting standards and practice to capital accounting transactions in the NHS issued by the Scottish Ministers,

NHS Orkney is a Health Board established under section 2(1) of the National Health Service (Scotland) Act 1978

“NHS Orkney Annual Accounts template” means the Excel spreadsheet issued to NHS Orkney by the Scottish Ministers as a template for their statement of accounts, and

“Scottish Public Finance Manual” means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers.

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.
8. This Direction will come into force on the day after the day on which it is signed.
9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978.



Signed by the authority of the Scottish Ministers

Dated 26 March 2022