



**NHS ORKNEY**

**ANNUAL ACCOUNTS**

**For**

**Year Ended 31 March 2013**

# NHS ORKNEY DIRECTORS' REPORT AND ACCOUNTS 2012/13

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**NHS ORKNEY  
ANNUAL ACCOUNTS 2012/2013**

**DIRECTORS' REPORT**

The Directors present their report and the audited financial statements for the year ended 31 March 2013.

**1. Naming Convention**

NHS Orkney is the common name for Orkney Health Board.

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

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

**3. Date of Issue**

Financial statements were approved and authorised for issue by the Board on 25th June 2013.

**4. Accounting convention**

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

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

**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. The Auditor General appointed Stephen O'Hagan, Assistant Director of Audit (Audit Services), Audit Scotland to undertake the audit of NHS Orkney. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

**6. Board membership**

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

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



During the year NHS Orkney comprised the following:

Cathie Cowan, Chief Executive

Gerry O'Brien, Director of Finance

Marthinus Roos, Medical Director

Rhoda Walker, Director of Nursing, Allied Health Professionals and Midwifery

Dr Louise Wilson, Director of Public Health

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**Non Executive Directors:**

John Ross Scott, Chair

Liz Middleton, Vice Chair

Stephen Hagan (Up to 30 April 2012\*)

(From 30 July 2012\*)

Suzanne Lawrence

Dr Andrew Trevett

Naomi Bremner

Rognvald Johnson (From 1 July 2012)

Gillian Skuse (From 1 July 2012)

Jeremy Richardson (From 1 September 2012)

Jim Robertson (Up to 31 August 2012)

Mairhi Trickett (Up to 30 June 2012)

\* Stephen Hagan's membership ceased with Local Authority elections, he was reappointed 30<sup>th</sup> July 2012.

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

**7. Board members' and senior managers' interests**

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

Board Members	Declared Interest	Role within the organisation
Naomi Bremner	Partner in the Spyria Partnership, Transport Planning Specialists.	Non Executive Director
Rhoda Walker	Husband owns and runs Orklean cleaning company which regularly undertakes cleaning for NHS Orkney.	Director of Nursing and Allied Health Professions / Executive Director
Dr Andrew Trevett	Provision of General Medical Services to NHS Orkney Provision of Diving Medical Services to NHS Orkney	Non Executive Director GP Chair – Area Clinical Forum
John Ross Scott	Editor of 'Living Orkney' magazine and freelance journalist work (no health news stories – other than features)	NHS Orkney Board Chair

**8. Directors third party indemnity provisions**

There are no third party indemnity provisions.

**9. Pension Liabilities**

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 22 and the remuneration report.

**10. Remuneration for non audit work**

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

**11. Value of Land**

There is no significant difference between the market value and the balance sheet value of land at 31 March 2013.

**12. Public Services Reform (Scotland) Act 2010**

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

### 13. Payment policy

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

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

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

Measure of Better Payment	2012/13	2011/12	2010/11
Paid by value – in 10 days	51%	47%	42%
In 30 days	79%	74%	78%
Credit taken	21 days	19 days	21 days
Paid by volume – in 10 days	51%	51%	43%
In 30 days	90%	89%	86%

### 14. Corporate governance

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

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

#### Audit Committee:

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

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

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**Members:**

Naomi Bremner        (Chair)  
Rognvald Johnson    (Vice Chair)  
Suzanne Lawrence  
Jeremy Richardson   (From 1 September 2012)  
Mairhi Trickett       (Up to 30 June 2012)  
Jim Robertson        (Up to 31 August 2012)

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**Finance and Performance Committee:**

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

Stephen Hagan        (Chair)  
Rognvald Johnson    (Vice Chair from 1<sup>st</sup> September 2012)  
Jim Robertson        (Vice Chair up to 31 August 2012)  
Cathie Cowan  
Gerry O'Brien  
Naomi Bremner  
John Ross Scott

**Orkney Health and Care Partnership Board:**

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

**NHS Members :**

Gillian Skuse (Chair From 1<sup>st</sup> September 2012)

Mairhi Trickett (Vice Chair to 1st June 2012)

Suzanne Lawrence

~~Jeremy Richardson (From 1<sup>st</sup> September 2012)~~

Marthinus Roos

Dr Andrew Trevett

Rhoda Walker (From 1<sup>st</sup> September 2012)

Liz Middleton (up to 31<sup>st</sup> August 2012)

**Quality and Improvement Committee:**

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

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

**Members:**

Liz Middleton (Chair)

Jeremy Richardson (Vice Chair - From 1<sup>st</sup> September 2012)

Mairhi Trickett (Vice Chair to 1st June 2012)

John Ross Scott (From 1<sup>st</sup> April 2012)

Dr Andrew Trevett

Marthinus Roos

Rhoda Walker

Gillian Skuse (From 1<sup>st</sup> July 2012 to 31<sup>st</sup> August 2012)

#### **Staff Governance Committee:**

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

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

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

#### **Members:**

Suzanne Lawrence (Chair)

John Ross Scott (Vice Chair)

Cathie Cowan

Liz Middleton

Fiona MacKellar, Partnership representative

Vicky Anderson, Staff representative

Julie Nicol

Gillian Skuse (From 1<sup>st</sup> September 2012)

Mairhi Trickett (Up to 30 June 2012)

#### **Remuneration Committee**

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

**Members:**

John Ross Scott (Chair)

Stephen Hagan (Vice Chair)

Suzanne Lawrence

Liz Middleton (May 2012 – one meeting and then From 1<sup>st</sup> September 2012 onwards)

Jim Robertson (Up to 31 August 2012)

**15. Disclosure of information to auditors**

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

**16. Human resources**

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

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

**17. Events after the end of the reporting period**

One event has arisen since 31 March 2013. On 29 May 2013 Boards were notified of a Scottish Terms and Conditions Council decision that women health workers in Scotland were to receive five years (backdated) public holidays they had been entitled to whilst on maternity leave. An accrual has been included in the accounts based on the number of women affected and the likely number of public holidays accruing.

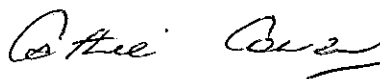
**18. Financial Instruments**

Information in respect of the financial risk management objectives and policies of NHS Orkney and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in note 23.

**19. Approval and signing of the directors' report**

The Accountable Officer authorised these financial statements for issue on 25th June 2013.

Signed



Date 25th June 2013

Catherine Cowan

Chief Executive

## OPERATING AND FINANCIAL REVIEW

### 1. Principal activities and review of the year

The NHS board was established in 1974/75 under the National Health Service (Scotland) Act 1974 and is responsible for commissioning health care services for the residents of Orkney, with a growing population of approximately 21,000.

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

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

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

### Community Health and Social Care Partnership

The local Community Health and Social Care Partnership known as "Orkney Health and Care" has driven services forward through 2012/13 building on from its establishment on 1st April 2010. Aligned budgets are set and governance provided through the Orkney Health and Care Board, which has representatives of both the local authority (Orkney Islands Council) and NHS Orkney. The Orkney Health and Care Board hold delegated powers on behalf of NHS Orkney and Orkney Islands Council enabling management and accountability. During 2012/13 a significant reorganisation of management arrangements was undertaken to create a unified management structure. This reorganisation resulted in the creation of two new posts of Head of Health and Community Care and Head of Children's and Families Services and Criminal Justice. Beneath these posts now sits a fully integrated management structure covering all children and adult services across Orkney. As a direct result of this reorganisation the post of Director of Orkney Health and Care was formally disestablished. The post had been covered on an interim basis by the Chief Executive of NHS Orkney.

### Development of the Board's Strategy Corporate Plan

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



A range of work streams have been taken forward in order to progress many of the key actions from the Our Orkney, Our Health – Transforming Clinical Services. The highlights of the past 12 months are notably:

- The establishment of the eHealth Project and the approval of a business case for the implementation of a replacement patient administration system;
- The establishment of a project to introduce a new CT scanning service to Orkney which is due to complete by spring 2014;
- The development of a draft Organisational Effectiveness Strategy which encompasses both service improvement and organisational development elements – this is now being taken forward with the support of NHS Tayside;
- Development of organisational capacity in relation to project and data management;
- Development and implementation of a Programme wide Communication and Engagement Plan, linked to the individual communications plans of each project and ensuring the involvement of staff and members of the public in service redesign; and
- A range of service improvement works covering:
  - Rehabilitation and enablement (development of new service delivery model);
  - Releasing Time to Care (implementation within community nursing and acute services);
  - Outpatient services (Reviews of cardiology, ophthalmology and dermatology);
  - Establishment of an Improvement Action Learning Forum as a means for providing support for continuous improvement and sharing learning;
  - Engagement with NHS Grampian regarding the provision of off island clinical decision making support; and
  - The progression of the new hospital development including the modelling of future inpatient bed requirements with the support of ISD (Information Services Division).

### **Care Campus / New Replacement Hospital Project**

The intended aim for the “Care Campus” project was to achieve an integrated care philosophy as a step towards a more cohesive and integrated approach to delivering health and social care services now and into the future. There is a need to invest in a new hospital and care facilities across Orkney as a whole and the Kirkwall Care Campus was seen as a start to that investment. This joint project between NHS Orkney and Orkney Islands Council (OIC) proceeded initially on the basis of agreeing a site for the project and the method of procuring the development subject to each party progressing financial and legal considerations.

At the end of March 2013, the Council decided that its best value option was to extend residential care places in an existing care home facility rather than build new care facilities as part of the Care Campus project.

This has altered the scope of the project which is now a new replacement Rural General Hospital (RGH) incorporating two existing Health Centres and dental facilities in Kirkwall, at an estimated construction cost of circa £60m and equipment cost of circa £6m.

The intention is to submit an Outline Business Case (OBC) to the September 2013 meeting of the Capital Investment Group (CIG) on the basis that this project has previously been identified as one of the five NPD (Non Profit Distributing) projects proposed for progression in the Comprehensive Spending Review.

The Patient and Public Reference Group (PPRG) and the Clinical Reference Group (CRG) continue to be involved and engaged as the project develops through its various stages.

Technical Advisors are presently working with a small in house project team to progress the OBC submission. Financial and Legal advisors have also now joined the team. A preferred public sector site has been identified for the project with negotiations underway for its purchase. Schedules of accommodation and output specifications are nearing finalisation and equipment lists, design sketches and planning considerations as well as costings are well advanced.

Certain site related issues require to be resolved however a contingent site option is also being considered if delays are encountered on the preferred site option.

Based on the present costings available the Board's contribution is affordable but very challenging and this aspect will be routinely tested as the project and its costings continue to be refined and finalised.

It is hoped to have approval of the OBC in October / November this year and to commence procurement of the project shortly thereafter with construction starting early to mid 2015, completing end 2017.

#### **Patient Exemption Checking**

The national Counter Fraud Service (CFS) patient claims team undertakes a Scotland wide programme of random checks to confirm that exemption from NHS patient dental and ophthalmic charges are being claimed correctly. When entitlement is not confirmed patients are asked to repay the charge. Pharmacy data relates to cases pre 1<sup>st</sup> April 2011. A summary of Orkney recoveries for 2012/13 is as follows.

	£	Cases
Dental	907	24
Ophthalmic	364	1
Pharmacy	66	2

The number of cases for NHS Orkney make up 0.46% of the national total.

Counter Fraud Service also estimated fraud / error and the potential level of fraud error for the calendar year 2012. These are shown in the table below:

<b>CFS Estimation Of Income Not Recovered From Family Health Services</b>				
	Service	NHS Orkney		Scotland
		£	%	%
Estimated Fraud / Error	Dental	3,617	3.51	7.43
	Ophthalmic	125	0.27	4.19
Potential Fraud / Error	Dental	599	0.58	3.69
	Ophthalmic	658	1.15	2.6

## 2. Financial Performance and Position

	Limit as set by SGHD £'000 (1)	Actual Outturn £'000 (2)	Variance (Over)/Under £'000 (3)
1 Core Revenue Resource Limit	42,760	42,667	93
Non Core Revenue Resource Limit	1,160	1,160	0
2 Core Capital Resource Limit	549	511	38
Non Core Capital Resource Limit	0	0	0
3 Cash Requirement	50,000	48,596	1,404

### MEMORANDUM FOR IN YEAR OUTTURN

£'000

Brought forward deficit /(surplus) from previous financial year (93)

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

0

NHS Orkney's 5 year financial plan is reviewed every year; entering 2012/13 this was approved by Scottish Government Health and Social Care Directorate on the 30<sup>th</sup> March 2012. Subsequently the next 5 year plan for the period to 2017/18 was approved on 28<sup>th</sup> March 2013. Continuation of the efficiency and productivity programme has seen NHS Orkney achieving a recurring balance during 2012/13.

From 2009/10 through to 2011/12, NHS Orkney received brokerage support from Scottish Government; this was necessitated as NHS Orkney's reoccurring financial position was in deficit at the time. Through redesign and targeted efficiencies NHS

Orkney has improved its financial position and now concludes 2012/13 in reoccurring financial balance. NHS Orkney is now required to repay the previous brokerage to SGHSCD (Scottish Government Health and Social Care Directorate) over a five year time frame commencing 2013/2014 through to conclusion in 2017-18. Such repayments are built into the approved 5 year plan at a rate of £738,000 for each of the 5 years. Some of the repayment is funded through property disposals and these carry a timing risk, the majority of the brokerage repayments will be generated by efficiency and productivity gains, some already delivered such as those through the voluntary severance scheme and some to be delivered built into the 5 year plan. Risk is minimised as funds identified for investment within the 5 year plan are not released until targeted levels of efficiencies are realised.

2012/13 also saw NHS Orkney receive additional funding (as planned) to support a number of expensive treatments purchased from and delivered by other NHS Boards. Such funding support will not repeat in 2013/14 therefore the financial risk of unplanned activity with other NHS Bodies outside of negotiated contracts will rest with NHS Orkney. Steps have already been taken as NHS Orkney enters 2013/14 to mitigate such financial risks through actions such as implementing new service level agreements with the providing NHS bodies.

The initial capital investment budget was £1,000,000. It was identified in year that there were areas of infrastructure investment on backlog maintenance which, under accounting guidance, are categorised as revenue expenditure (such as minor electrical and fire prevention works). A request was made to transfer resource from Capital to Revenue to facilitate this programme and in 2012/13 £200,000 was transferred.

Investment planning also identified the need for a significant capital investment programme in 2013/14. Including investment in isles properties, to facilitate this £400,000 of capital was carried forward from 2012/13 into 2013/14. Against the transfers from in year capital investment, an additional £138,500 was allocated towards energy efficiency.

#### **Provisions for impairment of receivables**

NHS Orkney has included a provision of £23,000 (2011/12: £13,000) to cover doubtful receivables.

#### **Outstanding liabilities**

NHS Orkney has £6.2m of current liabilities and £0.377m of non current liabilities, these consist principally of routine trade payables with no items of significant note.

#### **Significant remote contingent liabilities**

NHS Orkney has no significant remote contingencies.

#### **Legal obligations**

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

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

- Clinical & Medical – £109,000 (2011/12: £28,000)

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

#### **Contingent Liabilities**

There is one quantified contingent liability. Stated in note 18, this relates to clinical medical claims with information provided by the Central Legal Office.

#### **Prior year adjustments**

There are no prior year adjustments.

#### **Significant changes in fixed assets**

Specialist properties held have had values indexed in line with professional valuer's recommendation at 2.5%. One residential property has been declared surplus in year and downward valued by £33,000.

#### **Private Finance Initiative/Public Private Partnerships**

There are no PFI/PPP schemes within NHS Orkney.

#### **Hub Programme**

Throughout 2012/13 NHS Orkney continued with its shareholding in Hub North Scotland Limited. Holding (since 28<sup>th</sup> January 2011) three £1 shares which were purchased by the Scottish Futures Trust on behalf of NHS Orkney.

#### **Post-Balance Sheet items**

One post-balance sheet event occurred. Details are disclosed at note 19 of the accounts.

#### **Sickness absence data**

The sickness absence rate for the year ended 31 March 2013 was 3.63% (prior year 4.4%).

#### **Personal data related incidents**

Seven incidents involving personal data were reported and investigated during the year. A further 15 near incidents were identified within NHS Orkney's system. Following all incidents and near incidents staff were reminded of their responsibilities in relation to the security and confidentiality of personal data.

### **3. Performance against Key Non Financial Targets**

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

NHS Orkney has targeted delivery towards 14 HEAT measures during 2012/13. Ten of these measures ultimately conclude in future years.

Of the targeted areas for final delivery by March 2013, NHS Orkney has failed to reach targeted performance on:

- A. Stroke care** – This targets 90% of all patients admitted with a diagnosis of Stroke to be admitted to a designated unit on the day or day following admission. Within Orkney Stroke patients are diagnosed and may be onward referred to Aberdeen Royal Infirmary or designated Stroke beds with the Balfour Hospital's Assessment and Rehabilitation unit both achieving the target. For certain patients it is deemed more appropriate to provide care in the Balfour Hospital's acute ward,

which does not contain designated stroke beds and it is the stroke admissions to this ward that have resulted in NHS Orkney failing to deliver the target. National leads visited Orkney in March 2013 and assisted review of protocols with actions will now be put into place for 2013/14 to improve performance.

**B. Reduction in Healthcare Associated Infections** – This targets reductions in certain infections. NHS Orkney met the target for reducing staphylococcus aureus bacteraemia (including MRSA) infections with a total of 2 in year, this being under the targeted maximum of 4. Unfortunately 6 cases of Clostridium difficile infections in patients aged 65+ had occurred, against a target of no more than 4.

#### **Data accuracy in Monitoring HEAT targets:**

Information Services Division (ISD) has reported delays in patient data for some of Orkney residents treated by NHS Grampian, this data backlog is a result of NHS Grampian's implementation of a new patient record system. As a result some of the performance data is not presently 100% complete affecting the HEAT target measurement for reducing the rate of emergency inpatient bed days for those over 75.

#### **Ongoing HEAT Target Performance:**

NHS Orkney has achieved its financial target to operate within Revenue and Capital allocation. Significant progress has been made against productivity and efficiency targets with 4.1% savings delivered. At £1.346m of savings NHS Orkney fell slightly short against a locally set target of £1.418m.

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

Smoking cessation delivered 37 quits short of its projected target of 60 quits by year end towards a final targeted of 105 quits by 2014/15. The child health weight intervention programme fell 3 interventions short of its project target of 40 interventions by year end. Both programmes have enacted measures to boost performance next year.

## **4. Sustainability and Environmental Reporting**

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

NHS Scotland is targeted to reduce CO2 annually by 3% between 2009/10 and 2014/15; and to reduce energy consumption annually by 1% between 2009/10 and 2014/15. Towards this NHS Orkney's consumption of energy and emissions of carbon dioxide have both fallen in year. It is not anticipated that NHS Orkney will achieve the full cumulative target by 2014/15; a medium term focus is now on the replacement of the Balfour Hospital which will deliver maximum environmental benefits.

## **REMUNERATION REPORT**

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

Membership of the Remuneration Committee comprises:

John Ross Scott      (Chair)  
Suzanne Lawrence  
Stephen Hagan  
Liz Middleton

The committee met on three occasions during 2012/13. The committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year.

#### **Remuneration**

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

#### **Performance Appraisal**

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

#### **Payments to Past Senior Managers**

There were no payments to past senior managers during 2012/13.

#### **Voluntary Severance**

Four new voluntary severance payments were processed in year all arising from organisational change.

#### **Directors' and senior managers' remuneration**

The following tables provide a breakdown of executive and non-executive directors' remuneration in 2012/13 and 2011/12 along with median pay information, and have been audited by NHS Orkney's auditors.

**NHS ORKNEY**  
**REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Gross Remuneration including Superannuation (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension At pensionable age (Bands of £2,500)	Total accrued pension at pensionable age at 31 March (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2012	Cash Equivalent Transfer Value (CETV) at 31 March 2013	Real increase in CETV in year	Benefits in kind
<b>Remuneration of:</b>					<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Executive Members</b>								
Chief Executive: C Cowan	115-120	0 - 0	0	145 - 150	652	688	(11)	0
Director of Public Health: Dr L Wilson	120-125	0 - 0	2.5-5	115 - 120	467	536	21	0
Director of Finance: G O'Brien	75-80	0 - 0	0-2.5	85 - 90	340	373	8	0
Director Nursing, AHPs & Midwifery : R Walker	70-75	0 - 0	0-2.5	90 - 95	371	396	(2)	0
Medical Director: M Roos	175-180	0 - 0	0-2.5	110 - 115	596	637	(8)	0
<b>Non Executive Members</b>								
The Chair: J R Scott	25-30	0 - 0	0 - 0	0 - 0	0	0	0	0
S Lawrence	50 - 55	0 - 0	0 - 2.5	15-20	85	98	5	0
J Robertson – to 31.8.12	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0
E Middleton	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0.1
S Hagan To 30.4.12; from 30.7.12	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0
M Trickett – to 30.6.12	0-5	0 - 0	0 - 0	0 - 0	0	0	0	0.2
N Bremner	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0
A Trevett	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0.2
R Johnson – from 1.7.12	5 - 10	0 - 0	0 - 0	0 - 0	0	0	0	0
J Richardson – from 1.9.12	0 - 5	0 - 0	0 - 0	0 - 0	0	0	0	0.2
G Skuse – from 1.7.12	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0.1
<b>Other Senior Employees</b>								
Head of HR: J Nicol	55-60	0 - 0	0-2.5	30 -35	110	127	6	0
<b>Total</b>					<b>2,621</b>	<b>2,855</b>	<b>19</b>	<b>0.8</b>



Note 1: The remuneration disclosed for Suzanne Lawrence comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a radiographer. The remuneration for her role as a non executive director is in the band £5,000 - £10,000.

Note 2: No performance related bonuses were made in the year 2012/13.

**NHS ORKNEY**  
**REMUNERATION REPORT**  
**FOR THE YEAR ENDED 31 MARCH 2012**

	Gross Remuneration including Superannuation (Bands of £5,000)	Performance related bonus (Bands of £5,000)	Real increase in pension At pensionable age (Bands of £2,500)	Total accrued pension at pensionable age at 31 March (bands of £5,000)	Cash Equivalent Transfer Value (CETV) at 31 March 2011	Cash Equivalent Transfer Value (CETV) at 31 March 2012	Real increase in CETV in year	Benefits in kind
<b>Remuneration of:</b>					<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Executive Members</b>								
Chief Executive: C Cowan	115-120	0 - 0	0-2.5	140-145	566	652	86	1.9
Director of Public Health: Dr I Wilson	115-120	0 - 0	5-7.5	105-110	383	467	85	0
Director of Finance: G O'Brien	75-80	0 - 0	0-2.5	80-85	283	340	57	2.8
Director Nursing, AHPs & Midwifery: R Walker	70-75	0 - 0	(2.5) -(5)	85-90	330	371	41	0
Medical Director: M Roos	175-180	0 - 0	7.5-10	105-110	514	596	83	0
<b>Non Executive Members</b>								
The Chair: J R Scott	25-30	0 - 0	0 - 0	0 - 0	0	0	0	0.1
S Lawrence	50-55	0 - 0	0 - 2.5	15-20	70	85	15	0
J Robertson	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0
E Middleton	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0.3
C Spence – up to 29/2/12	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0
S Hagan	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0
M Trickett	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0.9
N Bremner	5-10	0 - 0	0 - 0	0 - 0	0	0	0	1
A Trevett	5-10	0 - 0	0 - 0	0 - 0	0	0	0	0.2
<b>Other Senior Employees</b>								
Head of HR: J Nicol	50-55	0 - 0	2.5-5	25-30	78	110	32	0
<b>Total</b>					<b>2224</b>	<b>2621</b>	<b>399</b>	<b>7.2</b>

Note 1: The remuneration disclosed for Suzanne Lawrence comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a radiographer. The remuneration for her role as a non executive director is in the band £5,000 - £10,000.

Note 2: No performance related bonuses were made in the year 2011/12.

**Additional Disclosure Required**

2011/12		2012/13	
Highest Earning Director's Total Remuneration (£000s)	130 – 135	Highest Earning Director's Total Remuneration (£000s)	130 – 135
Median Total Remuneration	£28,246	Median Total Remuneration	£28,461
Ratio	4.69	Ratio	4.70
<b>Commentary</b>			
The values above are based on salaries for full time equivalent pay			

Signed



Date 25 June 2013

Catherine Cowan

Chief Executive

**NHS ORKNEY**  
**ANNUAL ACCOUNTS 2012/2013**

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

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

This designation carries with it, responsibility for:

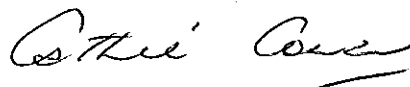
- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at NHS Orkney's disposal; and
- safeguarding the assets of NHS Orkney.

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

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

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

Signed



Date 25 June 2013

Catherine Cowan  
Chief Executive

**NHS ORKNEY  
ANNUAL ACCOUNTS 2012/2013**

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2013 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

Signed

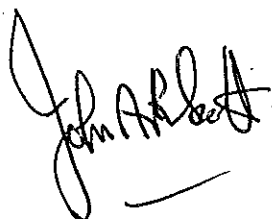
Director of Finance



Date 25 June 2013

Signed

Chairman



Date 25 June 2013

**NHS ORKNEY  
ANNUAL ACCOUNTS 2012/2013**

**GOVERNANCE STATEMENT**

**Scope of Responsibility**

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

**Purpose of Internal Control**

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

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

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

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

**Governance Framework**

NHS Orkney uses best practice in Corporate Governance as set out in the UK Corporate Governance Code building upon previous reports such as Cadbury and Nolan and guidance issued by the Scottish Government Health Directorate and others.

The Board of NHS Orkney reviews and approves the Code of Corporate Governance each year. The Standing Orders are made in accordance with NHS Orkney's (Membership and Procedure) (Scotland) Regulations 2001.

Notable updates in the 2012 review of the code of corporate governance include:

- A replacement Fraud and Corruption Policy and Response Plan (as approved by the Audit Committee).
- Updates to Standing Financial Instructions including new Key Procurement Principles, examples of financial crime offences and a new Bribery section.

### **NHS Orkney Board's overall purpose is to:**

- Provide strategic leadership and direction focus on agreed outcomes.
- Ensure the efficient, effective and accountable governance of NHS Orkney.

### **Our organisation's vision is to:**

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

### **Our corporate key themes for 2012/13 were:**

- Optimising resource utilisation.
- Improving health whilst addressing inequalities.
- Delivering service modernisation whilst improving patient experience.
- Being an effective and safe organisation.

### **Our values for 2012/13 were:**

- Making patient safety our number one priority;
- Having patients needs and interests at the heart of what we do;
- Living within our means and driving efficiency, productivity and sustainability in all we do;
- Working with and listening to the Community;
- Working in multidisciplinary teams where everyone's skills are valued;
- Creating healthcare facilities that are fit for purpose for patients and staff;
- Creating an environment where people enjoy working and giving their best; and
- Constantly improving by aiming high, using evidence and best challenge to improve, encouraging innovation and driving out waste wherever we find it.

### **The Functions of the Board:**

- Strategy development.
- Resource allocation to address local priorities.
- Oversee implementation of the Local Delivery Plan.
- To manage the performance of NHS Orkney, including risk management.

### **Responsibilities of Members of the Board**

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

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

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

To provide a clear division of responsibilities there is a schedule of matters reserved for Board agreement at the head of organisation as well as a schedule of matters delegated to Board Executive Directors who have responsibility for the operational running of the service.

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

### **Account of the corporate governance framework**

Within NHS Orkney, each assurance committee has direct reporting links into the organisation - notably staff governance, finance and performance Orkney health and care and quality and improvement. In turn these assurance committees in their scrutiny role, report directly to NHS Orkney Board. The Audit Committee has the overall responsibility to scrutinise the effectiveness of risk management processes and arrangements and provides assurance to the Board.

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

NHS Orkney has this regime in place towards ensuring compliance with the UK Corporate Governance Code. Examples of proactive review include:

During the financial year 2012/13 the Terms of Reference for the following committees were amended:

- Audit Committee.
- Finance and Performance Committee.
- Staff Governance Committee.
- Remuneration Committee.
- Quality and Improvement Committee.
- Orkney Health and Care

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

To assist in provision of leadership and measurement of effectiveness the corporate themes with clear priorities identified to inform objective setting are reviewed annually by the Board, and thereafter communicated to staff and stakeholders alike. In 2012/13 the corporate themes review occurred in April 2012 with a direction to continue to deliver better health and better care as described in 'Our Orkney, Our Health – Transforming Clinical Services'.

Board Committees also held development sessions in 2012/13. Such sessions included training, and in 2012/13 a CIPFA facilitated training session covering skills for Board



members including the fundamentals for good governance and a training session on incident reporting was also held. Emerging and topical issues have been discussed for example Hyperbaric Services and the Gibbins report of September 2012. Quality improvement committee and the Board used its development sessions to consider Integration between Health and Social Care, the Care Campus Development and to learn in relation to incident reporting from Ayrshire and Arran.

A Board away day was also held in September 2012 which was externally facilitated with a focus on reviewing collective responsibility, roles, maximising effectiveness and to consider the governance structures and communication for the transforming clinical services programme. This session delivered a number of outputs including an alteration to membership of the Corporate Management Team and to ensure Area Clinical Forum reports through Quality Improvement committee.

Stakeholder engagement includes lay representation in major redesign projects and proactive communication embedded into the annual review. In June 2010 NHS Orkney introduced a formal procedure for approval of strategies, which specifically includes full consultation and dissemination as well as monitoring and subsequent review. Engagement and consultation includes NHS Orkney structures, professional advisory committees, partner organisations and service users, carers and community/Third sector groups/organisations.

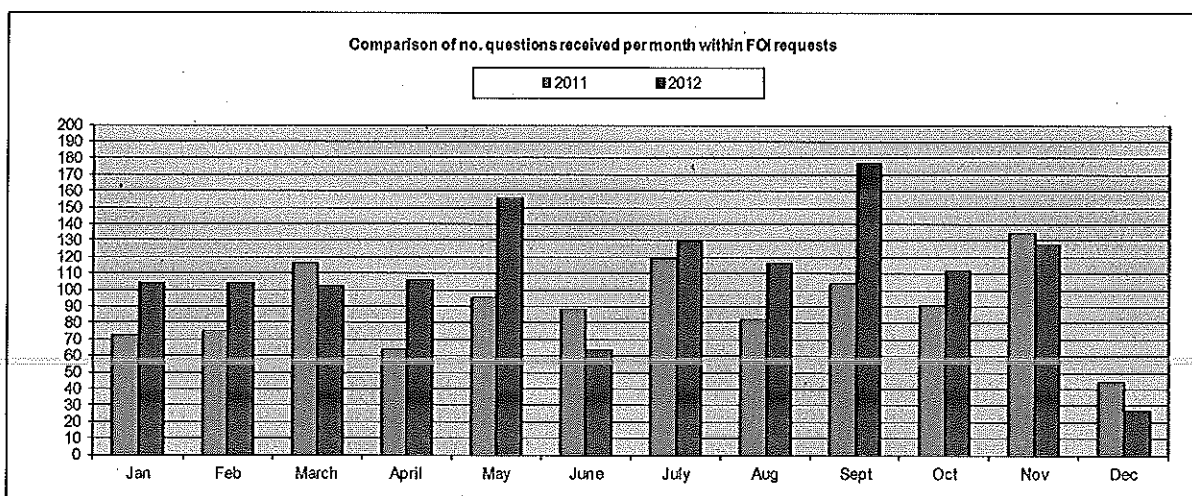
A patient and public reference group has been established to support the Transforming Clinical Services programme. The reference group is updated with programme progress, with five update meetings taking place in year. Furthermore public reference group representation was requested to participate in six sessions during 2012/13. The group includes Community Council, Scottish Health Council and Public Partnership Forum representation.

### **Freedom of Information**

Another source of communication stems from Freedom of Information requests. NHS Orkney has put measures in place to ensure that those requesting information are kept informed on the progress of their inquiry. The responses to Freedom of Information requests are authorised by two Executive Directors to streamline our approach and improve our overall response times whilst providing adequate scrutiny. During 2012/13:

- There was a notable increase in the number and complexity of the FOI requests received with September recording the highest number of requests received in a single month to date.
- The number of 'private' and 'MSP' requests received increased significantly in comparison to 2011.
- There continued to be pattern of "repeat requests" whereby the FOI Officer was able to either wholly or partially collate a response from information previously released by the organisation under FOI and improved recording systems assisted with maintaining continuity of responses

A total of 340 requests were received in 2012, up from 303 the previous year



## Staff Governance

The Staff Governance Committee in June 2012 approved the Workforce Strategy 2012-15, a strategy which provides NHS Orkney with the workforce needs and direction in line with the Staff Governance Standards, the Quality Strategy and the 20:20 vision. NHS Orkney introduced this strategy to enable everyone to understand the strategic direction of NHS Scotland, the local corporate objectives which are linked to them, and how this will effect skill mix and service development at 'grass roots' level.

## Internal Audit

The Audit Committee, which meets with both our internal and external auditors in attendance has considered fifteen internal audit reports in 2012/13 as part of a three year rolling programme.

One of the fifteen internal audits attracted a "red" level of assurance, this was considered at the February 2013 audit committee. The red report reviewed adults with incapacity.

The report on adults with incapacity concluded that the Board could not take assurance that the controls upon which the organisation relies to manage the risk of inappropriate consent and treatment plans occurring for adults with incapacity, were suitably designed, consistently applied or effective. The report contained one high, one medium and one low priority recommendations with the weaknesses identified as follows:

- In relation to adults with incapacity identified in the hospital only half had certificates of incapacity readily available for review.
- Review of ten adults (four hospital and six community) identified that no treatment plans were in place.
- No evidence that four out of the eight certificates had been reviewed on an annual basis in line with policy.
- Training plans had not been updated.

The matter was debated to great extent with 3 service managers attending the February 2013 audit committee to review this matter. The Audit Committee noted the report but could not take assurance that the controls upon which the organisation relies to manage this risk were suitably designed, consistently applied or effective. The audit committee required that:

- A report be produced on what action had been taken to ensure that recommendation 2.1 in the action plan had been progressed. This recommendation covered ensuring that certificates of incapacity have been fully completed, suitably signed, treatment plans completed as required and were reviewed as required.
- Audit Committee to write to Area Medical Committee asking what assurance could be provided.
- The matter be brought to the attention of the Corporate Management Team and indicated that the Medical Director, as responsible lead, would be required to raise with GPs.
- This matter would also be referred to Orkney Health and Care.

### **Scottish Patient Safety Programme**

NHS Orkney developed a Patient Harm Reduction Plan which details how the organisation will improve safety and outcomes for patients. Processes identified with potential for improvement include the use of adverse incident and significant event analysis to improve care, learning and communications through safety briefs and documentation reviews.

NHS Orkney is rolling out performance dashboards. Presently these are in place across twenty seven departments, Performance dashboards are being developed for each service area to report on agreed KPIs on a monthly basis. These include activity around safety briefs, complaints, incidents and recordkeeping.

An incident reporting database is also maintained, which is populated by staff across the organisation. All staff are trained on its use at induction, an extensive programme of in house staff training in relation to patient safety and the dashboards ran during 2012/13.

### **Healthcare Associated Infection Prevention**

Healthcare Associated Infection Prevention for 2012/13 has been challenging, with a small team ensuring all primary and secondary drivers are implemented in ensuring best practice is followed to ensure patient safety in not acquiring an infection in hospital or community.

NHS Orkney is achieving in excess of 95 percent for hand hygiene compliance; further improvement work is required within teams or individuals around technique.

Environmental cleaning is also scoring above the national target. During our recent unannounced HEI audits it was identified that NHS Orkney are still finding it difficult in some areas to ensure high and low dust is removed. One area highlighted as most challenging for the domestic team is within the Acute Ward; this is mainly due to the high turn-around in patient numbers both as a result of ensuring meeting the requirements of gender specific bays for patients and in freeing up A&E beds for diagnostic procedures.

NHS Orkney invited the NES Aseptic technique road show to Orkney in March; the new aseptic technique elearning module was delivered to around 40 staff. We have also been successful in sourcing funding to implement the aseptic technique module in rolling it out to other staff groups and for taking each stand of work forward within the module.

A huge amount of work has been undertaken with staff following the introduction of the National Infection Prevention and Control Manual Policy and implementing the Standard Infection Control Precautions (SICPs). Local posters have been reviewed in line with this and updated in departments.

Local audits have been undertaken and results fed back to Senior Charge Nurse and hospital manager for action, there was room for improvement and staff have been encouraged to continue and remember that each patient must have a Clinical Risk Assessment carried out and screening performed, if indicated, at time of admission.

NHS Orkney is in the process of integrating Local Decontamination Units to the Central Decontamination Unit in line with recommendations HDL (2006) 40.

### **Waiting Times**

Better Health Better Care set out a commitment of the 18 week Referral To Treatment (RTT) standard which addresses the whole patient care pathway, from receipt of a GP referral up to the point at which each patient is actually admitted to hospital for treatment.

In 2012/13, there were 2,776 patients locally falling within the scope of the targeted 18 week maximum wait between initial referral and start of treatment, of these 75 waited over the 18 weeks target for treatment.

The Scottish Government has determined that the 18 Weeks RTT target should be delivered for at least 90% of patients. NHS Orkney has achieved the 18 week Referral to Treatment waiting time target locally attaining 97.3%.

The Treatment Time Guarantee came into force in October 2012 and to date no patients treated in NHS Orkney have breached the 12 week treatment time guarantee.

The national target to deliver faster access to mental health services by delivering a maximum wait of 26 weeks from referral to treatment for specialist Child and Adolescent Mental Health Services (CAMHS) has been surpassed by Orkney based services with the majority of patients seen within 6 weeks.

NHS Orkney is progressing towards increasing by 25% the proportion of people diagnosed and treated in the first stage of targeted cancers by 2014/2015. With 3,839 people aged between 50 and 74 being sent bowel screening kits in year, a 62% uptake was achieved ahead of the Scotland rate of 55%. In targeting breast cancer, 2,544 women aged 50-70 out of the 2,917 invited for breast screening attended. This 85.9% uptake is the best of any health board in Scotland and 6% above the target of 80%.

While Orkney has a high participation rate of attendance we have in the past been poor at identifying and recording the staging of the cancers. With the introduction of the Detecting Cancer Early programmes significant improvements have been made in data recording locally and liaison with partner Boards to identify staging. Although the participation rates are good NHS Orkney cannot be complacent about this and will continue to make people aware of the importance of recognizing the early signs of cancer and early treatment particularly those who fall out with the screening age groups. Work in ongoing in the communities to promote these messages.

In October 2012, following issues raised in another board, Internal audit were instructed to audit Waiting Times, focusing on the management of data, categories and use of "unavailability" categories. An objective was to confirm if reporting on waiting times is accurate and consistent. The resultant internal audit report was subsequently shared with management, the Audit Committee and the Board of NHS Orkney.

The report concluded that substantial assurance could be given and that controls are consistent and effective. Two low priority recommendations were made:

- To develop local procedures for the process of managing waiting times.
- Consider if the internal reporting of waiting time performance is sufficient.

## **Information Management and Information Technology Security**

The Executive lead for information governance is the Director for Public Health who is also the Caldicott Guardian.

The Information Management and Governance Group met regularly over the year. It continues to align its work to meet the requirements of *CEL 26(2011) NHSScotland Information Assurance Strategy*. Information governance risks are now a standing item on the agenda, and the hospital, OHAC and business support risk registers have been reviewed by the group. The group continues to promote the alignment of information governance issues and risks being reported through the mechanism for clinical risks in the organisation, to ensure a streamlined approach for frontline staff.

Incidents relating to information governance have been discussed at the meetings, focusing in particular on lessons that can be learnt by the organisation, as the individual incidents are managed by the appropriate manager. In June a high level review of all information governance incidents from 1<sup>st</sup> April 2012 was carried out, to ensure organisational overview and identify cross departmental learning. Further work on categorisation of information governance risks was carried out at the end of the year.

Regular review of the Freedom of information (FOI) report is undertaken.

Three - monthly reviews of the progress on summarisation of patient records in GP practices is undertaken, and reports on circulars received by NHS Orkney and action taken when reviewed.

Quarterly Reports of CHI (patient identifier numbers) Compliance was reviewed. A review of the number of British Telecom VPNs (computer network tokens) was undertaken, and put on an annual review schedule.

A rolling calendar is used to ensure that the group receives appropriate reports

The following CELs were discussed and actioned as appropriate

- *CEL 25(2011) Safeguarding the Confidentiality of Personal Data Processed by Third Party Contractors:*
- *CEL 26(2011) NHSScotland Information Assurance Strategy:*
- *CMO(2011)16: Emergency Care Summary Access to Scheduled Care Settings in Support of Medicines:*
- *CEL 25(2012) NHS Scotland Mobile Data Protection Standard*

Local protocols were reviewed including

*The SCI Store Access Protocol Photography and Digital Recording of Patients: Confidentiality and Consent, Copyright and Storage Policy*

*NHSO's Information Security Policy:*

Substantial work was undertaken at the start of 2012 to develop relevant Learnpro training around information governance. Two major information governance information distributions

were carried out. 600 staff leaflets giving information governance guidance were obtained and put out with payslips. NHS Scotland Protecting Patient Confidentiality booklets were supplied to managers to distribute to staff and discuss at team meetings at the end of the year.

In the current Safety Walkrounds undertaken by Board members, an information governance question has been included 'How do you ensure that the confidentiality and security of patient information is maintained? Have you had any problems or near misses?'

An internal audit of information governance against the NHS Information toolkit was reported in February 2013 with 8 medium and 9 low priority recommendations to take forward.

**In looking ahead to 2013/14, information management will focus on:**

- The *Public Records (Scotland) Act 2011* and the actions that need to be taken to ensure compliance.
- Ensuring actions relating to the Internal Audit are progressed.
- *August CEL 26(2011) NHSScotland Information Assurance Strategy* – addressing ongoing issues in conjunction with the voluntary information governance toolkit.
- Ensuring risks associated with new data streams and any IT developments e.g. a new patient management system are identified and appropriately managed.

**Best Value**

In accordance with the principles of Best Value, NHS Orkney fosters a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources. Service development plans are considered by the Corporate Management Team and Assurance Committees consider best value. Lean methodology is used certain care pathways are under review for example 2012/13 has seen a work in progress concerning the Ophthalmology service see Orkney redesigning in partnership with two other NHS Boards.

**Management of and learning from incidents**

An Incident Management Policy and a Significant Adverse Event Management Policy were both implemented during 2012/13 with training delivered to support these.

NHS Orkney have actively reviewed processes and policies following from the review of significant adverse events in NHS Ayrshire & Arran and the subsequent report by Healthcare Improvement Scotland. NHS Orkney recognised that there were a number of areas of deficit that required to be addressed. NHS Orkney's learning this year has been in relation to the process itself; the initiation, investigation and implementation of lessons learnt in a consistent manner. NHS Orkney has redrafted its process for this to reflect the national approach to involving our staff and the individual involved in the incident and/or their families, where appropriate. In addition NHS Orkney recognised that it did not consistently record incidents in a searchable database; NHS Orkney now have established the database that will allow us to monitor progress of learning and the completion of action plans.

During the reporting period covered by the Governance Statement the Board prepared for a significant incident review to be undertaken by Health Improvement Scotland, this preparatory work was led by the Medical Director. During the preparations it became clear that our overall response and processes to support the principles of Significant Adverse Events was not robust. Work is now underway to improve on the weaknesses identified.

In response to a letter from a member of staff to the Chief Executive in June 2012, the Chief Executive invited an experience external investigation team to NHS Orkney to examine concerns raised. The Report was produced by Dr Roger Gibbins and findings shared with Staff in October 2012. All 20 recommendations were endorsed and are either implemented or in process of being implemented.

### **Risk Assessment**

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

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

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

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

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

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

An approved policy is in place with clearly defined responsibilities, defined for:

#### **The Chief Executive:**

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

#### **Quality and Improvement Committee:**

- Monitors ensuring actions plans in place and responsibility is allocated.
- Consistence of grading and reviews timescales

### **The Corporate Management Team (CMT)**

- Manage risk through the corporate risk register. Recognising that effective risk management is an integral part of good governance.
- Actively encourages all staff to be actively involved in identifying and managing risks.

### **Operational Sector Management Teams**

- Ensure a comprehensive risk register for each operational sector is established and maintained to provide an accurate account of the risks preventing the achievement of objectives for their area of responsibility.
- Will monitor, update and review their risk register to ensure it reflects the current issues that have some bearing on the service.
- Will identify risks to be reported by exception to the CMT for inclusion in the corporate register.

### **The Service Managers:**

- Manage and monitor their risk registers at department / service area level. Ensuring appropriate risk action plans are in place.

### **All Staff**

- In house training has been provided at all levels and sector specific teams meet regularly for Hospital, Orkney Health and Care and Support Services, with Corporate Risk management taking place as a matter of routine. The process has been embedded across the organisation with 108 live risks allocated in the risk register at various stages of review, rejection and approval.
- A Clinical risk assessment form has been devised and refined to meet local requirements and a national database established for recording the compliance against staff performing the Clinical Risk Assessment and thereafter the screening results. The database has encountered some problems and data collection withheld for an extended period of time whilst issues were resolved with all boards. This involved regular teleconferencing to national meetings and a test set of data collected. It is anticipated that the difficulties have now been resolved and data collection will recommence in April 2013.
- Information governance risks are now a standing item on the agenda of the Information Management and Governance Group.

### **Corporate Risks**

*NHS Orkney's identified corporate risks as at 31<sup>st</sup> March 2013 were identified as follows.*

Risk title	Mitigation	Level (Current)	Level (Target)
NHSO may not be able to maintain its services/ operations due to inadequate business continuity arrangements/ plans	Recruiting to public health practitioner post. Work with departments to support business continuity planning ongoing. Major live	High	Medium



	exercise in October completed with learning to be shared through Civil Contingency Group		
NHSO may not be able to deliver its three financial targets, including savings, due to inadequate financial planning and control	Continued expenditure on unplanned locums, principally in hospital is placing significant pressure on a year end balance. Break even position is still projected however this is now tighter than had been envisaged	High	Medium
NHSO may not be able to meet its corporate objectives, including HEAT targets, due to lack of capacity (staffing/ resources)	The number of vacancies in HP may impact on our ability/ capacity to meet our trajectories. In addition the impact of the Patients Rights Act on access targets is yet to be worked through and on this basis remains high risk.	High	Medium
NHSO may suffer reputational damage due to inadequate planning associated with proposed organisational change/ redesign	Completion of OBC has been delayed as OIC conclude Capital Project Appraisal. Deadline to Capital Investment Group now delayed until September 2013.	High	Medium
Lack of first responders in Shapinsay, Egilsay, Wyre and Sanday puts delivery of model of care at risk	Working currently ongoing between NHSO, Communities and SAS	Very high	Medium
Risk from a lack of nurse practitioners to cover Islands in the coming months	We have now completed three rounds of recruitment and have been unable to attract staff with the right knowledge, skills or experience to be able to appoint to the three vacant posts. NPs appointed to Shapinsay, vacancies remain on Eday and N Ronaldsay	Very high	Medium

## Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

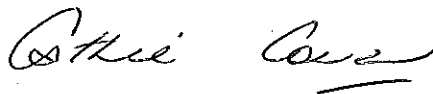
- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include their independent and objective opinion on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

In addition, during this financial year I have been advised in my review of the effectiveness of the system of internal control by the Board, the Audit Committee and Risk Management Steering Group and plans to address weaknesses and ensure continuous improvement of the system are in place.

During the period in question the board received limited assurance from its internal audit service in relation to one aspect of control, this concerned certificates of incapacity and there review. Measures have subsequently be put into place and progress update is to be presented to audit committee

The Internal Auditors have informed me in their annual report that significant assurance can be given that there is a generally sound system of internal control, designed to meet the organisations objectives and that controls are generally being applied consistently. I have also received further statements of assurance from the Executive Directors as to fulfilment of responsibilities.

Signed



Date 25 June 2013

Catherine Cowan

Chief Executive (and Accountable Officer)

## **INDEPENDENT AUDITOR'S REPORT**

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

I have audited the financial statements of Orkney Health Board for the year ended 31 March 2013 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

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

#### **Respective responsibilities of Accountable Officer and auditor**

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

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of

the board's affairs as at 31 March 2013 and of its net operating cost for the year then ended;

- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2012/13 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

### **Opinion on regularity**

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

### **Opinion on other prescribed matters**

In my opinion:

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

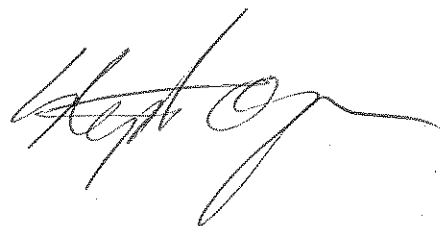
### **Matters on which I am required to report by exception**

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

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

I have nothing to report in respect of these matters.

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



25 June 2013

# STATEMENT OF COMPREHENSIVE NET EXPENDITURE AND SUMMARY OF RESOURCE OUTTURN

FOR THE YEAR ENDED 31 MARCH 2013

2012 £'000		<u>Note</u>	2013 £'000	2013 £'000
	<b>Clinical Services Costs</b>			
31,570	Hospital and Community	✓ 4	31,866	
599	Less: Hospital and Community Income	✓ 8	446	
30,971				31,420
11,848	Family Health	✓ 5	12,151	
177	Less: Family Health Income	✓ 8	195	
11,671				11,956
<b>42,642</b>	<b>Total Clinical Services Costs</b>			<b>43,376</b>
1,260	Administration Costs	✓ 6	1,250	
0	Less: Administration Income	✓ 8	0	
1,260				1,250
4,843	Other Non Clinical Services	✓ 7	3,063	
780	Less: Other Operating Income	✓ 8	646	
4,063				2,417
<b>47,965</b>	<b>Net Operating Costs</b>	<b><u>SOCIE</u></b>		<b>47,043</b>

## OTHER COMPREHENSIVE NET EXPENDITURE

2012 £'000		2013 £'000
(521)	Net (gain)/loss on revaluation of Property Plant and Equipment	(193)
0	Net (gain)/loss on revaluation of Intangibles	0
0	Net (gain)/loss on revaluation of available for sales financial assets	0
(521)	Other Comprehensive Expenditure	(193)
<b>47,444</b>	<b>Total Comprehensive Expenditure</b>	<b>46,850</b>

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

**FOR THE YEAR ENDED 31 MARCH 2013**

	2013 £'000
<b>SUMMARY OF CORE REVENUE RESOURCE OUTTURN</b>	
Net Operating Costs	47,043
Total Non Core Expenditure (see below)	(1,160)
FHS Non Discretionary Allocation	(3,231)
Donated Asset Income	15
<b>Total Core Expenditure</b>	<b>42,667</b>
Core Revenue Resource Limit	42,760
<b>Saving/(excess) against core Revenue Resource Limit</b>	<b>93</b>

**SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN**

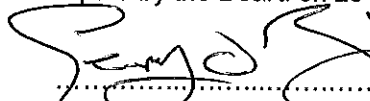
Capital Grants to / (from) Other Bodies		
Depreciation/Amortisation	1,356	
Annually Managed Expenditure - Impairments	75	
Annually Managed Expenditure - Creation of Provisions	(294)	
Annually Managed Expenditure - Depreciation of Donated Assets	23	
IFRS PFI Expenditure	0	
<b>Total Non Core Expenditure</b>		<b>1160</b>
Non Core Revenue Resource Limit		1160
<b>Saving/(excess) against non Core Revenue Resource Limit</b>		<b>0</b>

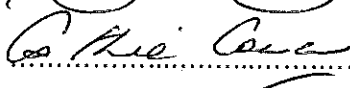
<b>SUMMARY RESOURCE OUTTURN</b>	<b>Resource £'000</b>	<b>Expenditure £'000</b>	<b>Saving/(Excess) £'000</b>
Core	42760	42667	93
Non Core	1160	1160	0
<b>Total</b>	<b>43920</b>	<b>43827</b>	<b>93</b>

**BALANCE SHEET**  
**FOR THE YEAR ENDED 31 MARCH 2013**

2012 £'000	Note	2013 £'000	2013 £'000
<b>Non-current assets</b>			
15,437 Property, plant and equipment	11	14,587	
176 Intangible fixed assets	10	125	
Financial assets:			
0 Trade and other receivables	13	0	
15,613 <b>Total Non-current assets</b>			14,712
<b>Current assets:</b>			
446 Inventories	12	421	
470 Trade and other receivables (Debtors)	13	726	
765 Cash at bank and in hand	14	2,745	
300 Assets classified as held for sale	11c	465	
1,981 <b>Total Current assets:</b>			4,357
17,594 <b>Total assets</b>			19,069
<b>Current liabilities</b>			
(580) Provisions	16	(297)	
(3,926) Trade and other payables	15	(5,945)	
(4,506) <b>Total current liabilities</b>			(6,242)
13,088 <b>Non-current assets plus/less net current assets/liabilities</b>			12,827
<b>Non-current liabilities</b>			
(404) Provisions	16	(377)	
Financial liabilities:			
0 Trade and other payables	15	0	
(404)			(377)
12,684 <b>Assets Less Liabilities</b>			12,450
<b>FINANCED BY:</b>			
10,386 General Fund	SOCIÉ		10,017
2,298 Revaluation Reserve	SOCIÉ		2,433
12,684			12,450

Adopted by the Board on 25 June 2013

  
..... Director of Finance

  
..... Chief Executive

# STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2013

2012 £'000		Note	2013 £'000	2013 £'000
	<b>Cash flows from operating activities</b>			
(47,965)	Net operating cost	<u>OCS</u>	(47,043)	
1,419	Adjustments for non-cash transactions	<u>3</u>	1,440	
2	Add back: interest payable recognised in net operating cost	<u>3</u>	0	
(15)	(Increase) / decrease in trade and other receivables	<u>17</u>	(256)	
47	(Increase) / decrease in inventories	<u>17</u>	25	
(930)	Increase / (decrease) in trade and other payables	<u>17</u>	152	
149	Increase / (decrease) in provisions	<u>17</u>	(310)	
<u>(47,293)</u>	<b>Net cash outflow from operating activities</b>			<u>(45,992)</u>
	<b>Cash flows from investing activities</b>			
(959)	Purchase of property, plant and equipment		(600)	
(14)	Purchase of intangible assets		(37)	
320	Proceeds of disposal of property, plant and equipment		13	
<u>(653)</u>	<b>Net cash outflow from investing activities</b>			<u>(624)</u>
	<b>Cash flows from financing activities</b>			
48,004	Funding	<u>SOCTE</u>	46,616	
(1,147)	Movement in general fund working capital	<u>SOCTE</u>	1,980	
46,857	Cash drawn down		48,596	
(56)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts		0	
(2)	Interest element of finance leases and on-balance sheet PFI/PPP contracts		0	
<u>46,799</u>	<b>Net Financing</b>			<u>48,596</u>
(1,147)	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>			1,980
1,912	<b>Cash and cash equivalents at the beginning of the period</b>			<u>765</u>
<u>765</u>	<b>Cash and cash equivalents at the end of the period</b>			<u>2,745</u>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
(1,147)	Increase/(decrease) in cash in year			1,980
1,912	Net debt/cash at 1 April	<u>14</u>		<u>765</u>
<u>765</u>	<b>Net debt/cash at 31 March</b>	<u>14</u>		<u>2,745</u>



# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2013

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserves £'000
Balance at 31 March 2012		10,386	2,298	12,684
<b>Changes in taxpayers' equity for 2012/13</b>				
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11		193	193
Impairment of property, plant and equipment	11		(76)	(76)
Revaluation & impairments taken to operating costs		0	76	76
Transfers between reserves		58	(58)	0
Net operating cost for the year		(47,043)		(47,043)
Total recognised income and expense for 2012/13		(46,985)	135	(46,850)
<b>Funding:</b>				
Drawn down		48,596		48,596
Movement in General Fund (Creditor) / Debtor		(1,980)		(1,980)
Balance at 31 March 2013		10,017	2,433	12,450

## STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

	Note	General Fund £'000	Revaluation Reserve £'000	Total Reserve £'000
Balance at 31 March 2011		10,292	1,832	12,124
Restated balance at 1 April 2011		10,292	1,832	12,124
<b>Changes in taxpayers' equity for 2011/12</b>				
Net gain/(loss) on revaluation/indexation of property, plant and equipment	11		521	521
Impairment of property, plant and equipment	11		(165)	(165)
Revaluation & impairments taken to operating costs			165	165
Transfers between reserves		55	(55)	0
Net operating cost for the year		(47,965)		(47,965)
Total recognised income and expense for 2011/12		(47,910)	466	(47,444)
<b>Funding:</b>				
Drawn down		46,857		46,857
Movement in General Fund (Creditor) / Debtor		1,147		1,147
Balance at 31 March 2012		10,386	2,298	12,684

## 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 (IFRSs 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.

Note: Where a new international accounting standard/amendment/interpretation has been issued but not yet implemented, Boards are required to disclose in their financial statements the nature of the standard, and if possible, an estimate of its likely effect on future financial statements.

#### (a) Standards, amendments and interpretations effective in 2012/13

There are no new standards, amendments or interpretations effective for the first time in 2012/13.

#### (b) Standards, amendments and interpretation early adopted in 2012/13

There are no new standards, amendments or interpretations early adopted in 2012/13.

#### 2. Basis of Consolidation

As directed by the Scottish Ministers, the financial statements do not consolidate the Orkney Health Board Endowment Funds. Transactions between the Board and the Orkney Health Board Endowment Funds are disclosed as related party transactions, where appropriate, in note 24 to the financial statements.

#### 3. Prior Year Adjustments

There are no prior year adjustments.

#### 4. Going Concern

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

#### 5. Accounting Convention

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

## **6. Funding**

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

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

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

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

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

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

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

## **7. Property, plant and equipment**

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

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

### **7.1 Recognition**

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

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, NHS Orkney has the

option to capitalise initial revenue equipment costs with a standard life of 10 years.

- 3) Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

## **7.2 Measurement**

### **Valuation:**

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

All assets are measured subsequently at fair value as follows:

Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost (DRC); 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. The depreciated replacement cost class of assets was revalued at 1<sup>st</sup> April 2010.

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

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

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

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

### **Subsequent expenditure:**

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

### Revaluations and Impairment:

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

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

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

### 7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Office, short life medical and IT	5
Vehicles and soft furnishings	7
Mainframe IT installations	8
Furniture and medium life medical	10

Engineering plant and long life medical	15
Structure	Individually assessed
Engineering	15
External Plant	15

## 8. Intangible Assets

### 8.1 Recognition

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

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

The main classes of intangible assets recognised are:

#### Internally generated intangible assets:

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

Expenditure on research is not capitalised.

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

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

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

#### Software:

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

#### Software licences:

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

### Carbon Emissions (Intangible Assets):

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

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

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

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

### Websites

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

## **8.2 Measurement**

### **Valuation:**

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

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

### **Revaluation and impairment:**

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

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

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

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

### 8.3 Amortisation

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

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

- 1) Internally generated intangible assets. Amortised on a systematic basis over the period expected to benefit from the project.
- 2) Software. Amortised over their expected useful life
- 3) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- 4) Other intangible assets. Amortised over their expected useful life.
- 5) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

<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 i.e.:
  - management are committed to a plan to sell the asset;
  - an active programme has begun to find a buyer and complete the sale;
  - the asset is being actively marketed at a reasonable price;
  - the sale is expected to be completed within 12 months of the date of classification as 'Held for Sale'; and
  - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell'



falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

#### **10. Donated Assets**

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

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

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of Comprehensive Net Expenditure. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

#### **12. Leasing**

##### **Finance leases**

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

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

##### **Operating leases**

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

### **Leases of land and buildings**

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

## **13. Impairment of non-financial assets**

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

## **14. General Fund Receivables and Payables**

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

## **15. Inventories**

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

## **16. Losses and Special Payments**

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

## **17. Employee Benefits**

### **Short-term Employee Benefits**

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

### **Pension Costs**

NHS Orkney participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. NHS Orkney is unable to identify its share of the underlying notional assets and

liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents NHS Orkney's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2004, details of which are published by the Scottish Public Pensions Agency.

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

#### **18. Clinical and Medical Negligence Costs**

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

NHS Orkney provide for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

#### **19. Related Party Transactions**

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

#### **20. Value Added Tax**

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

#### **21. PFI HUB/NPD Schemes**

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

Schemes which do not fall within the application of IFRIC 12 are deemed to be off-balance sheet. Where the Board has contributed assets, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the

Statement of Comprehensive Net Expenditure. Where, at the end of the PFI contract, a property reverts to the Board, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up on the balance sheet over the life of the contract by capitalising part of the unitary charge each year. Transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-balance sheet' by the Board. The underlying assets are recognised as Property, Plant and Equipment and Intangible Assets at their fair value. An equivalent liability is recognised in accordance with IAS 17. Where it is not possible to separate the finance element from the service element of unitary payment streams this has been estimated from information provided by the operator and the fair values of the underlying assets. Assets are subsequently revalued in accordance with the treatment specified for their applicable asset categories.

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

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

## **22. Provisions**

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

## **23. Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in note 18 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 18, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

## **24. Corresponding Amounts**

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

## 25. Financial Instruments

### Financial assets

#### Classification

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

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

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

#### (b) Loans and receivables

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

#### (c) Available-for-sale financial assets

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

#### Recognition and measurement

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

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

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

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

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

## (b) Loans and receivables

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

## (c) Available-for-sale financial assets

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

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

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

## Financial Liabilities

### Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the

purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

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

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

(b) Other financial liabilities

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

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Recognition and measurement

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

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

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

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

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

(b) Other financial liabilities

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

**26. Segmental reporting**

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

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

**27. Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks and other short-term highly liquid investments with original

maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Where the Government Banking Service is using Citi and Royal Bank of Scotland Group to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

**28. Foreign exchange**

The functional and presentational currencies of the Board are sterling.

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

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

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

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

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

**29. Third party assets**

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

However, they are disclosed in note 26 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

**30. Key sources of judgement and estimation uncertainty**

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

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

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



## NOTE 2 A - STAFF NUMBERS AND COSTS

**FOR THE YEAR ENDED 21 MARCH 2013**

2012 £'000	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	2013 Total £'000
<b>STAFF COSTS</b>							
18,071 Salaries and wages	380	82	17,017		0	(5)	17,474
1,512 Social security costs	134	3	1,313		0		1,450
2,026 NHS scheme employers' costs	71	0	1,887		0		1,958
0 Other employers' pension costs							0
125 Inward secondees				49			49
460 Agency staff					1,060		1,060
<b>22,194</b>	<b>585</b>	<b>85</b>	<b>20,217</b>	<b>49</b>	<b>1,060</b>	<b>(5)</b>	<b>21,991</b>
2,041 Compensation for loss of office	0	0	191		0		191
0 Pensions to former board members					0		0
<b>24,235 TOTAL</b>	<b>585</b>	<b>85</b>	<b>20,408</b>	<b>49</b>	<b>1,060</b>	<b>(5)</b>	<b>22,182</b>
27 Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure of:							0
<b>ANNUAL STAFF NUMBERS</b>							<b>ANNUAL</b>
<b>MEAN (EMPLOYEES BY WHOLE TIME EQUIVALENT)</b>							<b>MEAN</b>
12.8 Administration Costs							12.0
383.5 Hospital and Community Services							380.8
8.8 Non Clinical Services							7.6
74.1 Other, including recharge Trading Accounts							72.9
2.2 Inward secondees							0.7
5.3 Agency staff							12.2
(0.9) Outward secondees							(0.1)
<b>485.8 Board Total Average Staff</b>							<b>485.9</b>
<b>4.0 Disabled staff</b>							<b>4.0</b>

1.7 The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital 0

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme can be found in Note 22.

# NOTE 2 B - HIGHER PAID EMPLOYEES' REMUNERATION

FOR THE YEAR ENDED 31 MARCH 2013

2012 Number				2013 Number
	Other employees whose remuneration fell within the following ranges:			
	<b>Clinicians</b>			
22	£ 50,001	to	£ 60,000	17
10	£ 60,001	to	£ 70,000	9
6	£ 70,001	to	£ 80,000	3
3	£ 80,001	to	£ 90,000	4
2	£ 90,001	to	£100,000	1
1	£100,001	to	£110,000	4
8	£110,001	to	£120,000	8
1	£120,001	to	£130,000	1
3	£130,001	to	£140,000	1
1	£140,001	to	£150,000	0
1	£160,001	to	£170,000	1
1	£180,001	to	£190,000	0
1	£190,001	to	£200,000	1
	<b>Other</b>			
1	£ 50,001	to	£ 60,000	1
2	£ 60,001	to	£ 70,000	4
1	£ 70,001	to	£ 80,000	1

# NOTE 3 - OTHER OPERATING COSTS

FOR THE YEAR ENDED 31 MARCH 2013

2012 £'000		Note	2013 £'000
	<b>Expenditure Not Paid In Cash</b>		
✓ 1,308	Depreciation	11	1,268
✓ 105	Amortisation	10	88
✓ 32	Depreciation Donated Assets	11b	23
165	Impairments on property, plant and equipment charge to SOCNE	11	43
0	Loss on remeasurement of non-current assets held for sale	11c	33
(59)	Funding of Donated Assets		(15)
(132)	Loss/(Profit) on disposal of property plant and equipment	11b	0
<u>1,419</u>	<b>Total Expenditure Not Paid In Cash</b>	<u>CFS</u>	<u>1,440</u>
	<b>Interest Payable</b>		
<u>2</u>	Other Finance lease charges allocated in the year		<u>0</u>
	<b>Statutory Audit</b>		
<u>66</u>	External auditor's remuneration and expenses		<u>68</u>

# NOTE 4 - HOSPITAL AND COMMUNITY HEALTH SERVICES

FOR THE YEAR ENDED 31 MARCH 2013

2012		2013
£'000	By Provider	£'000
22,675	Treatment in Board area of NHSScotland Patients	23,110
6,083	Other NHSScotland bodies	5,998
23	Health Bodies Outside Scotland	50
5	Primary Care bodies	58
664	Private Sector	563
	<b>Community Care</b>	
5	Support Finance	9
1,973	Resource Transfer	1,984
56	Contributions to Voluntary Bodies and Charities	23
31,484	<b>Total NHSScotland Patients</b>	31,795
86	Treatment of UK residents based outside Scotland	71
31,570	<b>Total Hospital and Community Health</b> <u>SOCNE</u>	31,866

# NOTE 5 - FAMILY HEALTH SERVICE EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2013

2012		2013 Unified Budget £'000	2013 Non Discretionary £'000	2013 Total £'000
£'000				
5,346	Primary Medical Services	5,485		5,485
3,903	Pharmaceutical Services	3,245	584	3,829
2,372	General Dental Services	0	2,587	2,587
227	General Ophthalmic Services	0	250	250
<u>11,848</u>	<b>Total</b>	<u>8,730</u>	<u>3,421</u>	<u>12,151</u>
		<b>SOCNE</b>		

## NOTE 6 - ADMINISTRATION COSTS

FOR YEAR ENDED 31 MARCH 2013

2012 £'000		2013 £'000
711	Board members' remuneration	670
100	Administration of Board Meetings and Committees	107
206	Corporate Governance and Statutory Reporting	227
126	Health Planning, Commissioning and Performance Reporting	129
75	Treasury Management and Financial Planning	72
29	Public Relations	27
13	Other	18
<u>1260</u>	<b>Total administration costs</b>	<b>SOCNE <u>1250</u></b>

# NOTE 7 - OTHER NON CLINICAL SERVICES

FOR YEAR ENDED 31 MARCH 2013

2012 £'000		2013 £'000
0	Nurse Teaching	0
0	Closed Hospital Charges	0
15	Compensation Payments - Clinical	96
111	Compensation Payments - other	93
2,078	Pension enhancement & redundancy	242
3	Patients Travelling Expenses Attending Hospitals	4
1,863	Patients Travelling Expenses Highlands and Islands Scheme	2,054
754	Health Promotion	574
0	Public Health	0
0	Public Health Medicine Trainees	0
0	Emergency Planning	0
0	Post Graduate Medical Education	0
0	Shared Services	0
19	Loss on Disposal of Fixed Assets	0
0	Other	0
<b>4,843</b>	<b>Total Other Board Services</b>	<b>SOCNE 3,063</b>

# NOTE 8 - OPERATING INCOME

FOR YEAR ENDED 31 MARCH 2013

2012 £'000		2013 £'000
	<b>HCH Income</b>	
	<b>NHSScotland Bodies</b>	
465	- Boards	306
86	- NHS Non-Scottish Bodies	71
	<b>Non NHS</b>	
7	Private Patients	2
40	Compensation Income	53
1	Other HCH income	14
<u>599</u>	<b>Total HCH Income</b>	<u>SOCNE 446</u>
	<b>FHS Income</b>	
4	Unified	5
	<b>Non Discretionary</b>	
173	General Dental Services	190
<u>177</u>	<b>Total FHS Income</b>	<u>SOCNE 195</u>
	<b>0 Administration Income</b>	<u>SOCNE 0</u>
	<b>Other Operating Income</b>	
151	Profit on disposal of non current assets	0
59	Donated Asset Additions	15
570	Other	631
<u>780</u>	<b>Total Other Operating Income</b>	<u>SOCNE 646</u>
<u>1,556</u>	<b>Total Income</b>	<u>1,287</u>
<u>465</u>	<b>Of the above, the amount derived from NHS bodies is</b>	<u>306</u>



# NOTE 9 - ANALYSIS OF CAPITAL EXPENDITURE

FOR YEAR ENDED 31 MARCH 2013

2012 £'000		Note	2013 £'000
<b>EXPENDITURE</b>			
14	Acquisition of Intangible Fixed Assets	10	37
823	Acquisition of Tangible Fixed Assets	11a	487
59	Donated Asset Additions	11b	15
<u>896</u>	<b>Gross Capital Expenditure</b>		<u>539</u>
<b>INCOME</b>			
19	Net book value of disposal of Property, Plant and Equipment	11	13
169	Value of disposal of Non-Current Assets held for sale	11c	0
59	Donated Asset Income		15
<u>247</u>	<b>Capital Income</b>		<u>28</u>
<u>649</u>	<b>Net Capital Expenditure</b>		<u>511</u>
<b>SUMMARY OF CAPITAL RESOURCE OUTTURN</b>			
649	Core capital expenditure included above		511
731	Core Capital Resource Limit		549
<u>82</u>	<b>Saving/(excess) against Total Capital Resource Limit</b>		<u>38</u>

## NOTE 10 - INTANGIBLE ASSETS

### FOR YEAR ENDED 31 MARCH 2013

	Software Licences £'000	Total £'000
<b>Cost or Valuation</b>		
As at 1st April 2012	756	756
Additions	37	37
<b>At 31st March 2013</b>	793	793
<b>Amortisation</b>		
As at 1st April 2012	580	580
Provided during the year	88	88
<b>At 31st March 2013</b>	668	668
<b>Net Book Value at 1st April 2012</b>	176	176
<b>Net Book Value at 31 March 2013</b>	125	125

# NOTE 10 - INTANGIBLE ASSETS – PRIOR YEAR

FOR THE YEAR ENDED 31 MARCH 2013

	Software Licences £'000	Total £'000
<b>Cost or Valuation:</b>		
As at 1st April 2011	742	742
Additions	14	14
<b>At 31st March 2012</b>	<b>756</b>	<b>756</b>
<b>Amortisation</b>		
As at 1st April 2011	475	475
Provided during the year	105	105
<b>At 31st March 2012</b>	<b>580</b>	<b>580</b>
<b>Net Book Value at 1st April 2011</b>	<b>267</b>	<b>267</b>
<b>Net Book Value at 31 March 2012</b>	<b>176</b>	<b>176</b>

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**NOTE 11 A – TANGIBLE FIXED ASSETS - SUMMARY (Purchased Assets)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	Other land £'000	Buildings (excl dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant and Machinery £'000	Information Technology £'000	Furniture and Fittings £'000	Assets Under Constructio n £'000	Total £'000
<b>Cost or valuation</b>									
at 1 April	778	12,293	709	420	5,351	2,601	174	12	22,338
Additions	0	128	29	19	179	87	0	45	487
Completions	0	53	0	0	0	0	0	(53)	0
Transfers (to)/from non-current assets held for sale	(30)	0	(176)	0	0	0	0	0	(206)
Revaluation	0	281	(23)	0	0	0	0	0	258
Impairment Charge	0	(43)	0	0	0	0	0	0	(43)
Disposals	0	0	0	(39)	(463)	0	0	(8)	(510)
At 31 March	748	12,712	539	400	5,067	2,688	174	(4)	22,324
<b>Depreciation</b>									
at 1 April	0	811	56	195	3,998	1,870	136	0	7,066
Provided during the year	0	439	26	48	441	306	8	0	1,268
Transfers (to)/from non-current assets held for sale	0	0	(8)	0	0	0	0	0	(8)
Revaluation	0	71	(3)	0	0	0	0	0	68
Disposals	0	0	0	(34)	(463)	0	0	0	(497)
At 31 March	0	1,321	71	209	3,976	2,176	144	0	7,897
<b>NET BOOK VALUE PURCHASED ASSETS</b>									
At 1 April 2012	778	11,482	653	225	1,353	731	38	12	15,272
At 31 March 2013 <u>BS</u>	748	11,391	468	191	1,091	512	30	(4)	14,427
<b>OPEN MARKET VALUE LAND INCLUDED ABOVE</b>									
At end of year	748								
<b>Asset financing:</b>									
Owned	748	11,391	468	191	1,091	512	30	(4)	14,427
<b>Net Book Value at 31 March 2013</b>	<b>748</b>	<b>11,391</b>	<b>468</b>	<b>191</b>	<b>1,091</b>	<b>512</b>	<b>30</b>	<b>(4)</b>	<b>14,427</b>

**NOTE 11 A - PROPERTY, PLANT AND EQUIPMENT (Purchased Assets) – PRIOR YEARFOR THE YEAR ENDED 31 MARCH 2012**

	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
<b>Cost or valuation</b>									
At 1 April 2011	873	11,563	1,001	349	4,950	2,651	169	246	21,802
Additions	0	279	58	71	297	90	5	23	823
Completions	0	0	0	0	135	0	0	(135)	0
Transfers	0	49	(49)	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	(86)	(107)	(303)	0	0	0	0	0	(496)
Revaluation	0	553	2	0	0	0	0	0	555
Impairment Charge	(9)	(44)	0	0	0	0	0	(122)	(175)
Disposals	0	0	0	0	(31)	(140)	0	0	(171)
<b>AS AT 31st MARCH 2012</b>	<b>778</b>	<b>12,293</b>	<b>709</b>	<b>420</b>	<b>5,351</b>	<b>2,601</b>	<b>174</b>	<b>12</b>	<b>22,338</b>
<b>Depreciation</b>									
At 1 April 2011	0	373	55	145	3,540	1,667	129	0	5,909
Provided during the year	0	411	27	50	470	343	7	0	1,308
Transfers	0	2	(2)	0	0	0	0	0	0
Transfers (to)/from non-current assets held for sale	0	(3)	(24)	0	0	0	0	0	(27)
Revaluation	0	38	0	0	0	0	0	0	38
Impairment Charge	0	(10)	0	0	0	0	0	0	(10)
Disposals	0	0	0	0	(12)	(140)	0	0	(152)
<b>AS AT 31st MARCH 2012</b>	<b>0</b>	<b>811</b>	<b>56</b>	<b>195</b>	<b>3,998</b>	<b>1,870</b>	<b>136</b>	<b>0</b>	<b>7,066</b>
<b>Net book value at 1 April 2011</b>	<b>873</b>	<b>11,190</b>	<b>946</b>	<b>204</b>	<b>1,410</b>	<b>984</b>	<b>40</b>	<b>246</b>	<b>15,893</b>
<b>Net book value at 31 March 20</b>	<b>778</b>	<b>11,482</b>	<b>653</b>	<b>225</b>	<b>1,353</b>	<b>731</b>	<b>38</b>	<b>12</b>	<b>15,272</b>
<b>Open Market Value of Land in Land and Dwellings Included</b>	<b>778</b>		<b>0</b>						
<b>Asset financing:</b>									
Owned	778	11,482	653	225	1,309	731	38	12	15,228
Finance leased	0		0	0	44	0	0	0	44
<b>Net Book Value at 31 March 2012</b>	<b>778</b>	<b>11,482</b>	<b>653</b>	<b>225</b>	<b>1,353</b>	<b>731</b>	<b>38</b>	<b>12</b>	<b>15,272</b>

# **NOTE 11 B – TANGIBLE FIXED ASSETS - SUMMARY (Donated Assets)**

**FOR THE YEAR ENDED 31 MARCH 2013**

	Buildings (excl dwellings)	Plant and Machinery £'000	Information Technology £'000	Total £'000
<b>Cost or valuation</b>				
at 1 April 2012	108	198	27	333
Additions	0	0	15	15
Revaluation	3	0	0	3
At 31 March 2013	111	198	42	351
<b>Depreciation</b>				
at 1 April 2012	11	149	8	168
Provided during the year	6	11	6	23
At 31 March 2013	17	160	14	191
<b>NET BOOK VALUE DONATED ASSETS</b>				
At 1 April 2012	97	49	19	165
At March 2013 <u>BS</u>	94	38	28	160
<b>OPEN MARKET VALUE LAND INCLUDED ABOVE</b>				
At 31 march 2013				
<b>Asset financing:</b>				
Owned	94	38	28	160
<b>Net Book Value at 31 March 2013</b>	<b>94</b>	<b>38</b>	<b>28</b>	<b>160</b>

**NOTE 11 B - PROPERTY, PLANT AND EQUIPMENT (Donated Assets) – PRIOR YEAR**

**FOR THE YEAR ENDED 31 MARCH 2013**

	<b>Buildings (excluding dwellings) £'000</b>	<b>Plant &amp; Machinery £'000</b>	<b>Information Technology £'000</b>	<b>Total £'000</b>
<b>Cost or valuation</b>				
At 1 April 2011	103	139	27	269
Additions	0	59	0	59
Revaluation	5	0	0	5
<b>AS AT 31st MARCH 2012</b>	<b>108</b>	<b>198</b>	<b>27</b>	<b>333</b>
<b>Depreciation</b>				
At 1 April 2011	4	128	3	135
Provided during the year	6	21	5	32
Revaluation	1	0	0	1
<b>AS AT 31st MARCH 2012</b>	<b>11</b>	<b>149</b>	<b>8</b>	<b>168</b>
<b>Net book value at 1 April 2011</b>	<b>99</b>	<b>11</b>	<b>24</b>	<b>134</b>
<b>Net book value at 31 March 201</b>	<b>97</b>	<b>49</b>	<b>19</b>	<b>165</b>
<b>Asset financing:</b>				
Owned	97	49	19	165
<b>Net book value at 31 March 2012</b>	<b>97</b>	<b>49</b>	<b>19</b>	<b>165</b>

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**NOTE 11 C - ASSETS HELD FOR SALE  
FOR THE YEAR ENDED 31 MARCH 2013**

The following residential properties and one office/shop have been presented as held for sale following the approval for sale by NHS Orkney (through Finance and Performance Committee. The completion date for sale is expected to be within 2013. Properties for disposal are: Elwickbank, Shapinsay; Brinian House, Rousay; 62-64 Victoria Street, Kirkwall; Newton, St Ola, The remeasurement loss was due to roof condition of one of the residential properties.

	<b>Property, Plant &amp; Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2012</b>	<b>300</b>	<b>300</b>
Transfers (to)/from property, plant and equipment <u>11a</u>	198	198
Gain or losses recognised on remeasurement of non-current assets held for sale	(33)	(33)
<b>AS AT 31st MARCH 2013</b>	<u><b>BS 465</b></u>	<u><b>465</b></u>

	<b>Property, Plant &amp; Equipment</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>
<b>At 1 April 2011</b>	<b>0</b>	<b>0</b>
Transfers (to)/from property, plant and equipment <u>11a</u>	469	469
Disposals for non-current assets held for sale	(169)	(169)
<b>AS AT 31st MARCH 2012</b>	<u><b>BS 300</b></u>	<u><b>300</b></u>



**NOTE 11 D - PROPERTY, PLANT AND EQUIPMENT DISCLOSURES  
FOR THE YEAR ENDED 31 MARCH 2013**

2012 £'000			2013 £'000
	<b>Net book value of tangible fixed assets at 31 March</b>		
15,272 <sup>x</sup>	Purchased	11a	14,427 <sup>x</sup>
<u>165<sup>x</sup></u>	Donated	11b	<u>160<sup>x</sup></u>
<b>15,437<sup>x</sup></b>	<b>Total</b>		<b>14,587<sup>x</sup></b>
<u>188</u>	Net book value related to land valued at open market value at 31 March		<u>748</u>
<u>1145</u>	Net book value related to buildings valued at open market value at 31 March		<u>751</u>
	<b>Total value of assets held under:</b>		
44	Finance Leases		0
0	Hire Purchase Contracts		0
<u>0</u>	PFI/PPP contracts		<u>0</u>
<u>44<sup>x</sup></u>			<u>0<sup>x</sup></u>
	<b>Total depreciation charged in respect of assets held under:</b>		
36	Finance Leases		44
0	Hire Purchase Contracts		0
<u>0</u>	PFI and PPP contracts		<u>0</u>
<u>36<sup>x</sup></u>			<u>44<sup>x</sup></u>

Newton was revalued at 27 March 2013 on open market valuation basis. The Balfour Hospital site, Hoy Health Centre, Garson Dental Practice, Rousay, Heilendi and Stromness surgeries were revalued at 1 April 2011 on the basis of existing use. Victoria Street premises were revalued at 30 June 2011 on the basis of market value. All other land and buildings were fully revalued on 31 March 2009 on the basis of existing use or market value as appropriate. These values have been updated as at 31 March 2013 using indices. Other tangible fixed assets were revalued on the basis of indices at 31 March 2013. The net impact was an increase in value for Purchased Assets of £190k which was credited to the revaluation reserve.

## NOTE 12 - INVENTORIES

FOR YEAR ENDED 31 MARCH 2013

2012 £'000			2013 £'000
446	110	Raw Materials and Consumables	421
	120	Work in Progress	0
	130	Finished Goods	0
<u>446</u>		Total Stock	<u>BS      421</u>

# NOTE 13 - RECEIVABLES

FOR YEAR ENDED 31 MARCH 2013

2012 £'000		Note	2013 £'000
	<b>Receivables due within one year</b>		
	<b>NHS in Scotland</b>		
1	SGHD		0
128	Boards		93
129	<b>Total NHSScotland receivables</b>		<b>93</b>
2	NHS Non-Scottish Bodies		17
47	VAT Recoverable		51
202	Prepayments		262
33	Other Receivables		67
0	Reimbursement of provisions		44
57	Other Public Sector Bodies		192
0	Other significant receivables (specify)		0
470	<b>Total receivables due within one year</b>	<u>BS</u>	<b>726</b>
	<b>Receivables due after more than one year</b>		
	<b>NHSScotland</b>		
0	<b>Total receivables due after more than one year</b>	<u>BS</u>	<b>0</b>
470	<b>Total receivables</b>		<b>726</b>

13 The total receivables figure above includes a provision for bad debts of 23

There is no bad debt provision included in receivables shown above

	<b>WGA Classification</b>	
128	NHSScotland	93
48	Central Government Bodies	51
57	Whole of Government Bodies	192
2	Balances with NHS Bodies in England and Wales	17
235	Balances with bodies external to Government	373
470		<b>726</b>

Movements on the provision for impairment of receivables are as follows: £'000

5	At 1 April 2012	13
9	Provision for impairment	10
0	Receivables written off during the year as uncollectible	0
1	Unused amounts reversed	0
13	<b>At 31 March 2013</b>	<b>23</b>

As of 31 March 2013 receivables with a carrying value of £10,000 (2012:£9,000) were impaired and provided for. The amount of the provision was £23,000 (2012:£13,000). The aging of these receivables is as follows:

£'000		£'000
6	3 to 6 months past due	0
7	Over 6 months past due	23
13		23

The receivables assessed as individually impaired were a mixture of NHS outwith Scotland, due to the difficulty in tracing patient area of origin, overseas visitor due to the difficulty in pursuing debts overseas and staff leaver recovery and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2013, receivables of carrying value of £735,000/ (2012:£457,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

£'000		£'000
444	Up to 3 months past due	664
0	3 to 6 months past due	5
13	Over 6 months past due	34
457		703

The receivables assessed as past due but not impaired were mainly NHS and there is no history of default from these customers recently.

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

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

Trade receivables that are neither past due nor impaired are shown by their credit risk below;

£'000	Counterparties with external credit ratings	£'000
0	Total neither past due or impaired	0

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

The carrying amount of receivables are denominated in the following currencies:

£'000		£'000
470	Pounds	726
0	Euros	0
0	US Dollars	0
470		726

All non-current receivables are due within six years from the balance sheet date.

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

The fair value of long term other receivables is £0 (2011/12: £0)

The effective interest rate on non-current other receivables is 0% (2011/12: 0%). Pension liabilities are discounted at 2.35% (2011-12: 2.8%).

## NOTE 14 - CASH AND CASH EQUIVALENTS

### FOR THE YEAR ENDED 31 MARCH 2013

	Note	At 01/04/2012 £'000	Cash Flow £'000	At 31/03/2013 £'000
Government banking service account balance		743	1,974	2,717
Cash at bank and in hand		22	6	28
<b>Total Cash and Cash Equivalents - balance sheet</b>	<b><u>BS</u></b>	<b>765</b>	<b>1,980</b>	<b>2,745</b>
Overdrafts		0	0	0
<b>Total cash - cashflow statement</b>		<b>765</b>	<b>1,980</b>	<b>2,745</b>

	Note	At 01/04/2011 £'000	Cash Flow £'000	At 31/03/2012 £'000
Prior year				
Government Banking Service account balance		1,887	(1,144)	743
Cash at bank and in hand		25	(3)	22
<b>Total Cash and Cash equivalents - balance sheet</b>	<b><u>BS</u></b>	<b>1,912</b>	<b>(1,147)</b>	<b>765</b>
Overdrafts		0	0	0
<b>Total cash - cashflow statement</b>		<b>1,912</b>	<b>(1,147)</b>	<b>765</b>

# NOTE 15 - TRADE AND OTHER PAYABLES

FOR THE YEAR ENDED 31 MARCH 2013

2012 £'000		2013 £'000
	<b>Trade and other payables DUE WITHIN ONE YEAR</b>	
	<b>NHS Scotland</b>	
737	Boards	693
737	<b>Total NHSScotland payables</b>	<b>693</b>
15	NHS Non-Scottish Bodies	36
765	General Fund payable	2,745
551	FHS Practitioners	655
516	Trade payables	331
451	Accruals	612
0	Deferred income	1
468	Income tax and social security	433
369	Superannuation	281
27	Holiday Pay Accrual	21
0	Clinical/Medical negligence claims	35
27	Other Public Sector Bodies	102
<b>3,926</b>	<b>Total payables due within one year</b>	<b>5,945</b>
	<b>Payables DUE AFTER MORE THAN ONE YEAR</b>	
	<b>NHSScotland</b>	
0	<b>Total payables due after more than one year</b>	<b>0</b>
<b>3,926</b>		<b>5,945</b>
	<b>WGA Classification</b>	
737	NHSScotland	693
837	Central Government Bodies	714
27	Whole of Government Bodies	102
15	Balances with NHS Bodies in England and Wales	36
2,310	Balances with bodies external to Government	4,400
<b>3,926</b>	<b>Total</b>	<b>5,945</b>
	Borrowings included above comprise:	£'000
0		0
2012	The carrying amount and fair value of the non-current borrowings are as follows	
£'000	<b>Carrying amount</b>	<b>£'000</b>
0		0
2012	The carrying amount and fair value of the non-current borrowings are as follows	
£'000	<b>Fair value</b>	<b>£'000</b>
0		0
	The carrying amount of short term payables approximates their fair value.	
£'000	The carrying amount of payables are denominated in the following currencies:	£'000
3,926	Pounds	5,945
<b>3926</b>		<b>5945</b>

## NOTE 16 - PROVISIONS

### FOR THE YEAR ENDED 31 MARCH 2013

	Pensions	Clinical & Medical Negligence	Other	Total
	£'000	£'000	£'000	£'000
<b>PROVISIONS FOR LIABILITIES &amp; CHARGES</b>				
At 1 <sup>st</sup> April	493	28	463	984
Arising during the year	51	81	112	244
Utilised during the year	(91)		(190)	(281)
Unwinding of discount				
Reversed unutilised	0		(273)	(273)
<b>AS AT 31st MARCH 2013</b>	<b>453</b>	<b>109</b>	<b>112</b>	<b>674</b>

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

#### Analysis of expected timing of discounted flows

	Pensions and similar obligations	Clinical & Medical Negligence	Other	Total
	£'000	£'000	£'000	£'000
Payable in one year	76	109	112	297
				0
Thereafter	377			377
<b>AS AT 31st MARCH 2013</b>	<b>453</b>	<b>109</b>	<b>112</b>	<b>674</b>

**NOTE 16 - PROVISIONS – PRIOR YEAR  
FOR THE YEAR ENDED 31 MARCH 2012**

	<b>Pensions and similar obligations £'000</b>	<b>Clinical &amp; Medical £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>	
At 1 April 2011	561	15	259	835	
Arising during the year	36	13	463	512	
Utilised during the year	(104)		(259)	(363)	
<b>AS AT 31st MARCH 2012</b>	<b>493</b>	<b>28</b>	<b>463</b>	<b>984</b>	<b>B S</b>

The amounts shown above are stated gross and the amount of any expected

**Analysis of expected timing of discounted flows**

	<b>Pensions and similar obligations £'000</b>	<b>Clinical &amp; Medical £'000</b>	<b>Other £'000</b>	<b>Total £'000</b>	
Payable in one year	89	28	463	580	<u>B S</u>
Thereafter	404			404	<u>B S</u>
<b>At 31 March 2012</b>	<b>493</b>	<b>28</b>	<b>463</b>	<b>984</b>	

**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 2.35% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years

**Clinical & Medical**

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

**EC Carbon Emissions**

No provision exists at NHS Orkney due to relatively low usage which is exempted from carbon trading.

**Other**

A provision for one voluntary severance exists as 31 March 2013 and is included under "other".



# NOTE 17 - MOVEMENT ON WORKING CAPITAL BALANCES

FOR THE YEAR ENDED 31 MARCH 2013

2012 Net Movement £0,00		Note	Opening Balances £'000	Closing Balances £'000	2013 Net Movement £'000
	<b>Inventories</b>				
47	Balance Sheet	12	446 <sup>✓</sup>	421 <sup>✓</sup>	
47	<b>Net Decrease/(Increase)</b>				25 <sup>✓</sup>
	<b>Trade and other receivables</b>				
(15)	Due within one year	13	470 <sup>✓</sup>	726 <sup>✓</sup>	
(15)	<b>Net Decrease/(Increase)</b>				(256) <sup>✓</sup>
	<b>Trade and other payables</b>				
(2,269)	Due within one year	15	3,926 <sup>✓</sup>	5,945 <sup>✓</sup>	
	Less: Property, Plant and Equipment (capital)				
136	included in above tangible		(208)	(95)	
1,147	Less: Intangible Assets (capital) included in above	15	(765) <sup>✓</sup>	(2,745) <sup>✓</sup>	
56	Less: Lease and PFI Creditors included in above	15	0	0	
			2,953 <sup>✓</sup>	3,105 <sup>✓</sup>	
(930)	<b>Net (Decrease)/Increase</b>				152 <sup>✓</sup>
	<b>PROVISIONS</b>				
149	Balance Sheet	16	984 <sup>✓</sup>	674 <sup>✓</sup>	
149	<b>Net (Decrease)/Increase</b>				(310) <sup>✓</sup>
(749)	<b>NET MOVEMENT (Decrease)/Increase</b>				(389) <sup>✓</sup>

## NOTE 18 - CONTINGENT LIABILITIES

### FOR THE YEAR ENDED 31 MARCH 2013

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

2012		2013
Value	Nature	Value
£'000		£'000
	15 Clinical and medical compensation payments	30

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

NHS Orkney has received one claim under the Equal Pay Act 1970 mainly from women seeking compensation for past inequalities with male colleagues, under their pay arrangements.

The basis of claims is as follows:

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

The current position and recent developments are summarised below.

#### Comparator Information

Comparators have still not been identified, with the exception of a small number of cases. Work is still ongoing by both claimants and respondents in this regard. Until comparators are identified it is not possible to identify the term which is said to breach the equality clause.

#### Period of Claim

The period over which the claim relates is prior to 30 September 2004. The limited scope of these claims was upheld by the Employment Appeal Tribunal in the test case of Foley and Ors v Greater Glasgow Health Board (August 2012).

#### Unequal Contract Term

The issue of the basis of claims was considered at the Case Management Discussion on 22 January 2013, which centred on Emmanuel v City and Hackney Primary Care Trust. This was a national test case to establish, where claimant and comparators carried out work of equal value, whether there was a genuine material factor defence for different terms relating

to pay. The Tribunal decided that the Trust had failed to demonstrate a justification in the respect of different weekend overtime rates, but had done in relation to basic pay.

### **Summary**

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

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**NOTE 19 - EVENTS AFTER THE END OF THE REPORTING PERIOD**

**FOR THE YEAR ENDED 31 MARCH 2013**

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

One event has arisen since 31 March 2013. On 29 May 2013 Boards were notified of a Scottish Terms and Conditions Council decision that women health workers in Scotland were to receive five years (backdated) public holidays they had been entitled to whilst on maternity leave. An accrual has been included in the accounts based on the number of women affected and the likely number of public holidays accruing.

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**NOTE 20 - COMMITMENTS**

**FOR YEAR ENDED 31 MARCH 2013**

There are no capital commitments/ financial commitments (other than leases in Note 21).

## NOTE 21 - COMMITMENTS UNDER LEASES

FOR THE YEAR ENDED 31 MARCH 2013

2012	Operating Leases	2013
£'000	Total future minimum lease payments under operating leases are given in the table below for the each of the following periods.	£'000
	<b>Obligations under operating leases comprise:</b>	
	<b>Land</b>	
15	Not later than one year	17
15	Later than one year, not later than 2 years	15
36	Later than two year, not later than five years	42
59	Later than five years	70
	<b>Buildings</b>	
114	*Not later than one year	137
114	*Later than one year, not later than 2 years	116
263	*Later than two year, not later than five years	334
435	*Later than five years	959
	<b>Other</b>	
7	Not later than one year	3
0	Later than one year, not later than 2 years	8
3	Later than two year, not later than five years	3
	<b>Amounts charged to Operating Costs in the year were:</b>	
13	Hire of equipment (including vehicles)	13
143	Other operating leases	147
<u>156</u>	<b>Total</b>	<u>160</u>
2012	Finance Leases	2013
£'000	Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods.	£'000
	<b>Obligations under Finance leases comprise:</b>	
	<b>Buildings</b>	
<u>0</u>		<u>0</u>
	<b>Other</b>	
<u>0</u>		<u>0</u>
	This total net obligation under finance leases is analysed in Note 16 (Creditors)	
	<b>Aggregate Rentals Receivable in the year</b>	
<u>0</u>	Total of finance & operating leases	<u>0</u>

\* The agreement for occupancy of a storage facility remains unchanged year on year. For 2013 it has been deemed more appropriate to list this in note 21 "leases" under buildings rather than "other commitments" as was the case in 2012.

## NOTE 22 - PENSION COSTS FOR THE YEAR ENDED 31 MARCH 2013

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

The National Health Service Superannuation Scheme for Scotland is a multi-employer scheme where the share of the assets and liabilities applicable to each employer is not identified. The NHS board will therefore account for its pension costs on a defined contribution basis as permitted by IAS 19

For 2012-13, normal employer contributions of £2,151,000 were payable to the SPPA (prior year £2,197,000) at the rate of 13.5% (2011-12 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £52,000 (prior year £2,078,000) arising from the early retirement of staff. The most recent actuarial valuation discloses a balance of £370 million to be met by future contributions from employing authorities.

Provisions/Liabilities/Pre-payments amounting to £453,000 are included in the Balance Sheet and reflect the difference between the amounts charged to the Operating Cost Statement and the amounts paid directly.

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

### Existing scheme:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions are increased in line with Consumer Price Index.

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

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

### New 2008 arrangements:

The scheme provides benefits on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5% to 8.5% of pensionable earnings. Pensions and allowances are index linked to protect their value.

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

	2012-13 £'000	2011-12 £'000
Pension cost charge for the year	2,151	2,197
Additional Costs arising from early retirement	52	2,078
Provisions/Pre-payments included in the Balance Sheet	453	493

**NOTE 23 - FINANCIAL INSTRUMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**A. FINANCIAL INSTRUMENTS BY CATEGORY**

<b>AS AT 31st MARCH 2013</b>	<b>Note</b>	<b>Loans and Receivables £'000</b>	<b>Available for sale £'000</b>	<b>Total £'000</b>
<b>Assets per balance sheet</b>				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	<u>13</u>	276		276
Cash and cash equivalents	<u>15</u>	2,745		2,745
		<u>3,021</u>	<u>0</u>	<u>3,021</u>

**Prior year 31 MARCH 2012**

	<b>0</b>	<b>Note</b>	<b>Loans and Receivables £'000</b>	<b>Available for sale £'000</b>	<b>Total £'000</b>
<b>Assets per balance sheet</b>					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.		<u>13</u>	92		92
Cash and cash equivalents		<u>15</u>	765		765
			<u>857</u>	<u>0</u>	<u>857</u>

<b>AS AT 31st MARCH 2013</b>	<b>Note</b>	<b>Other financial liabilities £'000</b>	<b>Total £'000</b>
<b>Liabilities per balance sheet</b>			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and	16	4,487	4,487
		<u>4,487</u>	<u>4,487</u>

**Prior year 31 MARCH 2012**

	<b>Note</b>	<b>Other financial liabilities £'000</b>	<b>Total £'000</b>
<b>Assets per balance sheet</b>			
<b>Liabilities per balance sheet</b>			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	2,352	2,352
		<u>2,352</u>	<u>2,352</u>



## B. FINANCIAL RISK FACTORS

### Exposure to Risk

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

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

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

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

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

#### a) Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

#### b) Liquidity Risk

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

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

	Less than 1 year	Between 1 and 2 years	Over 5 years
<b>At 31 March 2013</b>			
Trade and other payables excluding statutory liabilities	4,537		
<b>Total</b>	<b>4537</b>	<b>0</b>	<b>0</b>

	Less than 1 year	Between 1 and 2 years	Over 5 years
<b>Prior year</b>			
<b>At 31 March 2012</b>			
Trade and other payables excluding statutory liabilities	2,399		
<b>Total</b>	<b>2399</b>	<b>0</b>	<b>0</b>

### **c) Market Risk**

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

#### **i) Cash flow and fair value interest rate risk**

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

#### **ii) Foreign Currency Risk**

The NHS Board is not exposed to foreign currency risk

#### **iii) Price risk**

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

### **c FAIR VALUE ESTIMATION**

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

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

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

## **NOTE 24 - RELATED PARTY TRANSACTIONS**

### **FOR THE YEAR ENDED 31 MARCH 2013**

Mrs Rhoda Walker, Executive Director of the NHS Orkney, is married to the owner of Orklean. During the year NHS Orkney contracted with this company for cleaning services. Payments totalling £1,266.00 were recorded in 2012/13. At 31 March 2013 there were £240.60 of outstanding debts. There were no special terms attached to these debts. There were no doubtful outstanding debts or provisions.

Dr Andrew Trevett, Non Executive Director of NHS Orkney, is a General Medical Practitioner at the Stromness Practice which provided Primary Medical Services to the Board. Payments to this practice in 2012/13 totalled £678,301.47. At 31 March 2013 there were no outstanding debts. Sales from NHS Orkney to Stromness Surgery for 2012/13 totalled £43,571.89. At 31 March 2013 outstanding sales receipts due to NHS Orkney totalled £2,508.72. There were no special terms attached to these debts. There were no doubtful outstanding debts or provisions.

The directors of the Board are also Trustees of Orkney Health Board Endowments Fund. In 2012/13 the Board received receipts totalling £19,530.34, of which £12,242 is an administration charge for staff time. At 31 March 2013 there were no outstanding debts. There were no doubtful outstanding debts or provisions.

## NOTE 25 - SEGMENTAL REPORTING

### FOR THE YEAR ENDED 31 MARCH 2013

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

	HCH Services provided locally £'000	HCH services provided off island £'000	FHS services unified budget £'000	FHS services non- discretionary budget	2013 £'000
Net operating cost	26364	8723	8725	3231	47043

#### PRIOR YEAR

	HCH Services provided locally £'000	HCH services provided off island £'000	FHS services unified budget £'000	FHS services non- discretionary budget	2012 £'000
Net operating cost	27656	8638	8644	3027	47965

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**NOTE 26 - THIRD PARTY ASSETS**

**FOR THE YEAR ENDED 31 MARCH 2013**

Third party assets held by the Board consist of balances on Patients' Private Funds Accounts. There were no third party assets in 2012/13 or 2011/12.

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**NOTE 27 - DISCLOSURE OF EXIT PACKAGES  
FOR THE YEAR ENDED 31 MARCH 2013**

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

**IT PACKAGES - PRIOR YEAR**

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0	8	8
£10,000 - £25,000	0	10	10
£25,000 - £50,000	0	12	12
£50,000 - £100,000	0	12	12
£100,000- £150,000	0	4	4
£150,000- £200,000	0	0	0
>£200,000	0	1	1
<b>Total number exit packages by type</b>	0	47	47
<b>Total resource cost (£'000)</b>	0	2,066	2,066



**Orkney Health Board**

**DIRECTION BY THE SCOTTISH MINISTERS**

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

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

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

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

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

A handwritten signature in black ink, appearing to be 'M. R.' followed by a flourish.

Signed by the authority of the Scottish Ministers

Dated: 10/02/06