



ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2020

NHS ORKNEY ANNUAL REPORT AND ACCOUNTS 2019/20

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NHS ORKNEY

ANNUAL REPORT AND ACCOUNTS 2019/20

PERFORMANCE REPORT - OVERVIEW

The purpose of this overview is to provide a summary of the activities of NHS Orkney during 2019/20 and include both the risks and achievements during the year.

Chief Executive Statement

2019/20 was a significant year for NHS Orkney with the opening of the new state of the art Hospital and Healthcare Facility in June 2019. The opening of the new facility has been key to support and enable our ambitious programme to transform care and services in Orkney and has been a real success story for NHS Orkney. The year also brought with it some major challenges for NHS Orkney, the Care Inspectorate report on Children and Young People Services in Orkney and the emergence of the Covid-19 Pandemic in the latter part of the year. These issues are discussed in more detail later in the report, along with our response efforts that ensure the patient population of NHS Orkney remain at the forefront of all we do.

Throughout 2019/20, we have continued to work closely with all partners including Orkney Islands Council, Orkney Health and Care and Third Sector colleagues. Strong partnership working has contributed enormously to allow NHS Orkney to meet all of its financial targets in 2019/20.

The patient population of NHS Orkney continues to be at the centre of all we do. We strive to deliver a first class service where progress and innovation are key priorities. In recent years, we have focussed attention on continuous service improvement that has been achieved through incorporating the latest applications of best practice and taking every opportunity to make the best use of resources available including the continued development of our talented workforce. Staff development continues to play a key role in order that we deliver on our corporate vision of being the best remote and rural care provider in the UK.

Increasing demand for a number of our services continues to be one the key challenges faced by NHS Orkney, despite this the Board continues to perform well against all targets set and remain as a high performing Board. Target achievements in 2019/20 include Four-Hour Emergency Access target and Cancer diagnosis target and an improved position in regards to Outpatient Waiting Times. The Board also continues to perform well on delayed discharges and in its Hospital Standardised Mortality Ratio.

The Covid-19 pandemic required a rapid response from NHS Orkney to ensure that risks to staff and the patient population were minimised. We have successfully implemented new ways of working and will continue to learn from these new processes as the situation progresses. I anticipate there are many opportunities and benefits to be realised from these innovative and new ways of working and we intend to build on these as we shape what service provision will look like in the coming weeks, months and longer term for NHS Orkney. There are a number of investments that have progressed at pace to help ensure the safe delivery of healthcare to patients during the Covid-19 pandemic, including the provision of Near Me consultations that allow patients to attend virtual clinics with healthcare professionals. On the 31st March 2020, NHS Orkney had the highest number of Near Me consults per practice in Scotland.

As we look to 2020/21, it is clear we will continue to face challenges with regards to the evolving Covid-19 situation, we will continue to review and update processes in line with government guidance. In 2020/21, we also face considerable financial challenges that require significant transformational change across all services areas in order to deliver financial sustainability in the coming year and beyond.

NHS Orkney, in 2020/21 will continue to develop, innovate and progress whilst improving the life of the patient population against a backdrop of ever competing demands and pressures.

1. NHS Orkney - who we are

Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing health care services for the residents of Orkney, with a growing population of approximately 21,500. NHS Orkney's purpose is to:

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

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

2. Our corporate objectives

Our corporate objectives, detailed below, drive the annual performance and development appraisal process. The [Corporate Plan \(2018/19\)](#) was informed by engagement with staff, updated and approved by the Board in April 2018:

- Improve the delivery of safe, effective patient centred care and our services;
- Optimise the health gain for the population through the best use of resources;
- Pioneer innovative ways of working to meet local health needs and reduce inequalities;
- Create an environment of service excellence and continuous improvement; and
- Be trusted at every level of engagement.

NHS Orkney strives to consult with stakeholders. We routinely communicate with and involve people and communities including community councils in developing our plans. Informing, involving and consulting with patients, partners and the public in the transformation of clinical services is an important part of how we plan for the future.

3. Health and Social Care Integration

Health and social care integration is well established in Orkney. During 2019/20 we worked with the Integrated Joint Board, known as Orkney Health and Care (OHAC), to refresh the Strategic Commissioning Plan. The commissioning plan aims to "help the people of Orkney live longer, healthier and more independent lives within their own homes and communities wherever possible". This plan builds on our successful partnership arrangements developed over time between Orkney Islands Council and NHS Orkney. Further information can be located on the Scottish Government [website](#), and with this OHAC [link](#).

4. Population Health

A new disease Covid-19 was identified in December 2019 and declared a pandemic on 12 March 2020. This disease impacted significantly on public health activity in the last 3 months of the year as actions were taken to protect population health.

During the initial 'containment phase' public health and clinical services at Board level focused on planning and preparedness of patient pathways and testing of symptomatic travellers returning from high risk countries in hospital and the community. Patients in home isolation were followed up on a daily basis by Health Protection. This was also accompanied by proactive contact tracing.

The 'delay phase' was announced on 12 March 2020 – this shifted the response to frontline clinical services with the hospital creating extra bed capacity for expected increase in admissions for acute respiratory infections. An assessment centre was set up for all respiratory conditions to free up GP practices and for the testing of household members of health and social care staff to aid return to work in

accordance with Scottish Government guidance. Extensive 'stay at home' measures were implemented on 23 March 2020.

In recognition of the extensive volume of work required across all organisations to manage the pandemic some work streams have been paused by the Scottish Government including all cancer screening programmes and the school vaccination programmes. The pause will impact on the key developments being undertaken across the screening programmes and future performance. Other public health activity was prioritized to divert resources to support the health protection function.

NHS Orkney endorsed the Scottish Public Health Priorities for local use and work undertaken by the Community Planning Partnership is being aligned around the priorities.

Work on implementation of the Type 2 Diabetes Framework funded by Scottish Government continued in 2019/20. Focus groups were developed across Orkney from the survey responses gathered in 2018/19 in order to generate further insight from the population in Orkney on living with Type 2 diabetes.

Scottish Government funding was received in 2019/20 to further work in relation to child healthy weight locally. Foundation work has been undertaken to support delivery in 2020/21. This includes the completion of the child health weight services gap analysis, implementation of the project structure and governance and initial steps toward recruitment for delivery. A rapid training needs analysis for staff in relation to raising the issue of child healthy weight and a parental engagement survey to identify the barriers to accessing local support services in relation to child health weight have been developed

The smoking cessation service has continued throughout 2019/20, with provision data of twenty-six 12 week quits of which ten are within the LDP quit target parameters. Final figures will not be available until July 2020. The health improvement team have been working to increase referrals into the service. This has included developing an in house training programme to allow for this increase in advisor capacity as well as contacting partner agencies with renewed information regarding the service to increase the visibility of the service with the community of Orkney.

Collaborative work has taken place with multiagency partners around local childhood poverty and welfare reform including support for the implementation of the Orkney Child Poverty Action Plan.

Year round health protection cover has been available through collaborative cross-cover arrangements with NHS Shetland and Western Isles. Collaborative working has also been carried out through the North of Scotland Public Health network on the Northern Health and Social Care Delivery Plan.

Immunisations

The adult immunisation programmes continue to be delivered in line with national directions. For shingles the figures for the programme for September 2019 to January 2020 show an uptake rate for those aged 70 years of 60.18% above the Scottish average of 33.2%.

Pertussis uptake for pregnant women was at 71.4% for Quarter 4 compared with 66.2% nationally.

Uptake rates for childhood immunisation programmes for year ending 31st December 2019 in Orkney are consistently over 90% and within 2-3% of the Scottish averages.

The uptake rates for the seasonal influenza programme for adults during the 2019/20 campaign are above the Scottish average for all cohorts.

Screening

Bowel Cancer screening uptake has been good. Latest published data for 2018/19 shows an uptake of 66.3% against a national performance of 61.6%.

Breast screening is undertaken on a three yearly cycle. Data for the period 2016/17 to 2018/19 shows an overall uptake for women aged 50 to 70 years of 81.9% which is above the 80% national target.

The uptake for cervical screening in 2018/19, the latest data, was 78.8% in Orkney, above the Scottish average of 73.1%.

The percentage of NHS Orkney men offered abdominal aortic aneurysm screening in 2018/19 was 99.4%, the percentage who were tested before age 66 years and 3 months was 81.8% which is below the desirable target of $\geq 85\%$ and the Scottish average of 84.5%. Uptake of diabetic retinopathy screening is high with Q3 uptake at 67.5% (standard 60%).

5. Business Continuity Plans

Business impact analysis and business continuity plans have been completed for all services within The Balfour. An internal audit has been undertaken and work is ongoing to test each of the 48 business continuity plans. Critical areas within the hospital such as switchboard, radiology and theatre have undertaken tabletop exercises to test elements of the Major Incident Plan. Covid-19 planning has now become the priority workstream which has included business continuity arrangements particularly around the maintenance of staffing resilience and the up-scaling of the board's response. NHS Orkney has engaged with the local, regional and national resilience structure.

6. Clinical Services

2019/20 has been a challenging year for NHS Orkney in regard to the transition to the New Hospital and Healthcare Facility and the activity related to the current pandemic. The move to the new facility was conducted without significant incident and with minimal disruption to services. This has produced synergies within staff groups as old ways of working were left behind in favour of new methodologies which have been supported by the improved environment. The process of adaptation to the new build has been embraced by all staff, however the preparations being made to address the current pandemic activity has presented significant challenges.

As in last year's report the patient centred approach continues to prevail. The continuous improvement approach within the area of Adults With Incapacity (AWI) has been sustained. The application to be part of a national improvement through the Hospitals Collaborative project supported by Healthcare Improvement Scotland has been successful. This will allow NHS Orkney to contribute to the national work and will accelerate the internal development of further AWI improvement. Currently the use of individualised care plans for cognitive difficulties continues to be appropriately implemented with 100% compliance in most areas. The numbers of 4AT conducted at admission is consistently between 96% and 100% over the past 12 months.

The work of the Infection Prevention and Control Team continues at apace. A key outlier is that NHS Orkney's validated *Staphylococcus Aureus* Bacteraemia (SAB) is 6 cases for Q1–Q3 (April–December 2019). NHS Orkney is 3 cases over its LDP for 2019/20. However, only two of these cases are related to medical devices with the others being soft tissue related and or community acquired. All have been or are under active investigation and root cause analysis. NHS Orkney continues to have no reported Norovirus cases since February 2012. This is in no small measure attributable to the work of Domestic colleagues who achieved audit compliance scores from NHS Scotland National Cleaning Services Domestic of 94% and Estates 100% for the month of January 2020.

In terms of the Nursing and Midwifery components, a key development strand which is being progressed by NHS Orkney continues to be the Health and Care (Staffing) (Scotland) Act (the Act) which has now received Royal Assent in June 2019. Positive progress has been achieved with data capture being well advanced and staff being fully engaged. The ability of the Senior Charge Nurses to be engaged has been enhanced by the collaboration with the Excellence in Care Programme. Both Excellence in Care and the Health Staffing Programme have benefited from the synergies created from their mutually supporting work and collaboration. Together these programmes provide the evidence base for workforce decision making and quality assurance.

Continuing the work initiated last year the Morbidity and Mortality meetings continue to develop. These support the discussions and the sharing of learning related to clinical events. These take place weekly; they are well attended and multi-disciplinary in nature although work is underway to encourage the scope of attendees.

Breast feeding initiation rate remains high at 84% in January 2020 and Skin to Skin contact following birth is consistently at 100% including for caesarean section. Over the past year the introduction of Midwife

Sonography as a service has been very successful. This allows quicker access to the service for women and improved continuity of care.

Following on from the pilot study of First Point of Contact Advance Practice Physiotherapist at one GP Practice (commenced October 2018) there have been significant improvements in this service. Prior to the pilot, the GP referrals to Musculo-Skeletal (MSK) physiotherapy averaged 22.33 per month. The number of referrals by GP's to the hospital based MSK service has decreased to an average of 4 per month, the DNA rate has fallen to less than 7%. All other patients are seen within the First Point of Contact service with little or no waiting list. In terms of patient satisfaction; 83% of patients felt the service was excellent and 17% very good. The positive response has resulted in two new First Point of Contact Physiotherapist posts to be funded from Primary Care Improvement Plan.

Pharmacy continues to be actively involved in the Primary Care Improvement Plan (PCIP) and Pharmacotherapy services have been developed and introduced to support all GP practices, including; the re-authorisation of repeat prescriptions, authorisation of acute prescribing, undertaking patient clinics, medication reviews and prescribing advice.

Clinical Services have been developed with secondary care to include the assessment and prescribing of post procedure medication for Ophthalmology Services and supporting medical staff with the Core Discharge Document (CDD).

7. Workforce

NHS Orkney engages and consults with its workforce in line with NHS Scotland's Staff Governance Standards. Our Employee Director and Trade Union Representatives represent the interests of staff through our Area Partnership Forum, and along with the staff are provided with regular information and briefs through our internal Communications Officer. NHS Orkney has had partnership representation on all the "Once for Scotland" workforce policy consultation groups and fully implemented those policies that have been approved for use.

Workforce recruitment challenges continue, in particular in our medical workforce, 2019/20 saw an increase in the need for locums during the year in the Consultant workforce due to retirements. We have had significant gaps in our non-consultant rota in the last year, which were filled with Locums Appointed for Service.

A successful Consultant recruitment campaign was held towards the end of 2019 with substantive appointments made to positions across General Surgery, Medicine and Obstetrics and Gynaecology specialities. Tailored job plans have been developed to aid with the retention of these staff. A flexible approach in shift patterns has aided the recruitment and retention of internal and external locums to cover other long-term vacancies and other down time. The use of locums is always a risk based decision and always informed by the need to maintain essential services as a remote and rural Board.

At the year end 23.55% of our workforce are aged 55 and above being eligible for retirement. Our Workforce Development Team has focussed on building capacity and skills for succession planning, developing our existing workforce and continuing with our youth employment strategy to ensure a deficit doesn't occur.

The opening of the New Hospital and Healthcare Facility saw an increase in our staff numbers as the workforce plan for the new build included a number of new posts, most significantly, in services such as Porters and Domestic staff given the increased building size. In addition to these, some short term agency support was required to enable essential training from our Clinical teams.

Equality and Diversity

NHS Orkney promotes equality and celebrates diversity both in the services we provide and within our organisation. During 2019/20 the Board has embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports including the following key documents:

- NHS Orkney Equality and Diversity Workforce Monitoring Report July 2019

- NHS Orkney Equal Pay Monitoring Report April 2019

During 2019/20 we significantly increased our capacity to carry out Equality Impact Assessments and significantly increased our level 1 (online training) in this regard.

Health and Care (Staffing) (Scotland) Act 2019

The [Health and Care \(Staffing\) \(Scotland\) Act 2019](#) is the legislative framework for ensuring the provision of appropriate staffing in health and care service settings, enabling safe and high quality care and improved outcomes for service users. The implementation of the Act across NHS Orkney will ensure that the right people with the right skills are in the right place at the right time creating better outcomes for patients and service users, and supporting the wellbeing of staff. Preparation for the implementation of the Act have commenced across NHS Orkney throughout 2019/20. Specifically:

Common Staffing Method - Focusing on application of the common staffing method in nursing and midwifery services where there is a specialty workload tool¹ and the emergency department². This will include the introduction of the professional judgement only workload tool to those nursing areas where, currently, a specialist workload tool is yet to be developed. Concurrently 1:1 and team education and training on the use of the workload tools and common staffing method, including analysis of the workload tool report has been delivered using a staged approach.

Steering and Working Groups - An NHS Orkney Healthcare Staffing Programme (HSP) Steering Group has been established, meeting bi-monthly, to provide strategic direction, including the identification of key work strands, to support the implementation of the Health and Care (Staffing) (Scotland) Act across Orkney. **Supplementary Staffing Use** - The monitoring and reporting of all supplementary staffing use across NHS Orkney is well established through compilation of a monthly report which is submitted to NHS Orkney and the Scottish Government. The report includes previous month supplementary staffing usage by professional groups, trend analysis and future predicted requirements.

Youth Employment

Throughout 2019/20, NHS Orkney has continued to see an increase in the number of 16-24 year olds joining NHS Orkney, an increase of 14.71%, which is well above the national average across the NHS in Scotland.

The organisation has focused energy on the retention of those younger members of the workforce offering development opportunities across a variety of staff groups, but predominately in Business and Administration, Health and Social Care, Catering and Estates.

Although there were no applicants for Graduate Apprenticeship places for 2019/20 there was increased interest for the next intake, September 2020, when promoted in February.

The Organisational Development and Learning team continue to work with the University of Highlands and Islands and local secondary schools to increase work experience opportunities. Foundation Apprenticeships, with students interested in Business Skills, Finance and IT, have been recruited. These offer secondary school students opportunities to experience working environments in addition to continuing their qualifications. It is planned that the Organisational Development and Learning team will work with managers to increase awareness and promote the benefits of these partnerships. This will go a long way to encourage growth and our own experts in a wider variety of disciplines.

Education Strategy

Following the completion of service development plans across Health and Social Care Services, a three-year strategic training plan has been compiled detailing all training requirements with associated costs and timeframes for delivery. The strategic plan also incorporates the 4 pillars of practice (Clinical Practice, Leadership, Facilitating Learning and Evidence, Research and Development from outputs of the Training Needs Analysis (TNA)).

¹ Specialty workload tools: Adult in-patient, small wards, Community nursing and clinical nurse specialist.

² Combined nursing and medical staff workload tool.

This work links in with the Primary Care Implementation Plan and the Clinical Strategy to ensure there is a clear vision with national agenda frameworks, such as transforming roles.

Practice Education

In 2018 the Nursing and Midwifery Council published the Standards for Student Supervision and Assessment (SSSA), replacing the current standards, with a national implementation plan, from September 2020. It is planned that the practice education team will develop and deliver training across the organisation, ensuring all qualified nursing staff are provided with support and training, facilitating a smooth transition from old to new. This will ensure we maintain the high levels of student satisfaction and learning we already provide here at NHS Orkney.

8. New Hospital and Healthcare Facility

NHS Orkney's new state of the art General Hospital and Healthcare Facility opened in June 2019 to serve the patient population of the Orkney Islands.

The facility contains office accommodation, GP Practices, Macmillan, Maternity, 48 Inpatient beds, Dental Department, Theatres, CDU, Outpatient Consulting rooms, a Pharmacy, Laboratories, Mortuary, Emergency Department and the Scottish Ambulance Service for the island making this a multi functioning healthcare facility, replacing the old Balfour built over 90 years ago.

The new Balfour project was unique in terms of its structural design and energy efficiency using a combination of PV, under floor heating, air to water and water to water heat pumps backed up by high efficiency oil filled boilers. The facility has been designed with a focus on departmental adjacencies and future flexibility of spaces to accommodate unexpected occasional situations and the evolving needs of the population. This has proven invaluable during the current Covid-19 pandemic where clinical areas have been easily adapted to meet the increased capacity requirements.

The fundamental aim of the project was the creation of a harmonious development that provides high quality clinical facilities for patients. The Hub space was carefully considered as the welcoming face of the building as the public enter, providing a civic presence in Kirkwall. The finished product does just that, with its abundance of natural daylight, colourful, highly functional furnishings, a lively restaurant facility, kids' area and retail unit making a hospital reception and waiting area as comfortable an experience as it can be. Since the hospital opened to the public in June 2019 it has become a proud addition to the NHS estate and positively received by the local public and even tourists who have used the facility as either a patient, visitor or staff member.

Digitally Enabled

A major part of the design of the building is the digital capability and a number of strategic priorities have been achieved to enable more care to be delivered in Orkney, and where possible in the patient home. To enable this we have:

- Increased the use of Telehealth and use of digital devices to enable access to information at the point of delivery
- Increased the use of Telehealth and reduced the need for patients to attend multiple distant hospital appointments and enabling practice or Board based care
- Promoted the use of video conference (VC) equipment, including desktop VC, particularly in remote locations such as GP Practices, and integrate the VC equipment with the NHS Scotland VC network
- Used technology to enable staff to generate letters electronically, take pictures, draw diagrams, use voice recognition, record handwriting, use mobile apps, use streaming, etc to enable access to information at the point of delivery, to ensure information collected is accessible to all those who need to know, reducing the need for paper.

Vehicles and Transport

Electric charging points for electric vehicles have been included at the new build site and we have a replacement programme funded by the Scottish Government Sustainability and Environmental Programme for electric vehicles. This shift will result in a reduction in spend, a reduction in carbon emissions and importantly allow NHS Orkney to exercise part of its strategy as outlined in the OBC for the new building around sustainability.

Sustainable and Environmental Development

Working groups have been set up in collaboration with the Orkney Islands Council in order to progress the environment, sustainability and carbon initiatives. The biggest success in the last 12 months is the reduction in the size of the Estate. It remains a priority to continue to reduce, and where we have to sustain, we will make it as efficient and as compliant as possible. A Sustainability Assessment was completed in 2019 which has given a baseline for improvement. As a result of moving into the new building NHS Orkney was able to remove approximately £8 million pounds in backlog maintenance required on old sites.

Smarter Office Initiatives

Our new open plan administration and clinical support facility offers flexible working space with access to natural light and good acoustics to provide a pleasant working environment.

The building has provided support services, consultants, clinical teams and administrative staff as well as the senior management team with:

- A facility which will meet the needs of staff providing workspace, access to WiFi throughout, quiet break out space to facilitate confidential conversations, conference/meeting rooms, social interaction areas with all rooms and PODs equipped to VC.
- A modern high-tech 21st century facility which is fit for purpose with access to natural daylight inspiring collaboration and communication.
- Excellent ability to build relationships, increase collaboration with clinical and non- clinical teams co-located employees will be more approachable and accessible, enabling more idea sharing and personal conversation
- An eco efficient facility which will contribute to NHS Orkney meeting a national HEAT target for reducing carbon emissions.
- Space for impromptu meetings with colleagues, either in a private capacity in a room or using touch-down or break out space, depending on purpose of meeting
- Space for VC either on 1:1 or larger meetings
- Location close to clinical work, both inpatient and outpatient areas
- Ability to zone areas so public and Third Sector bodies can use the conference suite, particularly in the Out of Hours period.
- Psychological and productivity benefits as well as enabling improvement to health and wellbeing, encouraging more movement as people communicate with each other as well as a more motivating and aesthetically pleasing working environment

NPD Scheme

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

9. BREXIT

Following the UK's withdrawal from the EU on 31 January 2020, NHS Orkney continues to monitor and update a number of key risk areas as noted below. The impact so far has been minimal as the UK entered an 11 month transition period where we effectively remain in the EU's customs union and single market.

NHS Orkney continues to prepare for the full impact of BREXIT and ensure that systems are adapted accordingly.

The risk register was maintained throughout the year to develop our short, medium and long term plans for exit covering workforce, goods, services and supply chains which include the following risk areas:-

- Workforce - The impact on NHS Orkney and Orkney Health and Care is likely to be minimal, should there be a sudden loss of EU Nationals from within the workforce.
- Medicines – Scottish Government are working with a wide range of agencies to ensure that patients receive the medicines and other medical supplies that they need.
- Sundries – The National Distribution Centre (NDC) is part of National Procurement to deliver goods to hospitals and have increased supplies in areas such as medical devices, chemicals and general clinical consumables, with planning assumptions based on a six week reserve of stock.
- Food and fuels – assumed that demand will be met and no impact is foreseen.

10. Care Inspectorate Report – Children and Young People Services

In February 2020, the Care Inspectorate issued a *Report of a Joint Inspection of Services for Children and Young People in Need of Care and Protection in Orkney*. Following issuance of the report, NHS Healthcare Improvement Scotland (HIS) sought assurance from NHS Orkney regarding Joint Leadership Governance and Delivery of Child Protection. The Care Inspectorate Report highlighted a number of areas requiring improvement with regards child protection. In the NHS HIS letter issued in March 2020 assurance was sought that NHS Orkney are fulfilling their responsibilities and duties in protection for all children, in line with national guidance Protecting Children and Young People, child protection committee and chief officer responsibilities. The following were highlighted as areas requiring response/ action by NHS Orkney:

- Leadership of child protection and participation in the chief officers group of the NHS chief executive
- Arrangements to delegate executive leadership for child protection within the NHS board and measures of effectiveness
- Details of governance and oversight of child protection within NHS Boards governance arrangements
- Details of delegated leadership and governance of roles and responsibilities to take forward NHS and multi-agency child protection activity on the chief officers behalf

In addition, assurance that NHS Orkney has;

- systems in place to share information within and across agencies, professional bodies and other organisations
- provision of sufficient staff time for child protection work and for activities, such as staff development, that are necessary to ensure competent and confident staff and continuous improvement
- in place policies, procedures, systems, structures, resources and personnel to support the needs and risks for relevant children including siblings come first in all professional decision-making
- sufficient staff who are effectively and relevantly trained, and that they are supported, supervised and accountable for child protection work
- quality assurance mechanisms to ensure that these standards are met and that this can be demonstrated.

A detailed response was provided to NHS HIS which included specific information in respect of the issues raised along with information on the work underway and plans to address the concerns highlighted in the Care Inspectorate report and assurances sought from NHS HIS. The main focus of our improvement

plans is that a partnership, cross agency approach is required in order to ensure that the concerns raised are dealt with throughout child protection services in Orkney. The Chief Officer Group will have overall responsibility for the plan and improvements. The plan has SMART deliverables which not only align themselves to the inspection findings but also to areas of improvement identified by staff, practitioners and partners.

Our improvement plan records a range of activities, some already complete, some commenced, some at the planning stage, that will significantly improve upon the systems and processes that are currently in place. Improvements will be delivered in relation to access to information across agencies, staff training across agencies, in addition to profession specific training, staff supervision, Orkney specific policies, Orkney specific procedures, internal self evaluation, peer review, quality assurance systems and measures of effectiveness drawing heavily from the national minimum data set. Our overall improvement plan will be underpinned by a series of more detailed project plans that will be managed and reported through the Chief Officers Group and a soon to be established Practitioners and Stakeholder Improvement Board. The key activities can be summarised into 4 cornerstones of the transformation agenda representing the key enablers on driving Quality in Practice:

- Leadership, Governance and Strategy
- Workforce Development
- Quality assurance framework, performance and systems
- Quality of practice and intervention for all our children

Among the range of actions the Partnership is taking, I would highlight the following:

- Urgent review of all Looked After Children Care Plans
- Revise procedures for responding to young people reported as missing
- Development of an Orkney suite of procedures based on national guidance. To include:
 - Inter agency procedures
 - Remote isles
 - OOH arrangements
 - Effective information sharing
 - IRD procedures
- Review of all health assessments to ensure up to date and appropriate for each child
- Appointment of a Lead Nurse for protection issues
- Review and revised training needs for all staff
- Review and revise the model and approach to identifying and responding to neglect
- Strengthening governance and accountability and function of PPC

The Chief Officer Group will have overall responsibility for the plan and improvements. The plan has SMART deliverables which not only align themselves to the inspection findings but also to areas of improvement identified by staff, practitioners and partners.

Whilst we acknowledge there are still areas that require improvement, we have made real headway with the plans and improvements implemented in this area to date.

11. Financial Challenges 2020/21

During the next three years, NHS Orkney faces unprecedented financial challenges, as highlighted in the Annual Operating Plans for 2020/21 to 2022/23. In order to deliver its clinical strategy and meet its financial targets in the coming years, the Board must deliver transformational change and service redesign which drive efficiencies and cost savings.

Robust plans are being developed to reform how services are delivered that continue to put the needs of the patient population at the forefront. Financial balance will only be delivered through the achievement of ongoing recurring savings.

The emergence of Covid-19 has compounded the challenges faced as increased pressure has been applied to resources and NHS Orkney has had to ensure additional capacity is made available. This will have a significant impact on the delivery of the Board's savings targets in the early part of 2020/21. Various

saving schemes were temporarily held in order to concentrate on Covid-19 requirements, however as we return to the new normal these will recommence at pace to ensure efficiencies are driven forward.

PERFORMANCE ANALYSIS

A) Financial Performance

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

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

NHS Orkney achieved each target as shown below.

	Limit as set by SGHD £000	Actual Outturn £000	Surplus £000
Core Revenue Resource Limit	64,272	64,213	59
Non Core Revenue Resource Limit	11,497	11,497	0
Core Capital Resource Limit	3,206	3,205	1
Cash Requirement	69,993	69,993	0

		£000
In year Outturn	Core Revenue Resource Variance (Deficit)/ Surplus in 2019/20	59
	Financial Flexibility: Funding Banked with Scottish Government	27
	Underlying (Deficit)/ Surplus against Core Revenue Resource Limit	32
	Percentage	0.05%

A three-year financial plan was submitted to Scottish Government by NHS Orkney on 29 March 2019 and subsequently approved on 17 June 2019.

Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £0.032m (equivalent to 0.05%). The underspend is within the one percent flexibility afforded by the three-year financial planning and performance cycle, and will be managed within an overall breakeven in the period to 2021/22.

Provisions for impairment of receivables

NHS Orkney included a provision of £14k in 2019/20 to cover doubtful receivables, 2018/19 was nil. In 2019/20 the prepayment for the NPD project was impaired by £1.414m when the asset was recognised on the Statement of Financial Position at Fair Value.

Outstanding liabilities

NHS Orkney has £7.564m of current liabilities and no long term liabilities in 2019/20, compared with £17.321m and £60.796m respectively in 2018/19. These consist principally of routine trade payables with the main movement relating to accruals for the New Hospital and Healthcare Facility in 2018/19.

Whilst under construction, a long term liability was created to reflect the requirement under the NPD scheme for the New Hospital and Healthcare Facility (matched to a long term prepayment). In 2019/20, these entries were extinguished following completion of project and the New Hospital and Healthcare Facility being recognised at Fair Value on the Statement of Financial Position. NHS Orkney will continue to make Annual Service Payments (ASP) to Robertson Capital Projects over the 25 year period of the service contract.

Legal obligations

There were no significant legal obligations outstanding in 2019/20 or 2018/19.

Prior year adjustments

There are no prior year adjustments in 2019/20 or 2018/19.

Significant changes in fixed assets

The New Hospital and Healthcare Facility was transferred from Assets under Construction to Completed Assets in 2019/20 (Fair Value £61m). This resulted in impairments of £7.549m on Property, Plant and Equipment and £1.414m impairment of Prepayments in year.

Pension Liabilities

The accounting policy note for pensions is provided in [Note 1](#) and disclosure of the costs is shown within [Note 19](#) and the [Remuneration and Staff Report](#).

Non-Profit Distributing (NPD)

An NPD Scheme with a funding variant for a New Hospital and Healthcare Facility was agreed with the Scottish Government. The Pre Financial Close Key Stage Review was signed off by Scottish Futures Trust on 23 March 2017 and by the Chief Executive on behalf of the Board on 27 March 2017. Construction was completed during the year and the facility was opened in June 2019. Ownership of the property remains with Robertson Capital Projects for 25 years when it transfers to NHS Orkney. The asset is recognised on the NHS Orkney's Statement of Financial Position. The New Hospital and Healthcare Facility was transferred to completed assets in year and recognised at Fair Value, this gave rise to impairments both within our Property, Plant and Equipment (£7.549m) and the Prepayment (£1.414m) that was created during the construction phase of the scheme.

The total cost of the project estimated in the Full Business Case is £115m, this is split into two elements the prepayment for construction of the new build and the ongoing Annual Service Payment. NHS Orkney is required to support 50% of lifecycle maintenance costs and 100% of hard FM maintenance costs, with the Scottish Government supporting all other running costs. In 2019/20 Scottish Government funded around 58% of the ASP payable in year with NHS Orkney funding the remaining 42%.

Integrated Joint Board (IJB)

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

The IJB is a separate legal organisation and acts as principal in its own right. Accordingly the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this, in the Health Board's accounts, is expenditure of £34.884m (2018/19 £32.246m) and income of £34.884m (2018/19 £32.246m). The expenditure is included in [note 3](#) and income in [note 4](#) and analysed below.

As anticipated, the IJB ended the year in a break even position. However, where earmarked funding received in year is unutilised at year end, these should be carried forward to the following financial year,

£0.342m of earmarked funding will be carried forward to 2020-21. NHS Orkney has 50% share of these funds as a joint venture. This is reflected in the [Consolidated Statement of Financial position](#) of £171,000.

	2018/19			2019/20		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
IJB	24,375	24,375	0	26,267	26,267	0
Set Aside	7,871	7,871	0	8,617	8,617	0
Total	32,246	32,246	0	34,884	34,884	0

The set aside is a notional budget for delegated hospital service functions and calculated on the basis that the use of underlying resources is within the remit of the IJB's commissioning decision, predominantly within the acute services. The delegated areas will be established in 2020/21 with a view to the IJB commissioning services within those areas.

There is currently a medium-term financial plan which illustrates the financial challenges faced and the anticipated delivery of efficiency savings targets over the period 2020/21-2022/23 (£2.4m).

Payment Policy

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

Measure of Better Payment	2019/20	2018/19
Paid by value – in 10 days*	54%	89%
In 30 days	85%	96%
Credit taken	18 days	19 days
Paid by volume – in 10 days	54%	51%
In 30 days	89%	88%

* The movement in performance relates to high value invoices processed in 2018-19 for the NPD capital project that had 5 day payment terms, there are limited equivalent invoices in 2019-20 as most of these payments were settled in previous years.

B) Performance against Non Financial Targets and Standards

Local Delivery Plan (LDP) standards are priorities set and agreed between Scottish Government and NHS Boards to provide assurance on performance and quality ambitions. NHS Orkney monitors performance monthly and reports on progress to the Finance and Performance Committee and each Board meeting. NHS Orkney has performed well throughout the year and through delivery of its Annual Operational Plan has secured improvements in performance in several areas, most notably in regards to access to both outpatient and inpatients services. NHS Orkney continues to rely on partner Boards for the provision of visiting services for a number of specialties and it is recognised that there is further work to be done to balance demand and capacity in order to ensure access targets can be met.

The table below summarises performance against several of the LDP access standards over the 2019/20 year. We have consistently met the four hour A&E target and the elective 18 week referral to treatment standard and performance against the cancer standards remains good.

	Outpatients < 12 wks from referral to first appointment	Inpatient or day case treatment < 12 wks	Elective to commence < 18 wks from referral	A&E – 4 hrs from arrival to admission to discharge	Urgent referrals cancer to treatment < 62 days	Decision to start cancer treatment < 31 days
Standard	95%	100%	90%	95%	95%	95%
Apr-19	74.7	87.7	92.7	92	100	100
May-19	72.9	89.8	95.8	94.9	0	100
Jun-19	66.9	69.2	94.8	97.1	100	0
Jul-19	64.3	85.5	88.1	95.6	100	0
Aug-19	63.9	61.3	91.2	97.9	50	100
Sep-19	69.55	76.4	92.2	98.7	100	100
Oct-19	71.9	93.2	91.4	97.4	80	100
Nov-19	76.0	95.8	94.8	98.1	50	100
Dec-19	73.2	69.4	97.2	97.5	67	100
Jan-20	85.0	76.4	99.1	95.6	100	100
Feb-20	81.6	91.4	98.0	94.1	100	100
Mar-20	81.7	85.0	93.6	95.2	100	100

(Figures in red are from internal sources and not yet published by ISD.)

Capacity has outstripped demand in many specialities over a number of years and with capacity of visiting services linked to the ability of partner Boards to release staff to come on island a backlog has been generated in some areas. This was further compounded with the move to the New Hospital and Healthcare Facility in June 2019, as the Board lost capacity in elective services over a 4 week period. Achieving a sustained improvement in performance is the focus of the Board's Waiting Times Improvement Plan, which sits as an appendix to the Boards Annual Operational Plan. Within the Waiting Times Improvement Plan increased activity (particularly in regards to the treatment time guarantee) was planned for the last quarter of 2019/20 however, this was adversely affected by the Covid-19 pandemic. The final position in this regard was therefore lower than had been planned and articulated within the Board's Annual Operational Plan.

Also outlined in the Waiting Times Improvement Plan (WTIP), is an improvement programme designed to reduce the need for patient travel and provide care closer to home using initiatives such as NHS Near me has provided more timely access to services, reduced the carbon footprint and improved patient experience. This work continues to move forward at pace to minimise the need for travel at both a patient and visiting consultant level as well as supporting increased access to services. Service development in specialities such as Ophthalmology, Rheumatology and Chronic pain is also central to the WTIP to reduce waiting times and improve access.

Integrated Joint Board

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

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

communities. The plan sets out our new approaches to health and social care. We need to develop different ways of working.”

- Orkney continues to report a very low level of delayed discharges with partnership working across health and social care being central to maintaining timely patient flow across the whole system and in particular ensuring the Balfour is able to respond in a timely manner to emergency presentations.
- As a result of Covid-19 community provision was enhanced to allow redesignation of inpatient hospital beds for Covid Surge Ward purposes in the latter part of 2019/20. This involved the stepping up of a mothballed wing of Hamnavoe House, the new care home which opened in Stromness during 2019. This has provided step down care for patients who are requiring a longer period of rehabilitation in a more homely setting and has further supported our drive to ensure timely discharge from hospital.
- The Rapid Mobile Community Responder Service has enabled many people to remain within their own homes and is valued by those who use it. It has also demonstrated success in the objectives that were set.
- A local Mental Health Strategy which articulates how we will work to develop an all age, all community aspiration to how we do things here in Orkney has been developed. Whether this be perinatal mental health, supporting children and young people, adults or older people, the strategy will ensure our services are developed to demonstrate that here in Orkney you are valued as a member of our community. An action plan to support delivery of this Strategy is now being developed.
- Our Primary Care Improvement Plan for Orkney (now in 2nd draft) sets out an ambitious and attractive vision for how services will be delivered in General Practice and Primary Care that operate in partnership with the wider health and care system. There are particular challenges associated with delivery of our aspirations within the financial envelope available, particularly in regards to our more remote and rural areas of provision however, clinical engagement is good with a strong and well functioning GP Sub Committee supporting this workstream to ensure that our decision making in regards to the prioritisation of resource is clinically informed and aligned with the needs of our population.

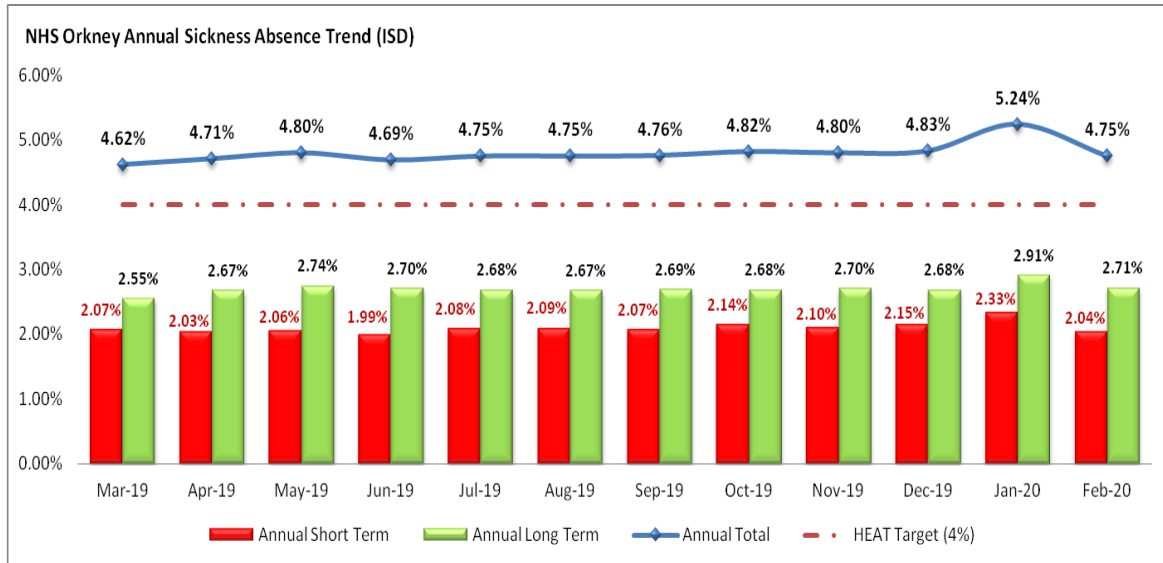
The Scottish Government published the Medium Term Health and Social Care Framework in October 2018. This framework aims to consider the whole health and social care system and how this supports the triple aim of better care, better health and better value.

Efficiency and Governance

iMatter is a staff experience continuous improvement tool offering a facility to measure, understand, improve and evidence staff experience. Unfortunately fewer people contributed to the 2019 survey, although disappointing, this came as no surprise as it coincided with the move to the new hospital and healthcare facility. In overall terms, NHS Orkney engagement reflects exactly the NHS Scotland trend. There are 4 key performance indicators for boards as below:

1. Response rate - NHS Orkney saw a decrease in responses, from 73% in 2018 to 66 % in 2019, continuing to be higher than the national response rate of 61%, equal highest response rate, with Dumfries and Galloway, across the territorial Boards.
2. No Report - NHS Orkney has 79 teams. 25 teams did not receive the required 60% response rate to receive a report.
3. Employee Engagement Index – NHS Orkney’s EEI score has remained stable at 76 in 2019.
4. Action Plans Agreed – 56 teams out of 79 completed an improvement action plan, although no longer highest completion, NHS Orkney still sits in top 3 of the territorial Boards in NHS Scotland and well ahead of the other two island boards

Sickness absence continues to be a significant focus, in particular the areas which contribute to the most hours lost. Despite efforts, during 2019/20, the average over the year was 4.79%, exceeding the standard of 4%. This compares with a NHS Scotland average of approximately 5.45%.



Sustainability and environmental reporting

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. In 2015, an Order was introduced requiring all designated Major Players (of which NHS Orkney is one) to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Scottish Government's approach can be found in the [Climate Change Plan 2018-2032](#) while national reports can be found at the following resource:

<https://sustainablescotlandnetwork.org/reports>

Signed

Date 25 June 2020

Gerry O'Brien

Gerry O'Brien
Chief Executive

ACCOUNTABILITY REPORT - CORPORATE GOVERNANCE REPORT

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31 March 2020.

1. Date of Issue

The Accountable Officer authorised these financial statements for issue on 25 June 2020.

2. Naming convention

NHS Orkney is the common name for Orkney Health Board.

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

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

4. Appointment of auditors

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

5. Board membership

There were some notable changes to Board membership in 2019-20, with the departure of Ian Kinniburgh as Board Chair on 30th November 2019 and the appointment of Meghan McEwen as Board Chair from 1st March 2020. There was a further addition to Non Executive membership with the appointment of Jason Taylor as Whistleblowing Champion on 1st February 2020. Finally, we await the impending appointment of Iain Stewart as Chief Executive Officer of NHS Orkney from 1st July 2020 as I depart on 30th June 2020.

Under the terms of the Scottish Health Plan, the Health Board is a board of governance whose membership will be conditioned by the functions of the Board.

Board members are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level. The Board has collective responsibility for the performance of NHS Orkney as a whole, and reflects the partnership approach, which is essential to improving health and healthcare services. During the year Board members were as follows.

Chair and Vice Chair		
Ian Kinniburgh	Chair	To 30 November 2019
Meghan McEwen	Chair	From 1 March 2020
David Drever	Vice Chair	
Non Executive Directors		
David Campbell	Non Executive Board member	
Caroline Evans	Non Executive Board member	
Isobel Grieve	Non Executive Board member	
Steven Johnston	Area Clinical Forum Chair	
Fiona MacKellar	Employee Director	
Meghan McEwen	Non Executive Board member	Until 29 February 2020
James Stockan	Local Authority Representative	
Jason Taylor	Non Executive Board member	From 1 February 2020
Executive Directors		
Gerry O'Brien	Chief Executive	
David McArthur	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	

Mark Doyle	Interim Director of Finance	
Marthinus Roos	Medical Director	
Dr Louise Wilson	Director of Public Health	

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

6. Board members' and senior managers' interests

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

Board Member	Declared Interest
David Campbell	Trustee – Orkney Health Board Endowment Fund Chair – Integration Joint Board Audit Committee Voting member of the Integration Joint Board Chair/Vice Chair of various NHS Governance Committees
David Drever	Green Badge Tour Guide Qualification for Orkney Trustee Orkney Health Board Endowment Fund Voting Member - Integration Joint Board Chairperson – Heilendi Practice Patient Focus Group
Caroline Evans	Trustee Orkney Health Board Endowment Fund Deputy member - Integration Joint Board
Issy Grieve	Trustee - Orkney Health Board Endowment Fund Member – Integration Joint Board
Steven Johnston	NHS Orkney Employee Trustee of Orkney Health Board Endowment Funds
Ian Kinniburgh	Chairman, National Evaluation Committee Member of National Performance Management Committee Member and vice chair of Orkney Partnership Board Member, SNP Member of ministerial group on Health and Social Care Integration Member of Scottish Access Collaborative Programme Board Chairman of NHS Scotland Chairs Group Trustee and Chairman of Orkney Health Board Endowment Funds
Fiona MacKellar	NHS Orkney Employee Trustee of Orkney Health Board Endowment Funds
David McArthur	Board Member Highland RFCA – No remuneration Trustee Orkney Health Board Endowment Fund
Meghan McEwen	Funding and Development Worker – Voluntary Action Orkney (VAO) Trustee – Friends of the Westray Playpark Trustee Orkney Health Board Endowment Fund Deputy member - Integration Joint Board Patient – Westray Surgery Parent of children in Westray Junior High School Friends with NHS employees: Shelagh Hutchison, Martha Gill, Cheryl Scott
Gerry O'Brien	Trustee of Orkney Health Board Endowment Funds
Marthinus Roos	Trustee Orkney Health Board Endowment Fund Wife – Clinical Psychologist, NHS Orkney
James Stockan	Leader of Orkney Islands Council Joint landlord of various properties Member of Friends of St Magnus Cathedral Member of Orkney Natural History Museum Trustee Orkney Health Board Endowment Fund
Jason Taylor	Member – Management Committee Orkney Housing Association Ltd Chair – Forum Management Group, BuildHub (Members Association operating Online forum for self-builders)
Dr Louise Wilson	Interim Director of Public Health, NHS Highland Quality lead Scotland, Faculty of Medical Leadership and Management Trustee Orkney Health Board Endowment Fund Member of Orkney Health and Care Integration Joint Board Vice convenor faculty of Public Health Scotland Member of executive group for European Rural and Isolated Practitioners Association (EURIPA).

7. Directors' third party indemnity provisions

There are no third party indemnity provisions.

8. Remuneration for non audit work

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

9. Public Services Reform (Scotland) Act 2010

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

10. 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.

THE STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2020 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

THE STATEMENT OF ACCOUNTABLE OFFICERS' RESPONSIBILITIES

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

This designation carries with it responsibility for:

- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at 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 Government's Financial Reporting Manual and in particular to:

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

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

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter to me of 21 November 2018.

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.

Governance Framework

The Board has collective responsibility for health improvement, the promotion of integrated health and community planning through partnership working, involving the public in the design of healthcare services and staff governance.

Members of Health Boards, as detailed on page [20](#), 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. Likewise, members of the committees as identified on page [24](#) are also selected on the basis of their particular expertise.

Corporate Governance

Corporate governance is the term used to describe the overall control system. It details how NHS Orkney directs and controls functions and how we relate to our communities

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

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

Attendance at Board meetings

Name	Role	Number of Meetings	Number Attended	%
Ian Kinniburgh	Chair	6	4	66 %
David Campbell	Non Executive Board member	6	5	83%
David Drever	Non Executive Board member	6	5	83%
Caroline Evans	Non Executive Board member	6	5	83%
Isobel Grieve	Non Executive Board member	6	5	83%
Steven Johnston	Non Executive Board member	6	4	66%
Fiona MacKellar	Non Executive Board member	6	5	83%
Meghan McEwen	Non Executive Board member	6	6	100%
James Stockan	Non Executive Board member	6	6	100%
David McArthur	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	6	6	100%
Gerry O'Brien	Chief Executive	6	6	100%
Mark Doyle	Interim Director of Finance	6	6	100%
Marthinus Roos	Medical Director	6	5	83%
Dr Louise Wilson	Director of Public Health	6	4	66%

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

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

Finance and Performance	Reviews the financial and non financial targets of NHS Orkney, to:		
	Seven meetings held during 2019/20	<ul style="list-style-type: none"> ensure that appropriate arrangements are in place to deliver against organisational performance measures secure economy, efficiency, and effectiveness in the use of all resources provide assurance that the arrangements are working effectively provide cross committee assurance to the Integrated Joint Board in relation to performance on delegated function 	
Members	Attendance	Role	From / To
David Campbell	7 of 7	Chair of Committee	
James Stockan	7 of 7	Vice Chair	
Mark Doyle	7 of 7	Interim Director of Finance	
Caroline Evans	5 of 7	Non Executive Board Member	
Ian Kinniburgh	4 of 7	NHS Orkney Chair	
Meghan McEwen	7 of 7	Non Executive Board Member	To 29 February 2020
Gerry O'Brien	7 of 7	Chief Executive	

Remuneration	Responsible for		
	Four meetings held during 2019/20	<ul style="list-style-type: none"> determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance agreeing the individual in-year objectives of NHS Orkney's executive directors approving the annual performance assessment of executive directors. 	
Members	Attendance	Role	From / To
Ian Kinniburgh	3 of 4	Chair of committee	To 30 November 2019
David Drever	1 of 4	Interim Chair	From 1 December 2019
James Stockan	1 of 4	Vice Chair	
Fiona MacKellar	2 of 4	Employee Director/Non Executive Board Member	
Meghan McEwen	4 of 4	Non Executive Board Member	To 29 February 2020

Clinical and Care Governance	Provides assurance that :		
	Four meetings held during 2019/20	<ul style="list-style-type: none"> robust clinical governance controls and management systems are in place and effective throughout NHS Orkney robust clinical and care governance controls and management systems are in place and effective for the functions that NHS Orkney and Orkney Islands Council have delegated to the Orkney Health and Care Integrated Joint Board. 	
Members	Attendance	Role	From / To
Isobel Grieve	4 of 4	Chair of Committee	
Steven Johnston	4 of 4	Vice Chair	
David Drever	3 of 4	Non Executive Board Member	
Scott Hunter	3 of 4	Head of Service, Children and Families, Criminal Justice and Chief Social Work Officer	
Rachael King	3 of 4	Elected Orkney Islands Council member	
David McArthur	2 of 4	Director of Nursing, Midwifery and Allied Health Professions	
Meghan McEwen	3 of 4	Non Executive Board Member	To 29 February 2020
Chris Nicolson	2 of 4	Director of Pharmacy	
Gerry O'Brien	4 of 4	Chief Executive	
Marthinus Roos	4 of 4	Medical Director	
Steve Sankey	1 of 4	Elected Orkney Islands Council member	
Heather Tait	4 of 4	Public representative	
Dr Louise Wilson	3 of 4	Director of Public Health	

Staff Governance	Advises the Board on:		
	Four meetings held during 2019/20	<ul style="list-style-type: none"> its responsibility, accountability and performance against the NHS Scotland Staff Governance Standard, addressing the issues of policy, targets, and organisational effectiveness. 	
Members	Attendance	Role	From / To
Caroline Evans	4 of 4	Chair of Committee	
Fiona MacKellar	4 of 4	Vice Chair	
Isobel Grieve	2 of 4	Non Executive Board member	
Jason Taylor	1 of 4	Non Executive Board member	From 1 February 2020
Ashley Catto (Deputising)	3 of 4	Director of Workforce	
Gerry O'Brien	4 of 4	Chief Executive	
Kate Smith	4 of 4	Partnership representative	
Chris Werb	1 of 4	Staff representative	

Audit	Supports the Board in its responsibilities for:		
Six meetings held during 2019/20	<ul style="list-style-type: none"> issues of risk, control and governance and associated assurance through a process of constructive challenge liaising closely with the Integrated Joint Board Audit Committee and sharing information of benefit to the Integrated Joint Board. 		
Members	Attendance	Role	From / To
Meghan McEwen	5 of 6	Chair of Committee	To 29 February 2020
David Drever	1 of 6	Chair of Committee	From 1 March 2020
David Campbell	4 of 6	Vice Chair	
Fiona MacKellar	5 of 6	Employee Director/Non Executive Board Member	
James Stockan	3 of 6	Non Executive Board Member	

Responsibilities of Members of the Board

Membership of the NHS Board carries with it a collective and corporate responsibility for the discharge of these functions. All members are expected to bring an impartial judgement to bear on issues of strategy, performance management, key appointments and accountability, upwards to Scottish Ministers and outwards to the local community.

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

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

Board members must comply with the Code of Corporate Governance and the Endowment Charter, including the Code of Conduct, along with the Standing Financial Instructions. The Standing Orders are made in accordance with The Health Boards (Membership and Procedure) (Scotland) Regulations 2001.

The non-executive members provide constructive scrutiny and challenge and this is evidenced in minutes of meetings. In addition to the Code of Conduct for Members, the Board has a Corporate Plan which sets out 'our promise' to patients and their families and how NHS Orkney prides itself in delivering high quality care whilst ensuring all our patients are treated with dignity and respect. The Corporate Plan sets out 'our promise' to staff and our expectations from staff to demonstrate their commitment and accountability for their actions and contribution to individual, team/department and organisational performance.

All NHS Board executive directors review their development needs as part of the annual performance management and development process. This process is directed by the corporate objectives detailed within the Corporate Plan.

Whilst pay arrangements for NHS staff are determined under national arrangements, the pay arrangements for the Board's senior managers whose posts are part of the Executive Management cohorts are subject to Scottish Government guidance, determined by the Remuneration Committee.

Orkney Health Board Endowment Fund Accounts and Integrated Joint Board Accounts

This statement includes any relevant disclosure in respect of the Orkney Health Board Endowment Fund Accounts and the Integrated Joint Board Accounts.

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.

Data Quality

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

Risk Management

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

NHS Scotland bodies are subject to the requirements of the 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. As Chief Executive I ensure there is suitable review and management of corporate risks and that all significant risk management concerns are prioritised, considered and communicated to our Governance Committees and the Board on a regular basis.

The Board of NHS Orkney reviewed its position against the blueprint for good governance in 2019 and identified risk management as one of its priority areas for action. A review of the Board's approach to risk management took place in year and a refreshed strategy and policy framework is now being developed alongside Board development in relation to the articulation of risk appetite. While this work is in progress as Chief Executive we have continued to work within the context of our approved Risk Management Strategy and Policy which includes the articulation and management of risk through a suite of risk registers spanning all levels of the organisation. The format of these risk registers which as maintained within the Datix system is clear and understandable and includes key information such as risk owner and initial, current and target risk scores as well as mitigating actions.

Risk is considered in the context of the national Quality of Care framework and thus aligns with the Board's approach to clinical governance and patient safety.

At present, there is one very high risk on the Board's risk register relating to failure to meet financial targets and adverse service impact. The Board's exposure in high risks includes a number of areas which pose a threat to the delivery of services and patient care. This includes risks covering IT and technology, cybersecurity, workforce and access to care with management plans in place to bring risk exposure down to the identified tolerable level.

Quality and Safety

In 2019/20 Internal Audit undertook a review of the management of clinical incidents within NHS Orkney and reported positively on the systems and processes in place with limited improvement actions to be taken forward. Weekly incident review meetings continue to be a cornerstone in identifying areas for improvement and organisational learning. Weekly Morbidity and Mortality (M&M) meetings and our Quality and Safety Group, which was reviewed and refreshed in year are also core supporting elements of our risk and clinical governance management arrangements ensuring the multi-disciplinary clinical community can discuss matters of clinical relevance, review and learn from clinical incidents, be updated on new clinical developments, share best practice and review the handling of infrequent presentations.

Despite the national shortage of medical staff, NHS Orkney has maintained a safe medical staffing model through taking innovative approaches to recruitment and retention which sees a small number of

substantive post-holders, augmented with a pool of known and trusted locums to fill the vacant posts. Although expensive, this model has proved to be flexible and resilient reducing the associated clinical risks. The efforts to recruit medical staff have been successful in some specialities; however the national shortage of General Surgeons with the skill set required to operate within remote and rural areas remains challenging.

The management of Significant Adverse Events continues to be an area of considerable focus for the Board and organisational policy incorporates best practice recommendations and aligns with the published national framework. The triangulation which takes place between the Weekly Incident Review Group, Patient Experience and Morbidity and Mortality meetings, provides a strong Multi Disciplinary Team (MDT) approach to governance.

NHS Orkney has a well established complaints system, whereby members of the public can make a complaint or raise concerns to the Board regarding “*an expression of dissatisfaction about the organisation's action or lack of action, or about the standard of service provided by or on behalf of the organisation*”. Information on our complaints process, which has been updated to reflect the new complaints handling procedure (CHP), can be accessed through NHS Orkney's website. The whistleblowing policy can be located with this [link](#).

NHS Orkney also continues to seek the involvement of members of the public and service users in shaping services and identifying opportunities for improvement. Approaches such as the introduction of the 15 steps programme have been adopted and found to be very helpful in assisting the Board to see quality from a patient's perspective.

Access to Services

In 2019/20, Internal Audit undertook an audit into waiting list management against national guidance and best practice. The report concluded that NHS Orkney has a strong governance structure to manage and monitor our compliance with waiting times and standards.

Waiting Times are reported to both the Finance and Performance Committee and discussed in public at our regular NHS Board meetings. Waiting times will continue to feature in the Board's audit plan on an annual basis.

Technology Enabled Care (TEC) Programme

The delivery of safe, efficient and effective healthcare relies on a robust ICT infrastructure if it is to meet operational requirements both in terms of performance and availability. The use of technology to implement new, integrated and mobile ways of working is a critical enabler to improve efficiency and effectiveness of healthcare provision as outlined in [NHS Scotland Digital Health and Care Strategy \(2018\)](#).

Significant activities have taken place during 2019/20 in terms of implementing the national Digital Health and Care Strategy (DHCS) (2018) at a local level. These include;

- Refreshing our local Technology Enabled Care (TEC) Programme and delivery plan
- Roll out of Microsoft Teams enabling colleagues to communicate and collaborate with each other
- Implementation of the Core Discharge Document supporting safe patient discharges
- Exploring options for a community Electronic Patient Record
- Undertaking a re-tendering exercise to replace existing GP IT systems
- Rolling out Near Me to all GP practices, allied health professional services and outpatients providing the ability to offer virtual consultations
- Work has been undertaken to improve our information security and business continuity processes to ensure compliance with the national cyber security standards
- A TEC communication and engagement plan has been developed outlining our approach to digital transformation including a digital first campaign on our social media channels which has received national interest from Scottish Government

Critical to embedding a digital first culture is stakeholder and change management. A digital champion's change network has been established to ensure two-way conversations are taking place with clinical and non-clinical staff and members of the public. There are currently 45 members digital champions who are actively working with the digital transformation team on the implementation of the TEC strategy.

Information Governance

Effective use of information is central to the delivery of the NHS Orkney's strategic vision. High quality information is needed to plan, manage and monitor effectiveness. The aim is to improve clinical care through the availability of high quality information, along with maintaining a standard of excellence in information management.

During 2019/20 due to a variety of circumstances, vacancies arose in key Information Governance roles which created gaps, exposing risks. GAP analysis was undertaken in early 2019 which identified resource risks for information security, data protection and records management. This has since been resolved with the recruitment of a Corporate Records Manager, Head of Digital Transformation and Information Technology (IT) and an IT Manager.

An Internal Audit of NHS Orkney's Information Governance was undertaken and the Report finalised in November 2019. This review identified some areas of good practice within NHS Orkney in relation to Information Governance along with several areas, which if addressed, would strengthen the Information Governance arrangements within NHS Orkney. A key area to address was the development of an action plan to include the actions necessary to implement the Information Governance Strategy. An Implementation Plan has been developed which clearly addresses the actions identified in the GAP Analysis, Internal Audit and the Records Management Plan to strengthen NHS Orkney's Information Governance Strategy

A number of eHealth/ IT systems have been introduced to enhance the safe and secure transfer of data and compliance with data protection law.

A data breach occurred on 15th May 2020, where spreadsheets containing personal information were issued to a private company in Orkney. The matter has been reported to the Information Commissioners Office and is currently going through NHS Orkney's internal investigation process. Processes have been reviewed and updated to avoid reoccurrence.

Subject access requests (which also include medical records requests following implementation of GDPR) have been processed by the FOI Officers since June 2018. During the period April 2019 to March 2020, 116 requests were received. 94.6% were responded to within one calendar month (taken as 28 days for reporting purposes).

During 2019/20, 492 Freedom of Information (FOI) requests were received. 88.75% of responses were issued within the 20 working days deadline. Following performance levels of over 90% between April to December, performance levels dropped to 83% in the final quarter.

Orkney Health Board Endowment Funds

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

Assurance on governance matters relating to Endowment Funds is obtained via an Annual Assurance Statement from the Chair of the Endowment Funds Sub Committee. The Endowment Funds Accounts are subject to their own audit process to provide reasonable assurance that no material misstatements have arisen in the financial statements in connection with retrospective agreement to bids, and that funds have been used in accordance with the charitable purposes. This has been completed and no issues have been highlighted.

Review of Adequacy and Effectiveness

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

- the Executive Directors, who have a responsibility for development and maintenance of the internal control framework, and their subsidiary report on governance
- the work of the internal auditors, who submit regular reports to the Audit Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of control together with recommendations for improvement
- comments made by external auditors in their management letters and reports
- statements of Assurance from the assurance committees
- annual reports from assurance committees.

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

- Transforming Implementation Programme Board
- Quality and Safety Group
- Information Governance Steering Group
- Senior Management Team.

The Audit Committee, which meets with both internal and external auditors in attendance, has considered 9 internal audit reports in 2019/20 as part of a three year rolling programme. The overall opinion from our Internal Auditors is that NHS Orkney has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

Internal audit during the year covered a number of key areas: Financial Control - Self Assessment, Risk Management review, Workforce Strategy, Clinical governance, Waiting Times, Information Governance, Business Continuity Planning and Digital Strategy.

Disclosures

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

The Board is currently working within the parameters of emergency measures put in place across Scotland in response to the Covid-19 pandemic. The evolving Covid-19 situation has resulted in some practical challenges in terms of Board governance which have been largely overcome by the use of technology as well as the emergence of Covid-19 related risks which are subject to internal risk management and control processes.

A) REMUNERATION REPORT

BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Membership of the Remuneration Committee comprises:

Ian Kinniburgh	(Chair) To 30 November 2019
David Drever	(Interim Chair) From 1 December 2019 to 29 February 2020
Meghan McEwen	(Chair) From 1 March 2020
James Stockan	(Vice Chair)
Meghan McEwen	(Non Executive Board Member) To 29 February 2020
David Campbell	(Non Executive Board Member) From 1 March 2020
Fiona MacKellar	(Employee Director)

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. There were four meetings held during 2019/20.

Remuneration

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

Board Members' Contracts of Employment

The Executive Board members of NHS Orkney are employed on permanent contracts of employment which require a minimum of three months notice. The Non-Executive members are ministerial appointments on contracts of between two and four years. The terms and conditions of Executive and Senior Management Cohort and Non-Executive Members including annual remuneration, and any entitlement to severance pay, is determined by the Scottish Government under Ministerial Direction and in accordance with relevant updates to Pay and Conditions of Service issued.

Performance Appraisal

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

Payments to Past Senior Managers

There were no payments to past senior managers during 2019/20.

Voluntary Severance

There were no voluntary severances.

Directors' and senior managers' remuneration

The following tables provide a breakdown of executive and non-executive directors' remuneration in 2019/20 and 2018/19 along with median pay information, and have been audited by NHS Orkney's auditors.

REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2020

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
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Remuneration of:

Executive Members

Chief Executive: G O'Brien	105-110	0	105-110	0	105-110
Director of Nursing, Midwifery and AHP: D McArthur (1)	80-85	0	80-85	22	100-105
Director of Finance: M Doyle (2)	35-40	0	35-40	0	35-40
Medical Director: M Roos (3)	195-200	0	195-200	40	235-240
Director of Public Health: Dr L Wilson (4)	145-150	0	145-150	28	175-180

Non Executive Members

The Chair: I Kinniburgh (5)	15-20	0	15-20	0	15-20
The Chair: D Drever (6)	5-10	0	5-10	0	5-10
The Chair: M McEwen (7)	0-5	0	0-5	0	0-5
D Drever (6)	5-10	0	5-10	0	5-10
C Evans	5-10	0	5-10	0	5-10
J Stockan	5-10	0	5-10	0	5-10
M McEwen (8)	5-10	0	5-10	0	5-10
I Grieve	5-10	0	5-10	0	5-10
D Campbell	5-10	0	5-10	0	5-10
J Taylor (9)	0-5	0	0-5	0	0-5
S Johnston (10)	95-100	0	95-100	23	115-120
F MacKellar (11)	45-50	0	45-50	39	85-90

- Note 1: David McArthur's salary includes arrears for previous financial years. Gross salary range would not change.
- Note 2: Mark Doyle commenced as Interim Director of Finance for 2 days per week with effect from 21/02/2019. He is seconded from NHS Fife and his pension benefits will be disclosed by them.
- Note 3: Marthinus Roos' salary includes arrears for previous financial years. Gross salary range would not change.
- Note 4: Louise Wilson's salary includes Discretionary point arrears for previous financial year. Gross salary would represent an annual range of £145,000-£150,000.
- Note 5: Ian Kinniburgh resigned as Board Chair on 30/11/19. Gross salary would represent an annual range of £25,000-£30,000.
- Note 6: David Drever acted as Interim Board Chair for the period 01/12/19 to 29/02/20. Gross salary would represent an annual range of £25,000-£30,000.
- Note 7: Meghan McEwen transferred from Non Executive Board Member to Board Chair on 01/03/20. Gross salary would represent an annual range of £25,000-£30,000.
- Note 8: Meghan McEwen resigned from being Non Executive Board Member on 01/03/20. Gross salary would represent an annual range of £5,000-£10,000.
- Note 9: Jason Taylor commenced as Non Executive Board Member on 01/02/20. Gross salary would represent an annual range of £5,000-£10,000.
- Note 10: S Johnston - The remuneration disclosed comprises remuneration for his role as Chair of Area Clinical Forum and his remuneration for his substantive post as a Dentist. The gross remuneration for his role as Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 11: F Mackellar - the remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a Physiotherapist. The gross remuneration for her role as a Non Executive Director is in the annual range of £5,000 - £10,000.

FOR THE YEAR ENDED 31 MARCH 2019

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
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Remuneration of:

Executive Members

Chief Executive: Gerry O'Brien (1)	40-45	0	40-45	53	95-100
Chief Executive: Gerry O'Brien (2)	75-80	0	75-80	0	75-80
Director of Nursing, Midwifery and AHP: D McArthur	75-80	0	75-80	18	95-100
Director of Finance: H Robertson (3)	45-50	0	45-50	-5	40-45
Director of Finance: Mark Doyle (4)	0-5	0	0-5	0	0-5
Medical Director: M Roos (5)	190-195	0	190-195	24	215-220
Director of Public Health: Dr L Wilson (6)	130-135	0	130-135	9	140-145

Non Executive Members

The Chair: I Kinniburgh	25-30	0	25-30	0	25-30
N Bremner (7)	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10
R Johnson (8)	0-5	0	0-5	0	0-5
J Richardson (9)	0-5	0	0-5	0	0-5
G Skuse (10)	0-5	0	0-5	0	0-5
J Stockan	5-10	0	5-10	0	5-10
C Evans (11)	0-5	0	0-5	0	0-5
M McEwen (12)	0-5	0	0-5	0	0-5
I Grieve (13)	5-10	0	5-10	0	5-10
D Campbell (14)	5-10	0	5-10	0	5-10
S Johnston	90-95	0	90-95	28	110-115
F MacKellar	45-50	0	45-50	13	50-55

- Note 1: G O'Brien commenced as Chief Executive on 01/11/2018. Gross Salary would represent an annual range of £100,000 to £105,000.
- Note 2: G O'Brien acted as Interim Chief Executive for the period 01/01/2018-31/10/2018. He was seconded from Scottish Ambulance Service.
- Note 3: Hazel Robertson -resigned as Director of Finance on 31/10/2018. Gross salary would represent an annual range of £80,000 - £85,000.
- Note 4: Mark Doyle commenced as Interim Director of Finance with effect from 21/02/2019. He is seconded from NHS Fife and his pension benefits will be disclosed by them.
- Note 5: Marthinus Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic Surgeon. Discretionary point arrears paid for previous financial years. Salary for his role as a Medical Director is in the range of £165,000 - £170,000.
- Note 6: Louise Wilson, Director of Public Health - Discretionary point arrears paid for previous financial years. Gross salary would represent an annual range of £125,000 to £130,000.
- Note 7: Naomi Bremner's term of office ceased as Non-Executive Board Member on 30/11/2018 and transferred to Agenda for Change bank post (to enable the completion of a project) on same salary. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 8: Rognvald Johnson's term of office ceased as Non-Executive Board Member on 30/06/2018. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 9: Jeremy Richardson's term of office ceased as Non-Executive Board Member on 31/08/2018. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 10: Gillian Skuse's term of office ceased as Non-Executive Board Member on 31/05/2018. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 11: Caroline Evans commenced as Non-Executive Board Member with effect from 01/09/2018. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 12: Meghan McEwen commenced as Non-Executive Board Member with effect from 01/09/2018. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 13: Isobel Grieve commenced as Non-Executive Board Member with effect from 01/07/2018. Gross salary would represent an annual range of £5,000 - £10,000.
- Note 14: David Campbell commenced as Non-Executive Board Member with effect from 04/06/2018. Gross salary would represent an annual range of £5,000 - £10,000.

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2020

	Total accrued pension at pensionable age at 31 March 2020 (Bands of £5,000) £'000	Real increase in pension at pensionable age (Bands of £2,500) £'000	Accrued Lump Sum as at age 65 at 31 March 2020 (Bands of £5,000) £'000	Real Increase in Lump Sum at age 65 (Bands of £2,500) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2020 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Real increase in CETV in year £'000
Chief Executive: G O'Brien	35-40	0	110-115	0	848	854	6
Director of Nursing, AHPs & Midwifery: D McArthur	5-10	0-2.5	10-15	0	56	81	25
Director of Finance: M Doyle (1)							
Medical Director: M Roos	50-55	2.5-5	150-155	7.5-10	1,147	1,214	43
Director of Public Health: Dr L Wilson	55-60	2.5-5	165-170	7.5-10	1,206	1,294	56
Non Executive Director: S Johnston	15-20	0-2.5	0	0	48	62	15
Non Executive Director: F MacKeller	10-15	0-2.5	25-30	2.5-5	175	212	37
						Total	182

Note 1: Mark Doyle commenced as Interim Director of Finance with effect from 21/02/2019. He is seconded from NHS Fife and his pension benefits will be disclosed by them.

FOR THE YEAR ENDED 31 MARCH 2019

	Total accrued pension at pensionable age at 31 March 2019 (Bands of £5,000) £'000	Real increase in pension at pensionable age (Bands of £2,500) £'000	Accrued Lump Sum as at age 65 at 31 March 2019 (Bands of £5,000) £'000	Real Increase in Lump Sum at age 65 (Bands of £2,500) £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2019 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2018 £'000	Real increase in CETV in year £'000
Chief Executive: G O'Brien	35-40	2.5-5	110-115	2.5-5	834	773	61
Director of Nursing, AHPs & Midwifery : D McArthur	5-10	0-2.5	10-15	(0-2.5)	140	118	23
Director of Finance: H Robertson (1)	25-30	0-2.5	60-65	0-2.5	308	493	-184
Medical Director: M Roos	45-50	0-2.5	135-140	5-7.5	1,123	1,073	26
Director of Public Health: Dr L Wilson	50-55	0-2.5	150-155	5-7.5	1,129	1,065	33
Non Executive Director: S Johnston	10-15	0-2.5	0	0	130	112	18
Non Executive Director: F MacKeller	5-10	0-2.5	20-25	0-2.5	172	158	14
						Total	-9

Note 1: Hazel Robertson resigned as Director of Finance on 31/10/2018.

Additional Disclosure Required

2019/20		2018/19	
Range of staff remuneration (£000s)	8-196	Range of staff remuneration (£000s)	7-194
Highest Earning Director's Total Remuneration (£000s)	195-200	Highest Earning Director's Total Remuneration (£000s)	190-195
Median Total Remuneration	£31,978	Median Total Remuneration	£27,221
Ratio	6.13	Ratio	7.14
Commentary			
The values above are based on salaries for full time equivalent pay.			
The ratio has decreased as a result year 3 of Agenda for Change pay settlement.			

B) STAFF REPORT

1) Higher Paid Employees Remuneration

2018/19 Number		2019/20 Number	
Clinicians			
4	£70,001 to £80,000	7	
4	£80,001 to £90,000	4	
3	£90,001 to £100,000	4	
3	£100,001 to £110,000	3	
0	£110,001 to £120,000	0	
4	£120,001 to £130,000	2	
1	£130,001 to £140,000	2	
0	£140,001 to £150,000	1	
2	£150,001 to £160,000	1	
0	£160,001 to £170,000	0	
0	£170,001 to £180,000	0	
1	£180,001 to £190,000	1	
1	£190,001 to £200,000	1	
2	£200,000 and above	1	
Other			
3	£70,001 to £80,000	3	
1	£80,001 to £90,000	2	
0	£90,001 to £100,000	1	
0	£100,001 to £110,000	1	

2) Staff Costs and Numbers

Staff Costs

2018/19		2019/20						
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total £'000
22,439	Salaries and wages	573	219	22,437				23,229
2,236	Taxation and Social security costs	69	20	2,253				2,342
2,754	NHS scheme employers' costs	82	26	3,983				4,091
322	Secondees				453		(267)	186
1,885	Agency staff					3,292		3,292
29,636		724	265	28,673	453	3,292	(267)	33,140
0	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
29,636	TOTAL	724	265	28,671	453	3,292	(267)	33,140

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure for 2019/20 of £358,000 (2018/19 £481,000).

The Interim Director of Finance is included as an inward secondee above, however, due to being a board member, is also included in the remuneration report.

The staff costs are included under Note 3a £33.407m and Note 4 income £267,000 (£177,000 relates to other NHS Scotland bodies).

Staff Numbers

565	Whole Time Equivalent (WTE)	5	11	565	4	21	(3)	603
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9	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	5
5	Included in the total staff numbers above were disabled staff of:	6

3) Staff composition

	As at 31 March 2019			As at 31 March 2020		
	Male	Female	Total	Male	Female	Total
Executive Directors	4	1	5	4	1	5
Non-Executive Directors and Employee Director	5	4	9	5	4	9
Senior Employees	23	13	36	23	17	40
Other	106	497	603	110	529	639
Total Head Count	138	515	653	142	551	693

4) Sickness absence data

	2018/19	2019/20
Sickness absence data	4.6%	4.7%

5) Staff Policies applied during the financial year relating to the employment of disabled persons

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

The purpose of the Public Sector General Equality Duty is to ensure that all public bodies, including health boards, mainstream equality into their day to day business by proactively advancing equality, encouraging good community relations and addressing discrimination. The current duty requires equality to be considered in relation to key health board functions including the development of internal and external policies, decision making processes, procurement, workforce support, service delivery and improving outcomes for patients/service users.

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

Our work in each of these areas is designed to:

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

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

6) Exit packages

There were no compulsory redundancies in 2019/20 or 2018/19 or exit packages provided in 2019/20.

2018/19

Exit package cost band	Number of other departures agreed	Cost of exit packages £'000
<£10,000	1	7
Total exit packages	1	7

Trade Union Regulations

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

Number of employees who were relevant union officials during the period 1 April 2019 to 31 March 2020	Full-time equivalent employee number
18	16

Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	6
1 - 50%	12
51-99%	0
100%	0

Percentage of pay bill spent on facility time

Total cost of facility time	£14,181
Total pay bill	£33,407,434
Percentage of the total pay bill spent on facility time	0.04%

Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	2%
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C) PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

LOSSES AND SPECIAL PAYMENTS

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts of which none arose in 2019/20 or 2018/19.

There were no special payments written off during 2019/20 or 2018/19, however, the losses accounted for are as follows:-

	2019/20		2018/19	
	No. of cases	£'000	No. of cases	£'000
Losses	18	33	19	17

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

FEES AND CHARGES

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

There were no material amounts in 2019/20 or 2018/19.

Signed

Date 25 June 2019

Gerry O'Brien

Gerry O'Brien
Chief Executive

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

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Orkney Health Board and its group for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Statement of Consolidated Cashflows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. 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 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2020 and of the net expenditure 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 2019/20 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

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

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my independent auditor's report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman

Gillian Woolman MA FCA CPFA

Audit Director

Audit Scotland

4th Floor

102 Westport

Edinburgh

EH3 9DN

25 June 2020

**STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2020**

2018/19 £'000		Notes	2019/20 £'000
	Total income and expenditure		
29,732	Employee expenditure	3	33,407
	Other operating expenditure:		
5,719	Independent Primary Care Services	3	6,041
7,127	Drugs and medical supplies	3	7,223
52,656	Other health care expenditure	3	68,332
95,234	Gross Expenditure for the year		115,003
(34,049)	Less: Other Operating Income	4	(37,274)
(58)	Associates and joint ventures accounted for on an equity basis		(113)
61,127	Net expenditure for the year		77,616

OTHER COMPREHENSIVE NET EXPENDITURE

2018/19 £'000		2019/20 £'000
(51)	Net (gain)/loss on revaluation of Property Plant and Equipment	(36)
(19)	Net (gain)/loss on revaluation investments	127
(70)	Other Comprehensive Expenditure	91
61,057	Comprehensive net expenditure	77,707

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

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

31 March 2019		Notes	31 March 2020	
Consolidated £'000	Board £'000		Consolidated £'000	Board £'000
		Non-Current Assets:		
79,831	79,831	Property, plant and equipment	73,186	73,186
200	200	Intangible assets	140	140
		Financial assets:		
998	0	Investments	847	0
58	0	Investments in associates and joint ventures	171	0
60,800	60,800	Trade and other receivables	5	5
141,887	140,831	Total non-current assets	74,349	73,331
		Current Assets:		
479	479	Inventories	534	534
		Financial assets:		
1,843	1,736	Trade and other receivables	885	884
6,378	6,205	Cash and cash equivalents	1,535	1,406
41	41	Assets classified as held for sale	41	41
8,741	8,461	Total current assets	2,995	2,865
150,628	149,292	Total assets	77,344	76,196
		Current liabilities		
(181)	(181)	Provisions	(226)	(226)
		Financial liabilities:		
(17,323)	(17,321)	Trade and other payables	(7,649)	(7,564)
(17,504)	(17,502)	Total current liabilities	(7,875)	(7,790)
133,124	131,790	Non-current assets plus/less net current assets/liabilities	69,469	68,406
		Non-current liabilities		
(1,194)	(1,194)	Provisions	(1,256)	(1,256)
(60,796)	(60,796)	Trade and other payables	0	0
(61,990)	(61,990)	Total non-current liabilities	(1,256)	(1,256)
71,134	69,800	Assets less liabilities	68,213	67,150
		Taxpayers' Equity		
68,948	68,948	General fund	66,299	66,299
852	852	Revaluation reserve	851	851
58	0	Other reserves – associates and joint ventures	171	0
1,276	0	Funds held on Trust	892	0
71,134	69,800	Total taxpayers' equity	68,213	67,150

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

The financial statements on pages 42 to 45 were approved by the board on 25 June 2020 and signed on their behalf by

Mark Doyle Director of Finance

Gerry O'Brien Chief Executive

Date: 25 June 2020

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2020

	2018/19 £'000			2019/20	
			Notes	£'000	£'000
		Cash flows from operating activities			
	(61,185)	Net expenditure	SOCTE	(77,616)	
	1,467	Adjustments for non-cash transactions	2b	9,831	
	3,219	Movements in working capital	2b	(379)	
	(56,499)	Net cash outflow from operating activities			(68,164)
		Cash flows from investing activities			
	(35,075)	Purchase of property, plant and equipment		(6,695)	
	(50)	Purchase of intangible assets		0	
	(118)	Investment Additions	10	(29)	
	0	Proceeds of disposal of property, plant and equipment		(1)	
	146	Receipts from sale of investments		53	
	(35,097)	Net cash outflow from investing activities			(6,672)
		Cash flows from financing activities			
	91,658	Funding	SOCTE	74,789	
	3,196	Movement in general fund working capital	SOCTE	(4,796)	
	94,854	Cash drawn down		69,993	
	94,854	Net Financing			69,993
	3,258	Net Increase in cash and cash equivalents in the period			(4,843)
	3,120	Cash and cash equivalents at the beginning of the period			6,378
	6,378	Cash and cash equivalents at the end of the period			1,535
		Reconciliation of net cash flow to movement in net debt/cash			
	3,258	Increase in cash in year			(4,843)
	3,120	Net debt/cash at 1 April			6,378
	6,378	Net debt/cash at 31 March			1,535

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

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2019	68,948	852	58	1,276	71,134
Changes in taxpayers' equity for 2019-20					
Net gain/(loss) on revaluation/indexation of property, plant and equipment 7a	0	37	0	0	37
Net gain/(loss) on revaluation of investments 10	0	0	0	(127)	(127)
Impairment of property, plant and equipment	0	(7,549)	0	0	(7,549)
Impairment of intangible assets 6	0	0	0	0	0
Revaluation and impairments taken to operating Costs 2a	0	7,545	0	0	7,545
Transfers between reserves	34	(34)	0	0	0
Other non cash costs - transfer of asset NHS Highland	0	0	0	0	0
Net operating cost for the year SOCNE	(77,472)	0	113	(257)	(77,616)
Total recognised income and expense for 2019-20	(77,438)	(1)	113	(384)	(77,710)
Funding:					
Drawn down	69,993	0	0	0	69,993
Movement in General Fund (Creditor) / Debtor CFS	4,796	0	0	0	4,796
Balance at 31 March 2020 SoFP	66,299	851	171	892	68,213

FOR THE YEAR ENDED 31 MARCH 2019

Balance at 31 March 2018	38,579	833	0	1,121	40,533
Changes in taxpayers' equity for 2018-19					
Net gain/(loss) on revaluation/indexation of property, plant and equipment 7a	0	56	0	0	56
Net gain/(loss) on revaluation of investments 10	0	0	0	19	19
Impairment of property, plant and equipment	0	(259)	0	0	(259)
Impairment of intangible assets 6	0	0	0	0	0
Revaluation and impairments taken to operating Costs 2a	0	254	0	0	254
Transfers between reserves	32	(32)	0	0	0
Other non cash costs - transfer of asset NHS Highland	0	0	0	0	0
Net operating cost for the year SOCNE	(61,321)	0	58	136	(61,127)
Total recognised income and expense for 2018-19	(61,289)	19	58	155	(61,057)
Funding:					
Drawn down	94,854	0	0	0	94,854
Movement in General Fund (Creditor) / Debtor CFS	(3,196)	0	0	0	(3,196)
Balance at 31 March 2019 SoFP	68,948	852	58	1,276	71,134

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

NOTES TO THE ACCOUNTS

NOTE 1 – ACCOUNTING POLICIES

1. Authority

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

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

Disclosure of New Accounting Standards

(a) New standards in 2019/20:

There are no new standards, amendments and interpretations that became effective in 2019/20 for the first time.

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

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

(c) Standards issued but not yet effective:

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

- IFRS 10 and IAS 28 – Sale or contribution of Assets between an investor and its associates or joint (amendment);
- IFRS 14 – Regulatory Deferral Accounts (new);
- IFRS 16 – Leases (IAS 17 replacement);
- IFRS 17 Insurance Contracts (new).
- IAS 7 - Disclosure Initiative (issued in January 2016) (amendment); and
- IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses (issued on 19 January 2016) (amendment).

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

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM) from 1 April 2021. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

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

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

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

Impact of the new standard

The Board has assessed the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2020.

The standard is expected to increase total expenditure by £4k. Right-of-use assets totalling £1 million will be brought onto the Statement of Financial Position, with an associated lease liability of £1 million.

2. Basis of Consolidation

Consolidation

In accordance with IFRS 10 – Consolidated Financial Statements, the Financial Statements consolidate the Orkney Health Board Endowment Funds.

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

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

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

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

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

Note 25 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

3. Prior Year Adjustments

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

- non specialised land and buildings, such as offices, are stated at fair value
- valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.
- non specialised equipment, installations and fittings are valued at fair value. NHS Bodies value such assets using the most appropriate valuation methodology available (for example, appropriate indices). A depreciated historical cost basis as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).
- assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

- specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only
- subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to NHS Orkney and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Consolidated Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.
- revaluations and Impairment: increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Consolidated Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.
- permanent decreases in asset values and impairments are charged gross to the Statement of Consolidated Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.
- gains and losses on revaluation are reported in the Statement of Consolidated Comprehensive Net Expenditure.

7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

8. Intangible Assets

8.1 Recognition

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

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

The main classes of intangible assets recognised are:

Software:

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

Software licences:

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

8.2 Measurement

Valuation:

- intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.
- subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

- increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Consolidated 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 Consolidated 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 Consolidated Comprehensive Net Expenditure on each main class of intangible asset as follows:

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software	5

9. Non-current assets held for sale

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

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

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

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

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

12. Leasing

Operating leases

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

Leases of land and buildings

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

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 Scottish Government. Where NHS Orkney has a net overdrawn cash position at the year end, a corresponding debtor is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the Scottish Government.

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.

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 Consolidated Comprehensive Net Expenditure represents NHS Orkney's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

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

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

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 3.

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. NPD Schemes

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

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

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 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 14, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

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) Loans and receivables

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

(b) Available-for-sale financial assets

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

Recognition and measurement

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

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

(a) Loans and receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for

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

(b) Available-for-sale financial assets

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

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

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

Financial Liabilities

Classification

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

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

Recognition and measurement

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

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

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

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 note 3.

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.

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.

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

- estimates: stock counts not carried out for all areas, estimates calculated using opening stock count and analysis of in year expenditure, discussed with service managers to consider assumptions applied and reasonableness of estimate
- estimates: outstanding annual leave returns not provided by all areas, estimated non return details based on previous year returns for those areas and applied an average hourly rate to estimated hours untaken
- 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 leased assets are transferred to NHS Orkney.

NHS ORKNEY

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2019/20 £'000
2a. Summary of Core Revenue Resource Outturn		
Net Expenditure	SOCNE	77,616
Total Non Core Expenditure (see below)		(11,497)
FHS Non Discretionary Allocation		(1,762)
Endowment Net Expenditure		(257)
Associates and joint ventures accounted for on an equity basis		113
Total Core Expenditure		64,213
Core Revenue Resource Limit		64,272
Saving/(excess) against Core Revenue Resource Limit		59

Summary of Non Core Revenue Resource Outturn

Depreciation/Amortisation	2,399
Annually Managed Expenditure - Impairments ³	8,963
Annually Managed Expenditure - Provisions	135
Total Non Core Expenditure	11,497
Non Core Revenue Resource Limit	11,497
Saving/(excess) against Non Core Revenue Resource Limit	0

Summary Resource Outturn

	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	64,272	64,213	59
Non Core	11,497	11,497	0
Total	75,769	75,710	59

2b. Notes to the cash flow statement

Consolidated adjustments for non-cash transactions

2018/19 £'000		2019/20 £'000	Notes
	Expenditure Not Paid In Cash		
1,141	Depreciation	2,330	7a
67	Amortisation	60	6
5	Depreciation of Donated Assets	0	7a
254	Impairments on PPE charged to SoCNE	7,549	
0	Net revaluation on PPE charged to SoCNE	(4)	
0	Reversal of impairments on PPE charged to SOCNE	0	
0	Impairments on intangible assets charged to SoCNE	0	6
0	Loss/(Profit) on disposal of property, plant and equipment	9	
(58)	Associates and joint ventures accounted for on an equity basis	(113)	SOCNE
1,409	Total Expenditure Not Paid In Cash	9,831	CFS

³ Impairment of Purchased Assets £7.549m ([SOCNE](#)) and impairment of New Hospital Pre Payment £1.414m

Interest payable recognised in operating expenditure

There was no interest payable in 2018/19 or 2019/20.

Consolidated movements in working capital

2018/19		2019/20			Notes
		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	
	INVENTORIES				
(13)	Consolidated Statement of Financial Position	479	534		8
(13)	Net Decrease/(Increase)			(55)	
	TRADE AND OTHER RECEIVABLES				
(488)	Due within one year	1,843	885		9
(21,926)	Due after more than one year	60,800	5		9
		62,643	890		
(22,414)	Net Decrease/(Increase)			61,753	
	TRADE AND OTHER PAYABLES				
2,285	Due within one year	17,323	7,649		12
21,931	Due after more than one year	60,796	0		
5,174	Less: Property, Plant & Equipment (Capital) included in above	(3,513)	(23)		
(3,196)	Less: General Fund Creditor included in above	(6,205)	(1,409)		
		68,401	6,217		
26,194	Net Increase/(Decrease)			(62,184)	
	PROVISIONS				
(548)	Statement of Financial Position	1,375	1,482		13a
(548)	Net Increase			107	
3,219	NET MOVEMENT Increase/(Decrease)			(379)	CFS

3. Operating expenses

3a. Staff costs

2018/19 £'000		2019/20 £'000	Notes
7,611	Medical and Dental	8,614	
9,658	Nursing	10,241	
12,463	Other Staff	14,552	
29,732	Total	33,407	SOCNE

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

3b. Other operating expenditure

2018/19		2019/20	
Consolidated £'000		Board £'000	Consolidated £'000
	Independent Primary Care Services:		
3,675	General Medical Services	3,914	3,914
659	Pharmaceutical Services	727	727
1,092	General Dental Services	1,102	1,102
293	General Ophthalmic Services	298	298
5,719	Total Independent Primary Care Services	6,041	6,041
	Drugs and medical supplies:		
3,864	Prescribed drugs and appliances - Primary Care	3,952	3,952
2,095	- Secondary Care	2,136	2,136
1,168	Medical Supplies	1,135	1,135
7,127	Total Drugs and medical supplies	7,223	7,223
	Other health care expenditure		
32,246	Contribution to Integrated Joint Boards	34,884	34,884
7,566	Goods and services from other NHS Scotland bodies	8,211	8,211
81	Goods and services from other UK NHS bodies	11	11
892	Goods and services from private providers	859	859
91	Goods and services from voluntary organisations	93	93
2,145	Resource Transfer	2,207	2,207
0	Loss on disposal of assets	9	9
9,520	Other operating expenses ⁴	21,671	21,671
71	Auditor's remuneration - statutory audit fee	71	71
44	Endowment Fund expenditure	0	316
52,656	Total Other health care expenditure	68,016	68,332
65,502	Total	81,280	81,596

⁴ Includes £8.9m impairment of assets in year, depreciation of £2.4m and Annual Service Payments (less deductions) to Robertson Capital Projects of £0.963m

4. Operating Income

2018/19		2019/20		Notes	
Consolidated £'000		Board £'000	Consolidated £'000		
52	Income from Scottish Government	151	151	SOCNE	
535	Income from other NHS Scotland bodies	779	779		
179	Income from NHS non-Scottish bodies	251	251		
32,246	Income for services commissioned by Integrated Joint Board (IJB)	34,884	34,884		
388	Patient charges for primary care	347	347		
Non NHS:					
83	Overseas patients (non-reciprocal)	74	74		
180	Endowment Fund Income	0	59		
386	Other	729	729		
34,049	Total Income	37,215	37,274		

5. Segmental Information

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

	Hospital Services £'000	Pharmacy & Drugs Costs £'000	Orkney Health & Care £'000	Dental, Ophthalmic and Pharmacy NCL £'000	External Commissioning £'000	Estates & Facilities £'000	Support Services £'000
2019/20 Net operating cost	13,704	2,494	24,803	1,762	11,139	5,765	6,309
2018/19 Net operating cost	13,699	2,456	23,015	1,654	10,922	3,560	5,057

	Annually Managed Expenditure £'000	Depreciation £'000	IJB Surplus £'000	Endowments £'000	Total £'000
2019/20 Net operating cost	9,097	2,399	(113)	257	77,616
2018/19 Net operating cost	(250)	1,208	(58)	(136)	61,127

6. Intangible Assets

Movements in 2019/20	Notes	Software Licences £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:				
As at 1st April 2019		1,182	0	1,182
Additions		0	0	0
Completions		0	0	0
Transfers		0	0	0
Impairment charges		0	0	0
At 31st March 2020		1,182	0	1,182
Amortisation				
As at 1st April 2019		982	0	982
Provided during the year		60	0	60
At 31st March 2020		1,042	0	1,042
Net Book Value at 1st April 2019		200	0	200
Net Book Value at 31 March 2020	SoFP	140	0	140

Movements in 2018/19	Notes	Software Licences £'000	Assets Under Development £'000	Total £'000
Cost or Valuation:				
As at 1st April 2018		1,132	0	1,132
Additions	2	50	0	50
Completions		0	0	0
Transfers		0	0	0
Impairment charges		0	0	0
At 31st March 2019		1,182	0	1,182
Amortisation				
As at 1st April 2018		915	0	915
Provided during the year		67	0	67
At 31st March 2019		982	0	982
Net Book Value at 1st April 2018		217	0	217
Net Book Value at 31 March 2019	SoFP	200	0	200

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

Current Year Purchased Assets

Movements in 2019/20	Notes	Land (including underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2019		1,896	5,102	372	435	6,733	3,445	193	73,615	91,791
Additions		0	52	0	17	137	111	0	2,888	3,205
Completions		0	66,941	0	0	4,724	3,433	853	(75,951)	0
Transfers (to) / from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		0	41	1	0	0	0	0	0	42
Impairment charges		0	(6,165)	0	0	(224)	(1,246)	(5)	0	(7,640)
Impairment reversals		0	0	0	(8)	(21)	(15)	0	0	(44)
Disposals		0	0	0	0	(5)	0	0	0	(5)
At 31 March 2020		1,896	65,971	373	444	11,344	5,728	1,041	552	87,349
Depreciation										
At 1 April 2019		0	2,409	71	357	5,875	3,073	175	0	11,960
Provided during the year-purchased		0	1,119	22	32	667	401	89	0	2,330
-donated		0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		0	5	0	0	0	0	0	0	5
Impairment charges		0	(14)	0	0	(11)	(63)	(3)	0	(91)
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals –purchased		0	0	0	(8)	(14)	(15)	0	0	(37)
-donated		0	0	0	0	(4)	0	0	0	(4)
At 31 March 2020		0	3,519	93	381	6,513	3,396	261	0	14,163
Net book value at 1 April 2019		1,896	2,693	301	78	858	372	18	73,615	79,831
Net book value at 31 March 2020	SoFP	1,896	62,452	280	63	4,831	2,332	780	552	73,186

Open Market Value of Land in Land and Dwellings Included Above	1,896	280
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Asset financing:

Owned-purchased	1,896	2,614	280	63	4,831	2,332	780	552	13,348	
-donated	0	0	0	0	0	0	0	0	0	
On-balance sheet NPD contracts	0	59,838	0	0	0	0	0	0	59,838	
Net book value at 31 March 2020	SoFP	1,896	62,452	280	63	4,831	2,332	780	552	73,186

Prior year Purchased Assets

Movements in 2018/19	Notes	Land (including underlying buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2018		1,896	5,026	371	435	6,663	3,406	193	44,097	62,087
Additions		0	86	0	0	107	39	50	29,619	29,901
Completions		0	31	0	0	32	38	0	(101)	0
Transfers between asset categories		0	0	0	0	0	0	0	0	0
Transfers (to) / from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		0	56	1	0	0	0	0	0	57
Impairment charges		0	(97)	0	0	(69)	(38)	(50)	0	(254)
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0	0	0
At 31 March 2019		1,896	5,102	372	435	6,733	3,445	193	73,615	91,791
Depreciation										
At 1 April 2018		0	1,744	48	320	5,590	2,935	171	0	10,808
Provided during the year-purchased		0	656	22	37	284	138	4	0	1,141
-donated		0	4	0	0	1	0	0	0	5
Revaluations		0	5	1	0	0	0	0	0	6
Impairment charges		0	0	0	0	0	0	0	0	0
Impairment reversals		0	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0	0	0
At 31 March 2019		0	2,409	71	357	5,875	3,073	175	0	11,960
Net book value at 1 April 2018		1,896	3,282	323	115	1,073	471	22	44,097	51,279
Net book value at 31 March 2019	SoFP	1,896	2,693	301	78	858	372	18	73,615	79,831

Open Market Value of Land in Land and Dwellings Included Above	1,896	301
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Asset financing:

Owned-purchased	1,896	2,693	301	78	857	372	18	11,625	17,840
-donated	0	0	0	0	1	0	0	0	1
On-balance sheet NPD contracts	0	0	0	0	0	0	0	61,990	61,990
Net book value at 31 March 2019	SoFP	1,896	2,693	301	78	858	18	73,615	79,831

7(b). Assets Held for Sale

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

Bayview and Longhope

Movements in 2019/20	Notes	Property, Plant & Equipment £'000
At 1 April 2019		41
Transfers from property, plant and equipment		0
As at 31 March 2020	SoFP	41

Movements in 2018/19		Property, Plant & Equipment £'000
At 1 April 2018		41
Transfers from property, plant and equipment		0
As at 31 March 2019	SoFP	41

The old Balfour site remains part of our non-current assets at 31/03/20 as the provision of additional capacity is required during the Covid-19 outbreak and the site usage is included in contingency plans required by Scottish Government. The site will be marketed for sale when it is surplus to requirement.

7(c). Property, Plant and Equipment Disclosures

2018/19 £'000		2019/20 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
79,830	Purchased	73,186	
1	Donated	0	
79,831	Total	73,186	SoFP

1,896	Net book value related to land valued at open market value at 31 March	1,896
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301	Net book value related to buildings valued at open market value at 31 March	280
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61,990	Total value of assets held under NPD contract	59,838
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With the exception of the New Hospital and Healthcare Facility completed in 2019/20, all land and buildings were revalued by an independent valuer, the Valuation Office Agency, as at 31/03/2018 on the basis of fair value (market value or depreciated replacement costs where appropriate). As at 31/03/2020 the values were index linked. These values were computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS. The New Hospital and Healthcare Facility was valued by an independent valuer on 01/07/2019, the asset was impaired to recognise as a completed asset at fair value on that date.

The net impact of indexation was an increase of £0.033m (2018/19: an increase of £0.051m) which was credited to the revaluation reserve. Impairment of £7.545m (2018/19: £0.254m) was charged to the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn for the impairment of Property, Plant and Equipment.

7(d). Analysis of Capital Expenditure

2018/19 £'000		2019/20 £'000	Notes
	EXPENDITURE		
50	Acquisition of Intangible Assets	0	6
29,901	Acquisition of Property, plant and equipment	3,205	7a
29,951	Gross Capital Expenditure	3,205	
	INCOME		
0	Net book value of disposal of Property, plant and equipment	7	7a
0	Value of disposal of Non-Current Assets held for sale	1	
0	Capital Income	8	

29,951	Net Capital Expenditure	3,197
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SUMMARY OF CAPITAL RESOURCE OUTTURN

29,951	Core capital expenditure included above	3,205
29,951	Core Capital Resource Limit	3,206
0	Saving/(excess) against Core Capital Resource Limit	1
29,951	Total Capital Expenditure	3,205
29,951	Total Capital Resource Limit	3,206

0	Saving/(excess) against Total Capital Resource Limit	1
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8. Inventories

2018/19 £'000	Notes	2019/20 £'000
479	Raw Materials and Consumables	534
479	Total Inventories	534

9. Trade and Other Receivables

Consolidated 2018/19 £'000	Board 2018/19 £'000		Consolidated 2019/20 £'000	Board 2019/20 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
0	0	Scottish Government Health & Social Care Directorate	10	10	
75	75	Boards	221	221	
75	75	Total NHS Scotland Receivables	231	231	
26	26	NHS Non-Scottish Bodies	57	57	
207	207	VAT recoverable	51	51	
1,365	1,365	Prepayments	289	289	
50	50	Other Receivables	233	233	
13	13	Other Public Sector Bodies	23	23	
107	0	Endowments consolidation	1	0	
1,843	1,736	Total Receivables due within one year	885	884	SoFP
		Receivables due after more than one year			
		NHS Scotland			
60,796	60,796	Prepayments	0	0	
4	4	Accrued income	5	5	
60,800	60,800	Total Receivables due after more than one year	5	5	SoFP
62,643	62,536	TOTAL RECEIVABLES	890	889	
0	0	The total receivables figure above includes a provision for impairments of :	14	14	
		WGA Classification			
75	75	NHS Scotland	221	221	
215	215	Central Government Bodies	59	59	
2	2	Whole of Government Bodies	23	23	
26	26	Balances with NHS Bodies in England and Wales	57	57	
62,325	62,218	Balances with bodies external to Government	530	529	
62,643	62,536	Total	890	889	

2018/19 £'000	2018/19 £'000	Movements on the provision for impairment of receivables are as follows:	2019/20 £'000	2019/20 £'000
92	92	At 1 April	0	0
0	0	Provision for impairment	14	14
(4)	(4)	Receivables written off during the year as uncollectible	0	0
(88)	(88)	Unused amounts reversed	0	0
0	0	At 31 March	14	14

As of 31 March 2020, receivables with a carrying value of £14k (2019: £0) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2018/19 £'000		Consolidated 2019/20 £'000
0	3 to 6 months past due	0
0	Over 6 months past due	14
0		14

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2020, receivables with a carrying value of £0.660m (2019: £0.531m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2018/19 £'000	Board 2018/19 £'000		Consolidated 2019/20 £'000	Board 2019/20 £'000
638	531	Up to 3 months past due	661	660
10	10	3 to 6 months past due	87	87
5	5	Over 6 months past due	60	60
653	546		808	807

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

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

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

10. Investments

Consolidated 2018/19 £'000		Consolidated 2019/20 £'000	Notes
80	Government securities	82	
918	Other	765	
998	TOTAL	847	SoFP
1,007	At 1 April	998	
118	Additions	29	CFS
(146)	Disposals	(52)	
19	Revaluation surplus/(deficit) transferred to equity	(128)	SOCTE
998	At 31 March	847	
998	Non-current	847	SoFP
998	At 31 March	847	
0	The carrying value includes an impairment provision of	0	

All the transactions relate to the endowment funds.

11. Cash and Cash Equivalents

Consolidated 2018/19 £'000		Consolidated 2019/20 £'000	Notes
3,120	Balance at 1 April	6,378	
3,258	Net change in cash and cash equivalent balances	(4,843)	CFS
6,378	Balance at 31 March	1,535	SoFP
6,378	Total Cash – Cash Flow Statement	1,535	
6,185	Government Banking Service	1,378	
20	Commercial banks and cash in hand	28	
173	Endowment cash	129	
6,378	Balance at 31 March	1,535	

12. Trade and Other Payables

Consolidated 2018/19 £'000	Board 2018/19 £'000		Consolidated 2019/20 £'000	Board 2019/20 £'000	Notes
		Payables due within one year			
		NHS Scotland			
7	7	SGHSCD	0	0	
2,246	2,246	Boards	1,650	1,650	
2,253	2,253	Total NHS Scotland Payables	1,650	1,650	
55	55	NHS Non-Scottish Bodies	31	31	
6,205	6,205	Amounts Payable to General Fund	1,409	1,409	
618	618	FHS Practitioners	574	574	
1,121	1,121	Trade Payables	837	837	
4,455	4,455	Accruals	1,222	1,222	
583	583	Income tax and social security	606	606	
405	405	Superannuation	518	518	
152	152	Holiday Pay Accrual	193	193	
280	280	Other Public Sector Bodies	523	523	
1,194	1,194	Other payables	1	1	
2	0	Endowments Consolidation	85	0	
17,323	17,321	Total Payables due within one year	7,649	7,564	SoFP
		Payables due after more than one year			
60,796	60,796	Other payables	0	0	
78,119	78,117	TOTAL PAYABLES	7,649	7,564	

WGA Classification

2,246	2,246	NHS Scotland	1,650	1,650	
590	590	Central Government Bodies	0	0	
282	282	Whole of Government Bodies	509	509	
55	55	Balances with NHS Bodies in England and Wales	31	31	
74,946	74,944	Balances with bodies external to Government	5,459	5,374	
78,119	78,117	Total	7,649	7,564	

All carrying amounts of payables are denominated in pounds sterling

13. Provisions

Movements in 2019/20	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000
At 1 April 2019	328	0	1,047	1,375
Arising during the year	15	0	127	142
Utilised during the year	(28)	0	(7)	(35)
Unwinding of Discount	0	0	0	0
Reversed unutilised	0	0	0	0
At 31 March 2020	315	0	1,167	1,482

Analysis of expected timing of discounted flows to 31 March 2020

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Total	Notes
	£'000	£'000	£'000	£'000	
Payable in one year	28	0	198	226	SoFP
Payable between 2 - 5 years	0	0	700	700	
Payable between 6 - 10 years	0	0	58	58	
Thereafter	287	0	211	498	
At 31 March 2020	315	0	1,167	1,482	

Movements in 2018/19	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	Total
	£'000	£'000	£'000	£'000	£'000
At 1 April 2018	356	5	1,062	500	1,923
Arising during the year	12	0	165	0	177
Utilised during the year	(27)	0	(47)	(500)	(574)
Unwinding of Discount	0	0	(2)	0	(2)
Reversed unutilised	(13)	(5)	(131)	0	(149)
At 31 March 2019	328	0	1,047	0	1,375

Analysis of expected timing of discounted flows to 31 March 2019

	Pensions and similar obligations	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	Total	Notes
	£'000	£'000	£'000	£'000	£'000	
Payable in one year	27	0	154	0	181	SoFP
Payable between 2 - 5 years	0	0	527	0	527	
Payable between 6 - 10 years	0	0	45	0	45	
Thereafter	301	0	321	0	622	
At 31 March 2019	328	0	1,047	0	1,375	

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 0.29% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 38 years.

Clinical and Medical Legal Claims against NHS Board

There are currently no Clinical & Medical legal claims outstanding against NHS Orkney. NHS Orkney continue to contribute to the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2018/19 £'000		2019/20 £'000	Notes
0	Provision recognising individual claims against the NHS Board as at 31 March	0	13
0	Associated CNORIS receivable at 31 March	0	9
1,047	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,167	13
1,047	Net Total Provision relating to CNORIS at 31 March	1,167	

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

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

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

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

14. Contingent Liabilities

There are no contingent liabilities in 2019/20 or 2018/19.

15. Events after the end of the reporting year

There are no events to be reported.

16. Capital Commitments

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

2018/19 Property, plant and equipment: £'000		2019/20 Property, plant and equipment: £'000
	Contracted	
310	New Hospital and Healthcare Facility	0
940	New Healthcare Facility Equipment	0
1,250	Total	0

17. Commitments under leases

2018/19 £'000	Operating Leases	2019/20 £'000
	Obligations under operating leases comprise:	
	Land	
16	Not later than one year	7
7	Later than one year, not later than 2 years	7
7	Later than two year, not later than five years	0
0	Later than five years	0
	Buildings	
154	Not later than one year	95
80	Later than one year, not later than 2 years	81
136	Later than two year, not later than five years	59
0	Later than five years	0
	Other	
1	Not later than one year	0
0	Later than one year, not later than 2 years	3
0	Later than two year, not later than five years	8

Amounts charged to Operating Costs in the year were:

11	Hire of equipment (including vehicles)	14
173	Other operating leases	178
184	Total	192

There are no finance leases within NHS Orkney.

18. Commitments under NPD contracts

The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2019/20 totalled £1.505m.

19. Pension Costs

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2019-20 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

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

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

National Employment Savings Trust (NEST)

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

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

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

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

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

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

2018/19 £'000		2019/20 £'000
3,082	Pension cost charge for the year	4,543
(12)	Additional Costs arising from early retirement	2
328	Provisions/Liabilities/Pre-payments included in the Balance Sheet	315

20. Retrospective Restatements

There were no prior year adjustments.

21. Financial Instruments

21(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2019/20					
At 31 March 2020 Assets per Consolidated Statement of Financial Position					
Investments	0	847	847	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	319	0	319	318	9
Cash and cash equivalents	1,535	0	1,535	1,406	11
	1,854	847	2,701	1,724	

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
2018/19					
At 31 March 2019 Assets per Consolidated Statement of Financial Position					
Investments	0	998	998	0	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	200	0	200	93	9
Cash and cash equivalents	6,378	0	6,378	6,205	11
	6,578	998	7,576	6,298	

Financial Liabilities	Consolidated	Board	
2019/20	Other financial liabilities £'000	Other financial liabilities £'000	Notes
At 31 March 2020			
Liabilities per Consolidated Statement of Financial Position			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	4,875	4,790	12
	4,875	4,790	
2018/19	Other financial liabilities £'000	Other financial liabilities £'000	Notes
At 31 March 2019			
Liabilities per Consolidated Statement of Financial Position			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	74,878	74,876	12
	74,878	74,876	

21(b). Financial Instruments – Financial Risk Factor

Exposure to Risk

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

- i. Credit risk - the possibility that other parties might fail to pay amounts due.
- ii. Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
- iii. Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates and because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

i) Credit risk

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

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

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

The utilisation of credit limits is regularly monitored and no credit limits were exceeded during the reporting period and no losses are expected from non-performance by any counterparties in relation to deposits.

ii) Liquidity risk

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

The trade and other payables excluding statutory liabilities as at the 31 March 2020 was £4.790m (31 March 2019 was £74.877m).

iii) Market risk

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

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

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

22. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

23. Related Party Transactions

Meghan McEwen was Funding & Development Worker for Voluntary Action Orkney (VAO). In year NHS Orkney received invoices from VAO for £65,838.34. At 31 March 2020 nil was due by NHS Orkney.

Jason Taylor is a member of Management Committee of Orkney Housing Association Ltd. In year, NHS Orkney received invoices from Orkney Housing Association Ltd for £43,823.41. At 31 March 2020 nil was due by NHS Orkney.

The directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2020 there were outstanding debts of £81,481.25 due to NHS Orkney and nil due by NHS Orkney.

The Integrated Joint Board expenditure in 2019/20 was £33.884m (2018/19: £32.246m).

24. Third Party Assets

There were no Patients' Private Fund Accounts held in 2019/20 or 2018/19.

25(a). Consolidated Statement of Comprehensive Net Expenditure

2018/19		2019/20				
Group £'000		Notes	Board £'000	IJB £'000	Endowments £'000	Consolidated £'000
	Total income and expenditure					
29,732	Staff costs	N3	33,407	0	0	33,407
	Other operating expenditure:	N3				
5,719	Independent Primary Care Services		6,041	0	0	6,041
7,127	Drugs and medical supplies		7,223	0	0	7,223
52,656	Other health care expenditure		68,016	0	316	68,332
95,234	Gross Expenditure for the year		114,687	0	316	115,003
(34,049)	Less: Other Operating Income	N4	(37,215)	0	(59)	(37,274)
(58)	Associates and joint ventures accounted for on an equity basis	N4	0	(113)	0	(113)
61,127	Net Operating Costs		77,472	(113)	257	77,616

25(b). Consolidated Statement of Financial Position

2018/19		2019/20				
Consolidated		Notes	Board	IJB	Endowment	Consolidated
£'000			£'000	£'000	£'000	£'000
	Non-current assets:					
79,831	Property, plant and equipment	SoFP	73,186	0	0	73,186
200	Intangible assets	SoFP	140	0	0	140
	Financial assets:					
998	Investments	SoFP	0	0	847	847
58	Associates and joint ventures accounted for on an equity basis	25a	0	171	0	171
60,800	Trade and other receivables	SoFP	5	0	0	5
141,887	Total non-current assets		73,331	171	847	74,349
	Current Assets:					
479	Inventories	SoFP	534	0	0	534
	Financial assets:					
1,843	Trade and other receivables	SoFP	884	0	1	885
6,378	Cash and cash equivalents	SoFP	1,406	0	129	1,535
41	Assets classified as held for sale	SoFP	41	0	0	41
8,741	Total current assets		2,865	0	130	2,995
150,628	Total assets		76,196	171	977	77,344
(181)	Provisions	SoFP	(226)	0	0	(226)
	Financial liabilities:					
(17,323)	Trade and other payables	SoFP	(7,564)	0	(85)	(7,649)
(17,504)	Total current liabilities		(7,790)	0	(85)	(7,875)
133,124	Non-current assets plus/less net current assets/liabilities		68,406	171	892	69,469
	Non-current liabilities					
(1,194)	Provisions	SoFP	(1,256)	0	0	(1,256)
(60,796)	Trade and other payables		0	0	0	0
(61,990)	Total non-current liabilities		(1,256)	0	0	(1,256)
71,134	Assets less liabilities		67,150	171	892	68,213
	Taxpayers' Equity					
68,948	General fund	SoFP	66,299	0	0	66,299
852	Revaluation reserve	SoFP	851	0	0	851
58	Other reserves – IJB joint venture	SoFP	0	171	0	171
1,276	<i>Funds Held on Trust</i>	SoFP	0	0	892	892
71,134	Total taxpayers' equity		67,150	171	892	68,213

25(c). Consolidated Statement of Cash Flows

2018/19		2019/20		
Consolidated £'000		Board £'000	Endowment £'000	Group £'000
	Cash flows from operating activities			
(61,184)	Net operating cost	(77,472)	(257)	(77,729)
1,467	Adjustments for non-cash transactions	9,944	0	9,944
3,218	Movements in working capital	(379)	0	(379)
(56,499)	Net cash outflow from operating activities	(67,907)	(257)	(68,164)
	Cash flows from investing activities			
(35,075)	Purchase of property, plant and equipment	(6,695)	0	(6,695)
(50)	Purchase of intangible assets	0	0	0
(118)	Investment Additions	0	(29)	(29)
0	Transfer of assets from other NHS bodies	0	0	0
0	Proceeds of disposal of property, plant and equipment	(1)	0	(1)
146	Receipts from sale of investments	0	53	53
(35,097)	Net cash outflow from investing activities	(6,696)	24	(6,672)
	Cash flows from financing activities			
91,658	Funding	74,789	0	74,789
3,196	Movement in general fund working capital	(4,985)	189	(4,796)
94,854	Cash drawn down	69,804	189	69,993
94,854	Net Financing	69,804	189	69,993
3,258	Net Increase / (decrease) in cash and cash equivalents in the period	(4,799)	(44)	(4,843)
3,120	Cash and cash equivalents at the beginning of the period	6,204	174	6,378
6,378	Cash and cash equivalents at the end of the period	1,405	130	1,535
	Reconciliation of net cash flow to movement in net debt/cash			
3,258	Increase/(decrease) in cash in year	(4,799)	(44)	4,843
3,120	Net debt/cash at 1 April	6,204	174	6,378
6,378	Net debt/cash at 31 March	4,405	130	1,535



Orkney Health Board

DIRECTION BY THE SCOTTISH MINISTERS

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

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

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated: 10/02/06