



# **ANNUAL REPORT AND ACCOUNTS**

**For**

**Year Ended 31 March 2015**

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ANNUAL REPORT AND ACCOUNTS 2014/15

MANAGEMENT COMMENTARY

STRATEGIC REPORT

1. Strategy, Principal Activities and Review of the Year

NHS Orkney is the common name for Orkney Health Board.

The NHS Board was established in 1974/75 under the National Health Service (Scotland) Act 1972 and is responsible for commissioning health care services for the residents of Orkney, with a growing population of approximately 21,500.

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

The role of the unified NHS Board is to:

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

The functions of the unified NHS Board comprise:

- strategy development
- resource allocations
- implementation of the Local Health Plan
- performance management

**Development of the Board's Strategy and Corporate Plan**

Building towards the future, a Transforming Clinical Services (TCS) programme has been established for some time with a number of work streams and governance arrangements in place. The programme has a vision to *"offer everyone in Orkney access to a NHS that helps them to keep well and provide them with high quality care when it is needed whilst employing a skilled and committed local workforce who are proud to work for NHS Orkney"*.

The programme took forward the development of an eHealth project in partnership with NHS Grampian to allow the replacement of the existing TOPAS patient administration system with Trakcare, hosted by NHS Grampian. The system will go live in Orkney in June 2015 and much of the last year has been spent preparing for this as well as implementing the Opera system in Theatre.

Finally, the programme helped progress a range of service improvement activities across the breadth of the organisation supporting for example, the introduction of a new CT Scanning service, the continued roll out of improvement programmes such as Releasing Time to Care, the delivery of our Local Unscheduled Care Action Plan and taking a co productive approach to the development of our chronic pain service.

An updated Corporate Plan, informed by our Corporate Management Team (CMT), was presented to the Board in April 2015. In approving the Corporate Plan, the Board has endorsed the corporate objectives which in turn will drive our person specific objectives and our overall staff development and appraisal process. In addition, our Local Delivery Plan, informed by a CMT time out session in February with invitations to both our Area Clinical Forum and Area Partnership Forum, highlighted a number of key priorities, notably:

- implementing our agreed vision for the Isles Network of Care
- developing a Primary Care Strategy that invests in prevention, supported self management and integration as a means to deliver care at home/in the community to the frail elderly, patients with multi-morbidities, patients with physical and mental health needs including dementia and palliative care patients
- supporting a programme of process improvement, planned care and repatriation that provides more opportunities to access timely local services in Orkney
- reviewing mental health services to ensure we promote good mental health and improve local mental health services
- investing in technology to: support care delivery at home or close to home, improve our business intelligence and implement a paper light strategy including an electronic records management system.

**NHS Orkney New Hospital and Healthcare Services Project**

The Outline Business Case for the New Hospital and Healthcare Facilities was approved by the NHS Board in February 2014 and approved by the Scottish Government Health and Social Care Directorate Capital Investment Group in July 2014, following which the pre-Official Journal of the European Union (OJEU) Key Stage Review was signed off by

Scottish Future Trust. Following these approvals the OJEU notice inviting interested organisations to submit Pre-Qualification Questionnaires (PQQs) was published on 22 July, with the Bidders' Day held in Orkney on 14 August 2014.

A total of three completed PQQs were received by the deadline of 5th September 2014. Upon evaluation and following internal approvals all three candidates were invited to participate in the competitive dialogue process which commenced in November 2014.

To date the NHSO Project Team and Advisors have held 3 rounds of Competitive Dialogue with all 3 Bidders as they have developed their design solutions. Interim Tender Submissions were provided by all 3 Bidders on 2nd March 2015 and have been evaluated against the criteria set out in the Invitation to Participate in Dialogue documentation. Following that evaluation one Bidder, in line with our governance arrangements, was recommended by the Programme Implementation Board to the NHS Board for down selection. The Project Team and Advisors are currently continuing in Competitive Dialogue with the two remaining Bidders, with a view to appointing a Preferred Bidder in October 2015.

As planned, the purchase of land for the new hospital was completed on 20 March 2015 at a cost of £1,318,525.

### **Balfour Hospital**

During 2014/15 the new consultant led model of care, including obstetrics and gynaecology, has been fully implemented within the Balfour Hospital. The non consultant rota is populated by a mix of GP trainees, locums appointed to service and speciality doctors.

The High Dependency Unit has been operational during 2014/15 providing a safer environment with appropriately skilled and trained staff to deliver care to patients with a higher level of care needs. This has resulted in fewer transfers off island and access to critical care expertise.

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

Investment has been made in nurse training which has been focussed on the outcomes from a training needs analysis. Recognition of the deteriorating patient and the implementation of SIGN 139 (Scottish Intercollegiate Guidelines Network) have improved the management and appropriate escalation of patients at risk.

Finally, a new CT scanner has been installed and fully commissioned with off island reporting arrangements agreed with NHS Greater Glasgow & Clyde. This has enabled the implementation of a new stroke care pathway for patients in Orkney reducing the need for off island transfer and access to high quality, timely care.

### **Integration of Health and Social Care**

Orkney Islands Council and NHS Orkney have agreed to establish a shadow Integrated Joint Board that will come into existence in early 2015/16, with full integration on the 1<sup>st</sup> April 2016. In preparation for this we are recruiting for a Chief Officer and also working to build up an integrated approach and culture to address:

- Tomorrow's workforce
- Tomorrow's services
- Tomorrow's workplace

The NHS Board and Orkney Islands Council continue to provide leadership to direct and implement a significant change agenda that has already resulted in an integrated single line management and professional structure, as well as integrated teams for both adult and children's services.

Independent evaluation of the integrated structure was undertaken and the findings from the review were positive and the issues highlighted are now part of our ongoing organisational and workforce development programmes.

In regard to 'tomorrow's services' we have established a number of cross cutting themes that went beyond traditional NHS and social care boundaries and included community planning partners as we looked to invest in Orkney as a place to live, to work and to learn.

This work is informing our locality development work with our agreed three localities and the work underway to develop and agree our Strategic Plan. Key to the latter work is clinical and care staff engagement.

In regard to tomorrow's workplace we were less successful in sharing our facilities with Orkney Islands Council and our ambitious shared services agenda to include catering, cleaning and transport, although locally discussions have once again begun to revisit some of this earlier work. We have established a shared services approach with NHS Grampian, NHS Shetland and more recently NHS NSS.

NHS National Services Scotland (NSS) is providing support to our health and social care programme and the analytics to inform the Strategic Plan.

In summary, our early work to establish an integrated community health and social care partnership, commonly known as Orkney Health and Care has given us a solid foundation to build on. In going forward our key priorities include: -

- Making it easier for people to access information, support and services through a single point of contact and so reduce health inequalities.
- Promoting independence and choice by giving people who use our services and carers more control.
- Delivering better, more convenient and co-ordinated services to enable potential patients to stay at home.
- Ensuring carers and families are adequately supported.
- Improving outcomes and personal experiences for people, their families and carers.
- Supporting engagement and local empowerment as part of our locality based approach.

- Developing a culture of collaboration and co-operation amongst partners.
- Utilising and making best use of delegated resources.

As part of the assurance process, Internal Audit are scoping the integration of Health and Social Care into their 2015/16 plans.

Further information can be located on the Scottish Government website, NHS Orkney website and also with this [link](#).

### Person Centred Care

NHS Orkney has reconfigured the governance arrangements with Person Centred Care now identified as one of the key strands of governance alongside Safety and Effectiveness and Population Health. Key areas to note are:

- Within NHS Scotland complaints are required to be formally acknowledged within three working days and formally investigated and reported on. Details of NHS Orkney's performance in 2014/15 are included in the Governance Statement on page 24.
- A patient story has been presented regularly at Board meetings.
- A pilot to engage young volunteers in gaining feedback from patients in the Balfour Hospital using iPads has been introduced successfully with feedback shared directly with the Senior Charge Nurse for action as required.
- *Patient Opinion* is promoted through iPads and information leaflets. Use of the website to gain feedback continues to be low.
- Board Director and Non-Executive patient safety walk rounds occur twice monthly and these have been extended to community settings.
- NHS Orkney has been awarded the Investing in Volunteers Quality Standard for a further three year period following a review in November and final sign off in January 2015.

### Patient/Public Involvement

There continues to be a high level of engagement and public involvement in the development of the plans for the new hospital and healthcare facility. A Public Reference Group meets quarterly with engagement from all areas of Orkney including the Isles.

Each of the Managed Clinical Networks has a patient representative to influence care delivery. Patients and the public are also partners in various groups and committees including:

- Infection Control Committee
- Older People in Acute Hospital steering group
- Patient Feedback initiatives
- Infection Control and cleanliness walk rounds

Patient stories are collected in a variety of formats and fed back to teams and to the wards. These are generated from complaints and feedback received either by the teams or the Patient Experience Officer.

### Older People in Acute Care

Work in the Balfour Hospital continues to ensure compliance with the Older People in Acute Care Standards and the recommendations of the inspections carried out in April 2014. Key objectives have focussed on:

- Improving the care of patients affected by cognitive impairment
- Compliance with Dementia standards including the environment
- Training associated with the Adults with Incapacity Act and Do Not Attempt Cardiopulmonary Resuscitation requirements
- Documentation and record keeping
- Ensuring the patient and or family/carers is involved in decision making regarding care and treatment.

A self assessment has been undertaken and Healthcare Improvement Scotland visited NHS Orkney on 27<sup>th</sup> May 2015 to discuss this and consider how support can be provided for the areas of improvement identified. The visit went well with areas of good practice and those for development highlighted. A follow up unannounced inspection visit will be forthcoming and further feedback will be provided at that stage.

### Infection Control

NHS Orkney has made good progress in compliance with Standard Infection Control Precautions and Transmission Based Precautions. Improvements have been made in all areas since the inspection last year and this is demonstrated in ongoing audits by the Infection Control Team.

The targets for Clostridium Difficile and Staph Aureus Bacteraemia infections were, however, breached in the full year 2014/15 and this was reported to the Board and a root cause analysis was undertaken in both areas. This found no cause for concern or transmission by staff in either area. Work continues to ensure antimicrobial prescribing is compliant against the formulary supported by pharmacy and the Consultant Microbiologist.

Revised Healthcare Acquired Infection Standards have been issued and disseminated to all departments. A full self assessment against these standards will be completed and submitted in June 2015. A self assessment detailing compliance with standard infection control procedures was submitted to Health Improvement Scotland in January 2015. We have had no outbreaks of norovirus and no ward closures as a result of infection control issues.

## **Staffing**

Senior professional and clinical leadership has been enhanced with the appointment of a full time Lead GP, Lead Nurse, Lead Allied Health Professional (AHP) and part time Lead Midwife.

We have established a number of service developments in the last year, e.g. Lead CT Radiographer for our CT scanner, as well as additional Radiography positions including the Superintendent Radiographer and Senior Pharmacist positions within the Hospital. In addition we have invested in a temporary, part time Lead Clinician from within the Consultant workforce and this will be reviewed during 2015.

NHS Orkney has also increased the medical complement with a view to reducing our locum spend, and have been successful in the recruitment of Consultants in Obstetrics and Gynaecology and a third Consultant Physician, as well as establishing our non-consultant rota with Speciality Doctors and Locums Appointed for Service.

In Primary Care we are currently recruiting to a number of GP posts in both Out of Hours and our Isles Network of Care. We have also used innovative approaches to attract Nurse Practitioners to our Isles Nurse Practitioner posts, and successfully reduced the need for locums in most areas. In 2014/15 we have begun discussions with the 'Army' to support nurse placements in A&E, Isles and in the community and this development and the governance to support it continues.

In the addition to the above there have been various other recruitments in the following areas; Radiography, Physiotherapy, Laboratory, Community Mental Health Team, Senior Management Team, Clinical Education Team, Isles Nurse Practitioner, Clinical Governance and Public Health.

A run of the national workload tools was completed in January 2015. This is now a mandatory annual requirement to help inform staffing levels and skill mix across the nursing workforce in both hospital and community settings. We have invested in our Youth Employment Strategy by supporting a number of Work Experience opportunities as well as 4 Modern Apprentices – 2 in care and 2 in support services.

Work continues with our implementation of Everyone Matters, our Workforce Strategy from Scottish Government. Our Local Delivery Plan sets out our priorities in delivering our 2015/16 action plan and our successes to date in 2014/15 including the success in engagement from within our staff with Phase 1 of our i-matter implementation plan. 20 teams have participated in Phase 1, 72% of the staff within the Phase participated and we have an aggregated Board Employee Engagement Index to date of 76%. All 20 Team Reports are Green and Team Managers are currently working on their Story Boards and Improvement Plans. Phase 2 planning has started with awareness sessions beginning early June.

As a remote and rural Board, NHS Orkney continues to face challenges with recruitment and retention and this particularly impacting on medical staffing and the high spending on locums.

NHS Orkney during 2014/15 has filled gaps in rotas by working imaginatively with other NHS Boards to reduce locum expenditure which remains high. Recruitment to medical vacancies remains a challenge and the Chief Executive is leading a regional event to look at how the North of Scotland can recruit across organisations to make working in remote and rural settings more attractive. This event will involve all NHS Boards working within the North of Scotland Planning Group.

## **Spiritual Care**

The lead for Spiritual Care took up post in January 2015. This is a joint post between NHS Orkney and NHS Shetland. The aim is to ensure leadership is in place in both organisations to develop, coordinate and deliver spiritual care services and manage and support volunteers. The appointment will enable both organisations to develop services which are sustainable in the longer term. It is our intention to focus on the development and support of volunteers, review of the local spiritual care and bereavement delivery plans and support to patients and staff.

## **Allied Health Professionals National Delivery Plan**

The Lead AHP is responsible for ensuring oversight of the requirements of the AHP National Delivery Plan. Key work has been progress towards:

- the four week Musculoskeletal (MSK) target
- AHP waiting times and transfer of data to TOPAS
- Physiotherapy service review
- Podiatry review and proposal to tender
- In hours support to A&E to help prevent admissions

Key priorities for the coming year will be the review of speech and language services, consideration of seven day service provision and work towards service redesign linked to the opening of the new hospital and healthcare facility and further strengthening of community based and self directed services in line with our Outline Business Case ambitions.

## Public Health

Public Health undertook delivery of cardiovascular health checks through the public health practitioner, and working with practices achieved the planned number of health checks. Work continued on tackling childhood obesity although the HEAT target has finished. The final data for the smoking cessation target will be available after June 2015 but at March 2015 21 quits in the most deprived areas have been delivered against a target of 36. Smoking Matters Orkney has a high quit rate for those referred to the service and work to promote the service has occurred. NHSO continued its work with the Alcohol and Drugs Partnership, contributing to the overview of commissioned services. The number of alcohol brief interventions performed was 219 which exceeded the 206 planned. A Service Level Agreement for sexual health services ran for 2014/15 and Detect cancer early work occurred locally in line with the national campaigns for the three primary cancers, lung, bowel and breast, with planning for the arrival of the breast screening van.

The extension of vaccination programmes was implemented over the year for childhood flu and shingles. A primary care based approach to the childhood flu programme was used but due to the relatively low uptake levels against plans, this will change in 2015/16. Planning is also occurring for the introduction of new vaccinations in 2015/16.

### Patient Exemption Checking

The national Counter Fraud Service (CFS) patient claims team undertakes a Scotland wide programme of random checks to confirm that exemption from NHS patient dental and ophthalmic charges are being claimed correctly. When entitlement is not confirmed patients are asked to repay the charge.

Counter Fraud Service estimate the potential level of fraud / error for the calendar year 2014. These are shown in Table 1 below:

Table 1

#### CFS Estimation Of Income Not Recovered From Family Health Services

Service	NHS Orkney		Scotland
	£	%	%
Dental	8,394	10.58	18.08
Ophthalmic	300	0.69	8.86

Estimated Potential Fraud / Error

## 2. Financial Performance and Position

	Limit as set by SGHD £000	Actual Outturn £000	Variance (Over)/Under £000
Core Revenue Resource Limit	47,855	47,788	67
Non Core Revenue Resource Limit	9,564	9563	1
Core Capital Resource Limit	3,550	3,536	14
Cash Requirement	54,000	53,092	908

### MEMORANDUM FOR IN YEAR OUTTURN

Brought forward deficit /(surplus) from previous financial year	0
Outturn against in year Revenue Resource Limit	68
Saving against in year total Revenue Resource Limit	68

The year 2014/15 has seen continuing financial pressures and two main factors have impacted on the Board. Firstly the cost of essential locums to maintain staffing levels and provide safe clinical services as we continue to address the challenge of embedding a redesigned medical staffing model across all hospital services. Secondly this year has seen a significant increase in the amount we spend on drugs, both new high cost specialist drugs and ongoing hospital and prescription drugs. The Board responded to these pressures by actively managing a recovery programme in the second half of the year and the position was also helped by a one-off allocation from SGHSCD of £0.6m to support exceptional locum costs.

NHS Orkney has achieved a small surplus position for the year ended 31<sup>st</sup> March 2015. This position has been achieved without the need of any brokerage from Scottish Government Health and Social Care Directorate (SGHSCD) which contrasts with previous years.

Previous brokerage totalling over £4m will be repaid to SGHSCD over the next two years.

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

NHS Orkney has included a provision of £12,000 (2013/14: £7,000) to cover doubtful receivables.

### **Outstanding liabilities**

NHS Orkney has £6.013m of current liabilities and £0.782m of non-current liabilities; these consist principally of routine trade payables with no items of significant note.

### **Significant remote contingent liabilities**

NHS Orkney has no significant remote contingencies.

### **Legal obligations**

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

The following represent provisions that have been included in the financial statements with regard to possible legal obligations in 2014/15, which are the subject of claims but with no agreed resolution:

- Clinical & Medical – £0 (2013/14: £0)  
The basis of the Clinical / Medical provision is based on information provided by Central Legal Office.
- Employment Claims – £0 (2013/14: £158,000)  
The basis of the employment claims provision is based on information provided by the Central Legal Office.
- Off island treatments – £166,000 (2013/14: £90,000)  
The basis of the disputed invoices provision is based on the actual value of the invoices.

### **Contingent Liabilities**

There were no contingent liabilities.

### **Prior year adjustments**

2013/14 has been restated to incorporate the provision of Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). Details of the adjustments made are set out in note 17.

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

The Balfour Hospital will be surplus to requirements in 2018/19 when the new hospital and healthcare facility is operational. The residual value of the hospital has been calculated giving a present day Net Book Value.

The impact of this valuation has resulted in an impairment of £8.3m, reflected in the reduction of Fixed Assets and a £2.095m movement in the revaluation reserve.

### **Private Finance Initiative (PFI) /Public Private Partnerships (PPP) / Non-Profit Distributing (NPD)**

A NPD Scheme has been agreed with The Scottish Government for completion in 2018/19. There is no other NPD/PFI/PPP schemes within NHS Orkney in 2014/15; however, competitive dialogue with two bidders is underway.

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

No post balance sheet events have occurred.

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

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

NHS Orkney has targeted delivery towards the HEAT targets whilst aiming to maintain performance on the HEAT standards during 2014/15. In 2015/16 the focus will shift to preparation for delivery on the outcomes linked to the integration agenda and maintaining performance on the HEAT standards.

A new national HEAT target was introduced in April 2014. This was to deliver universal smoking cessation services to achieve at least 12,000 successful quits in Scotland, at twelve weeks post quit, in the 40 per cent most deprived areas (60 per cent for island health boards) over the one year ending March 2015. NHS Orkney has achieved 21 of 36 planned quits by March 2015, although the final total for the year which is likely to be higher will not be available before these accounts are signed off.



80% of antenatal bookings should occur by the 12<sup>th</sup> week of pregnancy for all Scottish Index of Multiple Deprivation (SIMD) quintiles of the population, and for the final 3 months of the year this target was met. Performance was lower earlier in the year, but this target is particularly influenced by the small numbers of bookings involved. The standard for alcohol brief interventions was achieved with 206 planned and 219 interventions achieved.

The target to treat or discharge 95% of patients presenting to A&E within 4 hours was achieved, as was the stretch target of treating 98%, with the actual performance being 98.8%.

There is a requirement for boards to reduce emergency bed day usage, and NHS Orkney achieved the planned reduction over the year. The monthly target for no delayed discharges over 14 days was not met in October but otherwise the expected performance was achieved.

#### Waiting Times and Treatment Time Guarantee

NHS Orkney continues to achieve the majority of the waiting times targets that form part of the HEAT standards. Performance on the 12 weeks first outpatient appointment has fallen over the year. There have been dips in performance in relation to the cancer 62 day target for those urgently referred with a suspicion of cancer to begin treatment, and although final data confirmation is awaited for the last three months of the year, local data indicates that performance on the treatment time guarantee will fall below the expected 100%.

	Outpatients	TTG	18 Week Combined	Diagnostic	A&E	Cancer 62 days	Cancer 31 days
National Target	100	100	90	100	98	95	95
Apr-14	97%	100%	96%	94%	99%	100%	100%
May-14	90%	100%	95%	100%	98%	100%	100%
Jun-14	87%	100%	94%	99%	98%	100%	100%
Jul-14	78%	100%	95%	100%	99%	100%	100%
Aug-14	77%	100%	94%	100%	99%	100%	100%
Sep-14	84%	100%	90%	99%	99%	90%	100%
Oct-14	87%	98%	93%	99%	99%	100%	100%
Nov-14	81%	100%	94%	100%	99%	100%	100%
Dec-14	84%	100%	98%	100%	99%	50%	100%
Jan-15	80%	97%	95%	93%	99%	100%	100%
Feb-15	71%	92%	90%	97%	97%	100%	100%
Mar-15	83%	97%	97%	100%	100%	100%	100%

NHS Orkney has achieved the targets for access to mental health services and specialist Child and Adolescent Mental Health Services (CAMHS) and although the 18 weeks referral to treatment for Psychological Therapies was met for 11 months, performance dipped in March 2015 from 100% to 71% compliance.

#### 4. Sustainability and Environmental Reporting

NHS Orkney has continued with its sustainability programme continuing to invest in efficiency measures across the estate, including; oil to kerosene fuel conversion and lighting projects. A change in the laundry arrangements for sheets on the wards with a move from traditional sheets to sleep-knit has also impacted positively on energy costs with a positive movement from 640 tonnes of CO2 being produced in 2013/14 to 620 tonnes in 2014/15. Further reductions will be limited as the main hospital is scheduled for replacement and the implementation of the new CT scanner will increase usage.

#### 5. Social, Community and Human Rights

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

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

Equality and Diversity is one of the six core skills of the "Knowledge and Skills" Framework (KSF). This is a framework of skills which the overwhelming majority of NHS staff are required to attain, at a level appropriate to their role. Accordingly, equality and diversity training is already an integral and essential part of staff training within NHS Orkney and Orkney Health and Care. NHS Orkney and Orkney Health and Care have in place a comprehensive Equality and

Diversity Training Programme for staff. This Programme ensures that staff are aware of their responsibilities in this field and to ensure compliance. All of the material used in training is checked and updated on a monthly basis, if required. Since 2010, NHS Orkney and Orkney health and care have had on-Island training for equality and diversity.

NHS Orkney is required to publish, and has submitted in April 2015, a mainstreaming report and other relevant information every 2 years, and to revise the mainstreaming report and develop new equality outcomes every 4 years.

An analysis showing the number of persons of each gender who were directors, senior managers and employees of the Board as at March 2014 and 2015 is set out in Table 2 below:

Table 2

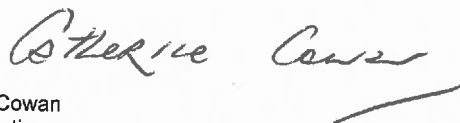
Description	March 2015			March 2014		
	Female	Male	Total	Female	Male	Total
Directors	3	2	5	3	2	5
Senior Managers	13	6	19	10	5	15
Employees	595	144	739	609	131	740
Total	611	152	763	622	138	760

#### 6. Accounting convention

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

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

Signed



Date 23 June 2015

Catherine Cowan  
Chief Executive

## DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31 March 2015.

### 1. Date of Issue

Financial statements were approved and authorised for issue by the Board on 24<sup>th</sup> June 2015.

### 2. Appointment of auditors

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

### 3. Board membership

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 the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and healthcare services. During the year NHS Orkney comprised the following: -

**Chair :** John Ross Scott

**Vice Chair:** Naomi Bremner

#### Executive Directors:

Cathie Cowan, Chief Executive

Gerry O'Brien, Director of Finance (to 5<sup>th</sup> March 2015)

Marthinus Roos, Medical Director

Elaine Peace, Director of Nursing, Allied Health Professionals and Midwifery

Dr Louise Wilson, Director of Public Health

#### Non Executive Directors:

Stephen Hagan, Local Authority Representative

Dr Andrew Trevett, Area Clinical Forum Chair

Suzanne Lawrence, Employee Director (to 30<sup>th</sup> April 2014)

Vicky Anderson, Employee Director (from 1<sup>st</sup> May 2014)

Rognvald Johnson

Gillian Skuse

Jeremy Richardson

David Drever

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

#### Attendance at Board meetings:

##### Non-Executives:

Name:	Role:	Number of Meetings	Number Attended	%
J R Scott	Chair - NHS Orkney	9	9	100
N Bremner	Vice Chair	9	8	88
V Anderson	Employee Director (from 1 May)	8	8	100
S Lawrence	Employee Director (to 30 April)	1	1	100
D Drever	Non Executive Director	9	9	100
S Hagan	Non Executive Director	9	7	78
R Johnson	Non Executive Director	9	8	88
J Richardson	Non Executive Director	9	7	78
G Skuse	Non Executive Director	9	7	78
A Trevett	Area Clinical Forum Chair	9	8	88

##### Executives:

Name:	Role:	Number of Meetings	Number Attended	%
C Cowan	Chief Executive	9	9	100
G O'Brien	Director of Finance	8	6	75
M Roos	Medical Director	9	7	78
E Peace	Director of Nursing, Midwifery and AHP	9	9	100
L Wilson	Director of Public Health	9	5	56

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

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

Board Members	Declared Interest	Role within the organisation
Dr Andrew Trevett	Provision of General Medical Services to NHS Orkney. Provision of Diving Medical Services to NHS Orkney.	Chair – Area Clinical Forum – Non Executive Director.  GP
John Ross Scott	Editor of 'Living Orkney' magazine and freelance journalist work (no health news stories – other than features).	NHS Orkney Board Chair.
Stephen Hagan	Member of Orkney Islands Council..	Non Executive Board Member.
Robert Kemp	Director (Business Services) of Turning Tides Scotland Ltd – consultancy services to NHS Scotland. Otodynamics Ltd – (healthcare company) brother is a majority shareholder.	Interim Director of Finance.

**5. Directors third party indemnity provisions**

There are no third party indemnity provisions.

**6. Pension Liabilities**

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

**7. Remuneration for non audit work**

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

**8. Value of Land**

There is no significant difference between the market value and the balance sheet value of land at 31 March 2015.

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

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

**10. Payment Policy**

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

Measure of Better Payment	2014/15	2013/14
Paid by value – in 10 days	67%	58%
In 30 days	94%	84%
Credit taken	16 days	17 days
Paid by volume – in 10 days	62%	59%
In 30 days	91%	91%

**11. Corporate Governance**

The Board meets regularly during the year to progress the business of NHS Orkney. Against each member shows their attendance levels. The following standing committees are in operation within NHS Orkney:

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

**Audit Committee:**

NHS Orkney has established the Audit Committee to support the Board in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge. There were 8 meeting held.

**Members:**

Naomi Bremner (attended 8 of 8)	(Chair)
Rognvald Johnson (7 of 8)	(Vice Chair)
Suzanne Lawrence (1 of 1)	(to 30 <sup>th</sup> April 2014)
Vicky Anderson (7 of 7)	(from 1 <sup>st</sup> May 2014)
Jeremy Richardson (8 of 8)	

**Finance and Performance Committee:**

The purpose of the Finance and Performance Committee is to review the financial and non financial targets of NHS Orkney, to ensure that appropriate arrangements are in place to deliver against organisational performance measures, to secure economy, efficiency, and effectiveness in the use of all resources, and provide assurance that the arrangements are working effectively. There were 10 meeting held.

**Members:**

Stephen Hagan (attended 10 of 10)	(Chair)
Rognvald Johnson (10 of 10)	(Vice Chair)
Naomi Bremner (8 of 10)	
John Ross Scott (8 of 10)	
Gillian Skuse (7 of 10)	
Cathie Cowan (8 of 10)	
Gerry O'Brien (9 of 9)	(to 5 <sup>th</sup> March 2015)
Robert Kemp (1 of 1)	(from 12 <sup>th</sup> March 2015)

**Orkney Health and Care Partnership Board:**

The purpose of the Orkney Health and Care Partnership Board is to approve policy and strategy for service areas and functions; scrutiny and governance of activities, priorities and objectives including approving the Development Plan; approval of resource allocation and monitoring performance. There were 5 meeting held.

**Members:**

Gillian Skuse (attended 4 of 5)	(Chair)
Suzanne Lawrence (1 of 1)	(to 30 <sup>th</sup> April 2014)
Vicky Anderson (3 of 4)	(from 1 <sup>st</sup> May 2014)
Jeremy Richardson (5 of 5)	
Dr Andrew Trevett (5 of 5)	
David Drever (5 of 5)	

**Quality and Improvement Committee:**

The purpose of the Quality and Improvement Committee is to provide NHS Orkney with the assurance that robust clinical governance controls and management systems are in place and effective throughout NHS Orkney. A sub group, Person Centered Care Group, has been established with a remit that includes Person Centered Care Group, participation, patients' rights and feedback. There were 4 meeting held.

**Members:**

Jeremy Richardson (attended 4 of 4)	(Chair)
Dr Andrew Trevett (4 of 4)	(Vice Chair)
Roelf Dijkhuizen (1 of 1)	(from 1 <sup>st</sup> October 2014)
Louise Wilson (3 of 4)	(from 16 <sup>th</sup> July 2014)
Cathie Cowan (2 of 4)	
David Drever (4 of 4)	
John Ross Scott (3 of 4)	
Gillian Skuse (3 of 4)	
Marthinus Roos (3 of 4)	
Elaine Peace (4 of 4)	
Heather Tait, Public Representative (3 of 4)	

**Staff Governance Committee:**

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

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

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

There were 3 meeting held.

**Members:**

Suzanne Lawrence (attended 0 of 0)	(Chair - to 30 <sup>th</sup> April 2014)
David Drever (3 of 3)	(Vice Chair - to 30 <sup>th</sup> April 2014)
John Ross Scott (1 of 3)	(Chair - from 1 <sup>st</sup> May 2014)
Vicky Anderson (2 of 3)	(Vice Chair - from 1 <sup>st</sup> May 2014)
Naomi Bremner (3 of 3)	

Cathie Cowan (1 of 3)  
Fiona MacKellar, Partnership representative (2 of 3)  
James Robertson, Staff representative(2 of 3)  
Julie Nicol, Head of Human Resources Services (3 of 3)

#### **Remuneration Committee:**

The Remuneration Committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of the NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year. There were 4 meeting held.

#### **Members:**

John Ross Scott (attended 3 of 4)	(Chair)
Stephen Hagan (4 of 4)	(Vice Chair)
Suzanne Lawrence (1 of 1)	(to 30 <sup>th</sup> April 2014)
Vicky Anderson (3 of 3)	(from 1 <sup>st</sup> May 2014)
Rognvald Johnson (4 of 4)	(from 1 March 2014)

#### **Endowment Fund Sub Committee:**

The Endowment Fund Sub Committee is responsible for the routine administration of the Endowment Account, working to designated authority levels for approval of expenditure. There were 4 meeting held.

#### **Members:**

Rognvald Johnston (attended 4 of 4)	(Chair)
Stephen Hagan (1 of 4)	(Vice Chair)
Suzanne Lawrence (0 of 0)	(to 30 <sup>th</sup> April 2014)
Vicky Anderson (2 of 4)	(from 1 <sup>st</sup> May 2014)
David Drever (3 of 4)	
Gerry O'Brien (4 of 4)	(to 5 <sup>th</sup> March 2015)

#### **12. 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.

#### **13. Human resources**

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

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

NHS Orkney has maintained the lowest sickness absence rate of the territorial Boards in Scotland over the duration of 2014/15 with year-end position of average of 3.9% (Scottish Government target 4%), this is despite a significant rise in absenteeism during December 2014 and January 2015.

#### **14. Events after the end of the reporting period**

There were no events which occurred after the end of the financial year and before the date of publication that will have a material impact on the content of these accounts as presented.

#### **15. Financial instruments**

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

#### **16. Personal data incidents**

Thirty incidents involving personal data were reported and investigated during the year. Following all incidents and near incidents, staff are reminded of their responsibilities in relation to the security and confidentiality of personal data.

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

The Accountable Officer authorised these financial statements for issue on the 23 June 2015.

Signed 

Date 23 June 2015

Catherine Cowan  
Chief Executive



## REMUNERATION REPORT

### BOARD MEMBERS' AND SENIOR EMPLOYEES' REMUNERATION

Membership of the Remuneration Committee comprises:

**Members:**

John Ross Scott	(Chair)
Stephen Hagan	(Vice Chair)
Suzanne Lawrence	(to 30 <sup>th</sup> April 2014)
Vicky Anderson	(from 1 <sup>st</sup> May 2014)
Rognvald Johnson	(from 1 <sup>st</sup> March 2014)

The committee met on four occasions during 2014/15. The committee is responsible for determining and regularly reviewing NHS Orkney's pay policy, in line with national conditions and guidance. The committee also agrees the individual in-year objectives of NHS Orkney's executive directors. The committee is required to approve the annual performance assessment of executive directors in June each year.

#### Remuneration

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

#### Performance Appraisal

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

#### Payments to Past Senior Managers

There were no payments to past senior managers during 2014/15.

#### 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 2014/15 and 2013/14 along with median pay information, and have been audited by NHS Orkney's auditors.



## REMUNERATION REPORT

FOR THE YEAR ENDED 31 MARCH 2015

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

**Executive Members**

Chief Executive: C Cowan	100-105	0	100-105	2	105-110
Director of Public Health: Dr L Wilson	105-110	0	105-110	23	130-135
Director of Finance: G O'Brien (1)	70-75	0	70-75	0	70-75
Director Nursing: Elaine Peace	70-75	3.2	75-80	50	120-125
Medical Director: M Roos (2)	160-165	0	160-165	7	165-170

**Non Executive Members**

The Chair: J R Scott	25-30	0	25-30	0	25-30
S Lawrence (3)	0-5	0	0-5	8	10-15
V Anderson (4)	35-40	0	35-40	11	45-50
S Hagan	5-10	0	5-10	0	5-10
N Bremner	5-10	0	5-10	0	5-10
A Trevett	5-10	0	5-10	0	5-10
R Johnson	5-10	0	5-10	0	5-10
J Richardson	5-10	0	5-10	0	5-10
G Skuse	5-10	0	5-10	0	5-10
D Drever	5-10	0	5-10	0	5-10

**Other Senior Employees**

Head of HR: J Nicol	55-60	0	55-60	17	70-75
Interim Director of Finance: R Kemp (5)	0-5	0	0-5	0	0-5

- Note 1: G O'Brien ceased being a member of the Board on 5<sup>th</sup> March 2015. Gross salary would represent an annual banding of £75,000 - £80,000.
- Note 2: M Roos, Medical Director, is remunerated for his substantive role as Medical Director as well as receiving remuneration in relation to his secondary role as a Consultant Orthopaedic Surgeon. Salary for his role as a Medical Director is in the range of £135,000 - £140,000.
- Note 3: The remuneration disclosed for Suzanne Lawrence comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a radiographer. The remuneration for her role as a non executive director is in the band £0 - £5,000 to 30<sup>th</sup> April 2014.
- Note 4: V Anderson commenced employee director post on the 1<sup>st</sup> May 2014. The remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a School Health Nurse. The remuneration for her role as a non executive director is in the band £0 - £5,000 to 30<sup>th</sup> April 2014.
- Note 5: Robert Kemp commenced as part-time Interim Director of Finance from 12<sup>th</sup> March 2015, he is an independent contractor and not an employee of NHS Orkney.

Fluctuations in the remuneration figures are due to the 2013/14 requirement to publish pension benefits disclosures.

FOR THE YEAR ENDED 31 MARCH 2014

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

**Executive Members**

Chief Executive: C Cowan	100-105	0	100-105	12	115-120
Director of Finance: G O'Brien	75-80	0	75-80	66	140-145
Medical Director: M Roos	155-160	0	155-160	26	180-185
Director of Public Health: Dr L Wilson	105-110	0	105-110	0	105-110
Director Nursing, AHPs & Midwifery : R Walker (1)	5-10	0	5-10	9	10-15
Interim Director Nursing, AHPs & Midwifery : D Barron (2)	45-50	0	45-50	0	45-50
Director Nursing, AHPs & Midwifery : E Peace (3)	20-25	0	20-25	43	65-70

**Non Executive Members**

The Chair: J R Scott	25-30	0	25-30	0	25-30
E Middleton (4)	5-10	0	5-10	0	5-10
S Lawrence	45-50	0	45-50	7	55-60
S Hagan	5-10	0	5-10	0	5-10
N Bremner	5-10	0	5-10	0	5-10
A Trevett	5-10	0	5-10	0	5-10
R Johnson	5-10	0	5-10	0	5-10
J Richardson	5-10	0	5-10	0	5-10
G Skuse	5-10	0	5-10	0	5-10
D Drever (5)	0-5	0	0-5	0	0-5

**Other Senior Employees**

Head of HR: J Nicol	50-55	0	50-55	18	65-70
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Note 1: R Walker was a member of the board to 30<sup>th</sup> April 2013.

Note 2: D Barron was member of the board from 15<sup>th</sup> April to 31<sup>st</sup> August 2013.

Note 3: E Peace commenced as a board member from 1<sup>st</sup> December 2013.

Note 4: E Middleton ceased being a member of the board from 31<sup>st</sup> January 2014.

Note 5: D Drever commenced as a board member from 1<sup>st</sup> February 2014.

## PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2015

	Total accrued pension at pensionable age at 31 March  (Bands of £5,000)	Real increase in pension at pensionable age  (Bands of £2,500)	Accrued Lump Sum as at age 60 at 31 March 2015 (Bands of £5,000)	Real Increase in Lump Sum at age 60  (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2015  £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2014  £'000	Real increase in CETV in year  £'000
Chief Executive: C Cowan	40-45	0-2.5	120-125	0-2.5	785	740	22
Director of Finance: G O'Brien	25-30	0-2.5	75-80	0-2.5	471	449	7
Medical Director: M Roos	30-35	0-2.5	95-100	2.5-5	752	713	10
Director of Public Health: Dr L Wilson	35-40	0-2.5	105-110	5-7.5	677	601	32
Director Nursing, AHPs & Midwifery : E Peace	20-25	2.5-5	65-70	7.5-10	445	379	53
Non Executive Director: S Lawrence (to 30 <sup>th</sup> April 2014)	5-10	0-2.5	15-20	0-2.5	127	112	10
V Anderson (from 1 <sup>st</sup> May 2014)	5-10	0-2.5	25-30	0-2.5	193	175	15
Head of HR: J Nicol	10-15	0-2.5	30-35	2.5-5	171	148	18
						<b>Total</b>	<b>167</b>

FOR THE YEAR ENDED 31 MARCH 2014

	Total accrued pension at pensionable age at 31 March  (Bands of £5,000)	Real increase in pension at pensionable age  (Bands of £2,500)	Accrued Lump Sum as at age 60 at 31 March 2014  (Bands of £5,000)	Real Increase in Lump Sum at age 60  (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2014  £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2013  £'000	Real increase in CETV in year  £'000
Chief Executive: C Cowan	35-40	0-2.5	115-120	2.5-5	740	688	7
Director of Finance: G O'Brien	25-30	2.5-5	75-80	7.5-10	449	374	48
Medical Director: M Roos	30-35	0-2.5	90-95	5-7.5	713	637	26
Director of Public Health: Dr L Wilson	30-35	0-2.5	90-95	0-2.5	601	562	-11
Director Nursing, AHPs & Midwifery : R Walker (to 31 <sup>st</sup> April 2013)	20-25	0-2.5	70-75	0-2.5	428	396	6
Director Nursing, AHPs & Midwifery : E Peace (from 31 <sup>st</sup> March 2014)	15-20	0-2.5	55-60	0-2.5	379	325	31
Non Executive Director: S Lawrence	5-10	0-2.5	15-20	0-2.5	112	98	6
Head of HR: J Nicol	5-10	0-2.5	25-30	2.5-5	148	126	11
						<b>Total</b>	<b>124</b>

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

Note 2: No performance related bonuses were made in the year 2013/14.

Note 3: V Anderson commenced employee director post on the 1<sup>st</sup> May 2014. The remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a School Health Nurse.

**Additional Disclosure Required**

2013/14					2014/15				
Highest Remuneration (£000s)	Earning	Director's	Total	135-140	Highest Remuneration (£000s)	Earning	Director's	Total	135-140
Median Total Remuneration				£27,358	Median Total Remuneration				£29,258
Ratio				4.98	Ratio				4.70
<b>Commentary</b> The values above are based on salaries for full time equivalent pay.  2014/15 median is higher due to members of staff working less than 2 hours have been removed which has reduced the lower salaries pushing the median higher.									

Signed



Date 23 June 2015

Catherine Cowan  
Chief Executive

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

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

This designation carries with it responsibility for:

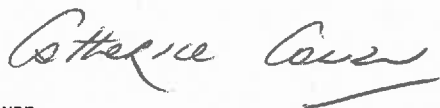
- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at NHS Orkney's disposal; and
- safeguarding the assets of NHS Orkney.

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

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

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

Signed



Date 23 June 2015

Catherine Cowan  
Chief Executive

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

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2015 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

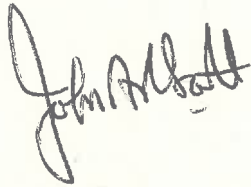
The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the Board and enable them to ensure that the accounts comply with the National Health Service (Scotland) Act 1978 and the requirements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



Signed  
Director of Finance

Date 23 June 2015

Signed  
Chairman



Date 23 June 2015

## 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. I am also responsible for safeguarding the public funds and assets assigned to the organisation.

### Purpose of Internal Control

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

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

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

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

### Governance Framework

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

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

### Our organisation's vision is to:

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

### Functions of the Board

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

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

### Responsibilities of Members of the Board

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

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

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

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

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

The Code of Corporate Governance also includes the Code of Conduct that board members must comply with, and along with the Standing Financial Instructions, these documents are the focus of the NHS Board's Annual Review of Governance Arrangements. The Board of NHS Orkney reviews and approves the Code of Corporate Governance each year. The Standing Orders are made in accordance with 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 NHS Board has in place a Corporate Plan which sets out 'our promise' to our staff and our expectations from staff to demonstrate their commitment and accountability for their actions and contribution to individual, team/department and organisational performance.

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

In March and April 2015 Scott-Moncrieff facilitated an annual self assessment process for NHS Orkney Board and its Governance Committees to consider whether they had fulfilled its remit during 2014/15. This report will provide as an action plan for any issues identified in the self assessment and areas of focus for 2015/16 will include:-

- Review how the Board ensures effective engagement with management and staff
- Review the time allocated to board members to undertake their duties to ensure alignment between time available and input required.
- Implement effective mechanisms to ensure board members receive the right support and training to effectively perform their role.

**Our corporate themes/objectives approved by the Board for 2014/15 were:**

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

These corporate themes/objectives drive the annual performance and development appraisal process. The Chief Executive is accountable to the Board through the Chair of the NHS Board. The Chair agrees the Chief Executive's annual objectives in line with the Board's strategic and corporate plans. Our Corporate Plan (2015/17) was updated in April 2015 and will inform our 'new' corporate objectives which in the main align with the above objectives.

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

NHS Orkney also has in place a well established complaints system, whereby members of the public can make a formal complaint to the Board regarding their care or treatment or how services are organised; information on our complaints system can be accessed through NHS Orkney's website. (The staff whistle blowing policy can be located with this [link](#)).

Complaints must be acknowledged in writing within three days and investigated within 20 working days or as soon as reasonably practicable. For 2014/15, NHS Orkney received 50 complaints of which five were withdrawn, compared with 38 in 2013/14 and one withdrawn. The projected response rate is 79.5%, down from 86.5% at March 2014. This data is however still to be verified officially through Information Services Division (ISD).

One complaint was referred to the Scottish Public Services Ombudsman and although concerns regarding clinical care in this instance were not upheld the process and management of the complaint required review. This has been completed and changes put in place as per the recommendations.

Another source of communication stems from Freedom of Information requests. Responses to Freedom of Information requests are authorised by two Executive Directors to streamline the approach and improve overall response times whilst providing adequate scrutiny. During 2014/15 a total of 495 requests were received of which 85% were answered within the 20 day deadline compared with 406 requests received in 2013/14 of which an average of 74% were answered within the 20 day deadline. Quarterly reporting of statistics was made to the Scottish Information Commissioner.

We also strive to inform and involve our staff and in this regard we have well established methods of communication e.g. Team Orkney Communications, Team Briefs/Updates, our staff newsletter "Keyhole" and the internal Blog. 52% of our staff responded to the NHS Scotland Staff Survey between August and October 2014. Our results showed further improvements in response to the previous survey across all 5 of the Staff Governance Standards. The Staff who responded confirmed:

- 85% - that they are clear about their duties and responsibilities, an increase of 9% since the last survey in 2013
- 81% - that they get the help and support they need from their colleagues, an increase of 3%
- 75% - that they understand how their work fits in to the overall aims of NHS Orkney, increased by 10%
- 87% - that they are happy to go the extra mile at their work when required, increased by 2% and;
- 75% - that they still intend to be working in NHS Orkney in 12 month time, increased by 2%

Areas of focus for 2015/16 will include a refresh of our Communication and Engagement Strategy to enhance how we engage with our staff on changes at work and how that affects them in practice and working closer with teams on how to manage conflicting demands on time.

NHS Orkney has also completed Phase 1 of our i-matter implementation plan, with 20 teams having fully completed their questionnaires. These teams are currently in the action planning phase which includes developing their story boards and sharing their successes and identifying their areas for improvement. The Employee Engagement Index for the Board to date sits at 76%.

NHS Orkney is also committed to working in partnership with its staff, community planning partners (CPP) and the Third sector. In 2014/15 significant progress has been made to review the CPP structure, our CPP priorities and how we work together to drive prevention, inequalities, integration (Integration Fund) and public service reform. In addition significant progress has now been made to support our local health and social care integration agenda. The report can be found with this [link](#).



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

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

Board and Assurance Committees hold annual development sessions where members reflect on performance during the previous year and identify good practice for replication as well as areas for improvement and reviewing terms of reference. This year the annual development sessions were facilitated by Internal Audit. Any amended Terms of Reference are subsequently submitted to the Audit Committee for approval as an amendment to the Standing Orders. Standing Financial Instructions are reviewed every second year. A process of self evaluation following committee meetings is undertaken by all committees.

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

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

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

### **NHS Endowments**

In accordance with IAS 27 – Consolidated and Separate Financial Statements, the Financial Statements consolidate the Endowment Funds of NHS Orkney. This statement includes any relevant disclosures in respect of these Endowment Accounts. Assurance on governance matters relating to Endowment Funds is obtained via an Annual Assurance Statement from the Chair of the Endowment Fund Sub Committee. The Endowment Accounts are subject to their own audit process and this has been completed and no issues have been highlighted.

### **Review of Adequacy and Effectiveness**

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

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

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

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

In this regard, the Audit Committee, which meets with both our internal and external auditors in attendance has considered nine internal audit reports in 2014/15 as part of a three year rolling programme.

Three control objectives attracted a "red" level of assurance from the eight internal audits undertaken by our Internal Auditors in September and October 2014. A red level of assurance is described by Internal Audit as 'the control procedures in place are not effective – inadequate management of key risks'. The reports in question are:

- Significant Adverse Events (2)
- e-Health strategy (1)

A follow up 'significant adverse events' audit was undertaken in February 2015 and it demonstrated significant progress to address the procedures that were not effective – this action removed the red level of assurance reported in year. In ehealth there was one area reported 'red' in regard to disaster recovery. NHS Orkney has worked hard to establish business continuity strategies but acknowledges that further urgent work is needed in the first quarter of 2015/16.

A review by Scott-Moncrieff in April 2015 of follow up on audit recommendations graded both these areas as satisfactory progress but with more work to undertake.

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

### **Waiting Times**

NHS Orkney appointed Scott-Moncrieff to assist in establishing the process of monthly internal audits of waiting times data and developing guidance for staff on a robust and efficient process to ensure that NHS Orkney complies with the Public Audit Committee recommendations.

Waiting Times is reported to the Finance and Performance Committee on a regular basis. Details of the Board's performance is included in the Strategic Report.

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

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

Information Governance risks are a standing item on the agenda, and the hospital, Orkney Health and Care and business support risk registers are reviewed by the group. General work undertaken to strengthen risk management in NHS Orkney benefits information governance, as the approach taken is to align reporting mechanisms for information governance issues to that of clinical issues as this streamlines the process for frontline staff. In view of this linkage a separate audit of risk management in relation to information governance has not been undertaken. Incidents relating to information governance have been discussed at the meetings in order to consider any wider organisation issues.

Regular review of the Freedom of information (FOI) report has been undertaken. FOI reports are also submitted to the Quality and Improvement Committee. Following reduction of the depth of reporting of FOIs last year to release staff resource, the focus has been maintained on scrutiny of performance.

Review of reports on circulars received by NHS Orkney and action taken has occurred. The group has also reviewed progress against the implementation of the *Public Records (Scotland) Act 2011*. Privacy Impact Assessments have been used with the introduction of new IT systems.

Local Caldicott activity is highlighted to the group, and key issues from the national Caldicott Guardian group. Information governance issues in relation to the joint integration board were dealt with by the Executive lead.

#### **Integration**

NHS Orkney has worked closely with its partner Orkney Islands Council to specifically provide leadership and direction to support and implement the integration legislative requirements to establish a shadow Integration Joint Board by September 2015 and delegate our agreed functions as described in our draft Integration Scheme. It is important to acknowledge that in Orkney we are building on a strong track record of previously established integrated arrangements.

In terms of progress the chairs of NHS Orkney and Orkney Islands Council co-chair an Integration Programme Board whose membership includes clinical (Director of Public Health) and staff side representatives to inform our agreed programme of work. This programme of work has directed the production of our joint Integration Scheme and the subsequent workstreams that flow from this notably: governance including the appointment process of the voting members. Members from both the Board and Council have been recruited and a Chair and Vice Chair appointed. In addition a process to recruit to the Chief Officer post has begun. Work is also underway to inform the development of the Strategic Plan, performance management arrangements and the establishment of our approved three localities. Staff and public engagement to inform our integration journey is embedded within this overall programme of work.

#### **Financial Management**

During 2014/15, as Accountable Officer, I invited Scott-Moncrieff to undertake a detailed diagnostic review of NHS Orkney's financial position and budget management. The review considered the approach to budget setting and in year financial management, variance analysis and forecasting. The review identified factors that had contributed to difficulties in delivering a balanced financial position towards the end of previous years, resulting in brokerage of £1m being required from SGHSCD and the issue of a section 22 report by the Auditor General. Following this review, the Board commissioned a further much more detailed review of individual budgets and the outcome from this work is being dealt with in stages and will complete in the first half of 2015/16.

It should be noted that NHS Orkney has achieved a small operating surplus in 2014/15, without the need for any further brokerage from SGHSCD. This suggests that planned improvements in financial management arrangements are beginning to be effective.

#### **Best Value**

In accordance with the principles of Best Value, NHS Orkney fosters a culture of continuous improvement. As part of this, directors and managers are encouraged to review, identify and improve the efficient and effective use of resources.

Internal Audit carried out an audit of Best Value during 2014/15 and considered the overall strategic arrangements in place within NHS Orkney. The focus of the Audit was on the arrangements surrounding the Transformational Change Programme. The review identified numerous arrangements in place which show that the Board is delivering continuous improvement against each of the Scottish Government's seven themes of Best Value.

#### **Risk Assessment**

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

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

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

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

The Corporate Risk Register has been recently reviewed and updated by the Corporate Management Team following two facilitated workshops led by our internal auditors on the Board's approach to risk management and appetite to risk. This Register is presented to the Audit Committee on a quarterly basis and recommendations to add or remove risks are presented to the Board for approval. This ensures clarity and understanding of the risk profile to ensure that NHS Orkney has a sound understanding of the principal risks facing the organisation.

The key corporate risks identified concern;

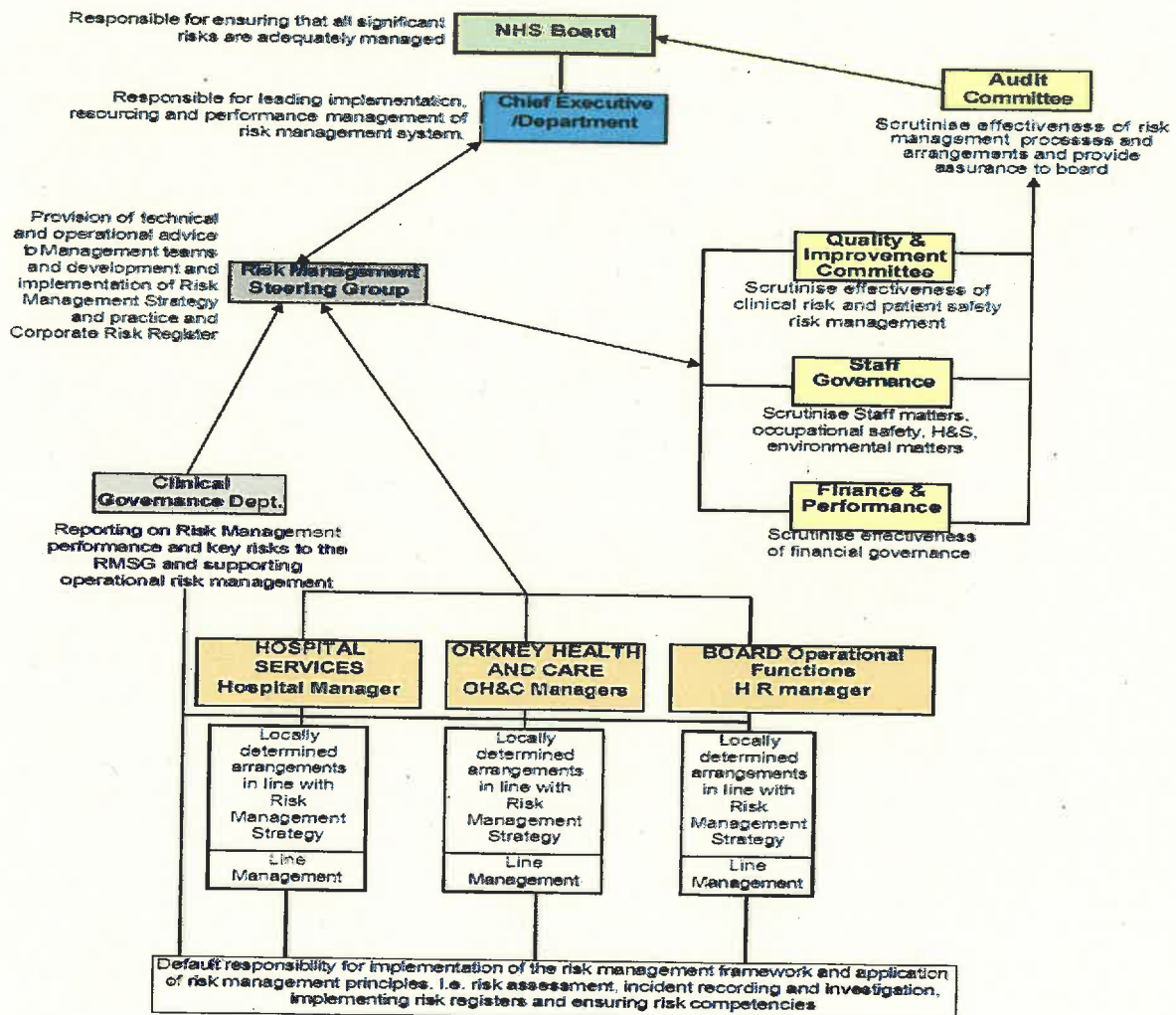
- recruitment to, and retention of, senior clinical staff;
- security issues due to changes in IT Servers;
- reputational risk of inadequate planning to manage transformational change/redesign programme;
- service maintenance due to inadequate business continuity and
- lack of a system for controlling, approving and reviewing clinical documentation.

In respect of clinical governance and risk management arrangements, as Accountable Officer in collaboration with the Quality Improvement Committee I recommended a change in governance to support the national Quality Ambitions: person centred care, safe and effective care and population health and the read across to evidence based care. The new governance arrangements are now established and a review of clinical governance will be undertaken by our internal auditors in 2015/16 to further enhance our approach and commitment to patient safety and improvement.

#### Board Arrangements

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

### NHS Orkney risk management framework



In summary, as Accountable Officer, I have been advised of the effectiveness of the system of internal control by the Board, the Audit Committee which provides assurance to the Board that an appropriate system of internal control is in place, and the Risk Management Steering Group. Plans to address weaknesses and ensure continuous improvement are in place. Taking account of the work undertaken in 2014/15, I consider that we have taken appropriate steps to ensure we have discharged our responsibilities in relation to the management of risk.

2014/15 has been another ambitious year and NHS Orkney invested in key clinical services notably: establishing a CT scanner in 2014/15, continuing to invest in our consultant led hospital staffing model to support our service repatriation programme and investing in our clinical professional structure to support our managers transform services. This investment demonstrates our commitment to building improvement capacity to deliver person centred, safe and effective care and services. In addition, we continue to invest in IT infrastructure for patient management systems including OPERA implemented this year 2014/15, and Trakcare preparation to support 'a go live' date in June 2015 are progressing well in partnership with NHS Grampian.

The Board also received notification in year that its share of the national resources allocation formulae is to increase by 11.1% (£4.3 million) which is extremely positive as we look to improve the health and well being of our population through a population based health approach.

In going into 2015/16 we will be stretched as a management team as we look to address a number of significant priorities. In this regard we will continue to have significant locum issues which will be dealt with through a targeted recruitment drive to fill vacancies and careful in year financial management and well informed variance analysis and forecasting reporting. Patient safety will be our top priority as we look to enhance our overall patient experience and reduce our Hospital Standardised Mortality Ratios (HSMR). Integration and our response to the Public Bodies (Joint Working) Scotland Act 2014 will also be a key agenda for the Board as we work with our partners in Orkney Islands Council. And finally work to progress the new hospital and healthcare capital investment will continue.

Signed



Date 23 June 2015

Catherine Cowan  
Chief Executive (and accountable officer)

## INDEPENDENT AUDITOR'S REPORT

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

I have audited the financial statements of Orkney Health Board and its group for the year ended 31 March 2015 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

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

#### Respective responsibilities of Accountable Officer and auditor

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

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

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

#### Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2015 and of their net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

#### Opinion on regularity

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

**Opinion on other prescribed matters**

In my opinion:

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

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

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

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

I have nothing to report in respect of these matters.



Stephen Boyle

Assistant Director of Audit (Audit Services)

Audit Scotland

4th Floor South Suite

The Athenaeum Building

8 Nelson Mandela Place

Glasgow G2 1BT

24 June 2015

NHS Orkney

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE  
FOR THE YEAR ENDED 31 MARCH 2015

Restated 2013/14 £'000		Note	2014/15 £'000
	<b>Clinical Services Costs</b>		
35,371	Hospital and Community	<u>4</u>	43,293
445	Less: Hospital and Community Income	<u>8</u>	490
34,926			42,803
12,904	Family Health	<u>5</u>	12,490
237	Less: Family Health Income	<u>8</u>	499
12,667			11,991
<b>47,593</b>	<b>Total Clinical Services Costs</b>		<b>54,794</b>
1,105	Administration Costs	<u>6</u>	1,117
0	Less: Administration Income	<u>8</u>	0
1,105			1,117
3,243	Other Non Clinical Services	<u>7</u>	3,413
826	Less: Other Operating Income	<u>8</u>	732
2,417			2,681
<b>51,115</b>	<b>Net Operating Costs</b>		<b>58,592</b>

OTHER COMPREHENSIVE NET EXPENDITURE

2013/14 £'000		2014/15 £'000
(33)	Net (gain) on revaluation of Property Plant and Equipment	(104)
	Net (gain) on revaluation of Available for Sale Financial Assets	(64)
(33)	Other Comprehensive Expenditure	(168)
<b>51,082</b>	<b>Total Comprehensive Expenditure</b>	<b>58,424</b>

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

NHS Orkney

**SUMMARY OF RESOURCE OUTTURN  
FOR THE YEAR ENDED 31 MARCH 2015**

**SUMMARY OF CORE REVENUE  
RESOURCE OUTTURN**

2014/15

£'000

Net Operating Costs	58,592
Total Non Core Expenditure (see below)	(9,563)
FHS Non Discretionary Allocation	(1,218)
Donated Assets Income	0
Endowment Net Operating Costs	(23)
<b>Total Core Expenditure</b>	<b>47,788</b>
Core Revenue Resource Limit	47,855
<b>Saving/(excess) against Core Revenue Resource Limit</b>	<b>67</b>

**SUMMARY OF NON CORE REVENUE  
RESOURCE OUTTURN**

Depreciation/Amortisation	1,299
Annually Managed Expenditure - Creation of Provisions	(99)
Annually Managed Expenditure - Depreciation of Donated Assets	31
Additional SGHSCD non-core funding	8,332
<b>Total Non Core Expenditure</b>	<b>9,563</b>
Non Core Revenue Resource Limit	9,564
<b>Saving/(excess) against Non Core Revenue Resource Limit</b>	<b>1</b>

**SUMMARY RESOURCE OUTTURN**

	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	47,855	47,788	67
Non Core	9,564	9,563	1
<b>Total</b>	<b>57,419</b>	<b>57,351</b>	<b>68</b>



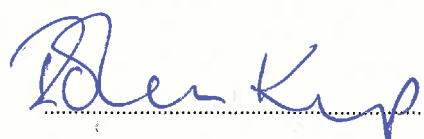
# CONSOLIDATED BALANCE SHEET

AS AT 31 MARCH 2015

1 April 2013		31 March 2014			Note	31 March 2015	
Consolidated £'000	Board £'000	Consolidated £'000	Board £'000			Consolidated £'000	Board £'000
Restated	Restated	Restated	Restated				
14,581	14,581	15,127	15,127	Property, plant and equipment	11	9,253	9,253
125	125	138	138	Intangible assets	10	111	111
673	0	818	0	Financial assets: Available for sale financial assets	14	937	0
0	0	0	0	Trade and other receivables	13	4	4
<b>15,379</b>	<b>14,706</b>	<b>16,083</b>	<b>15,265</b>	<b>Total non-current assets</b>		<b>10,305</b>	<b>9,368</b>
				<b>Current Assets:</b>			
421	421	463	463	Inventories	12	444	444
731	726	1,059	1,058	Financial assets: Trade and other receivables	13	898	897
3,072	2,745	594	445	Cash and cash equivalents	15	1,407	1,336
465	465	187	187	Assets classified as held for sale	11c	93	93
<b>4,689</b>	<b>4,357</b>	<b>2,303</b>	<b>2,153</b>	<b>Total current assets</b>		<b>2,842</b>	<b>2,770</b>
<b>20,068</b>	<b>19,063</b>	<b>18,386</b>	<b>17,418</b>	<b>Total assets</b>		<b>13,147</b>	<b>12,138</b>
				<b>Current liabilities</b>			
(358)	(358)	(384)	(384)	Provisions	17	(372)	(372)
(5,946)	(5,945)	(4,539)	(4,537)	Financial liabilities: Trade and other payables	16	(5,641)	(5,639)
<b>(6,304)</b>	<b>(6,303)</b>	<b>(4,923)</b>	<b>(4,921)</b>	<b>Total current liabilities</b>		<b>(6,013)</b>	<b>(6,011)</b>
<b>13,764</b>	<b>12,760</b>	<b>13,463</b>	<b>12,497</b>	<b>Non-current assets plus/less net current assets/liabilities</b>		<b>7,134</b>	<b>6,127</b>
				<b>Non-current liabilities</b>			
(989)	(989)	(888)	(888)	Provisions	17	(782)	(782)
<b>(989)</b>	<b>(989)</b>	<b>(888)</b>	<b>(888)</b>	<b>Total non-current liabilities</b>		<b>(782)</b>	<b>(782)</b>
<b>12,775</b>	<b>11,771</b>	<b>12,575</b>	<b>11,609</b>	<b>Assets less liabilities</b>		<b>6,352</b>	<b>5,345</b>
				<b>Taxpayers' Equity</b>			
10,971	10,971	8,909	8,909	General fund	SOCTE	4,817	4,817
800	800	2,700	2,700	Revaluation reserve	SOCTE	528	528
1,004	0	966	0	Funds held on Trust	SOCTE	1,007	0
<b>12,775</b>	<b>11,771</b>	<b>12,575</b>	<b>11,609</b>	<b>Total taxpayers' equity</b>		<b>6,352</b>	<b>5,345</b>

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

Adopted by the board on 23 June 2015



Director of Finance



Chief Executive

# STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2015

<b>Restated</b>		<b>2014/15</b>	
<b>2013/14</b>		<b>£'000</b>	<b>£'000</b>
	<b>Cash flows from operating activities</b>		
(51,115)	Net operating cost	(58,592)	
2,337	Adjustments for non-cash transactions	9,583	
(327)	(Increase) / decrease in trade and other receivables	157	
(42)	(Increase) / decrease in inventories	19	
777	Increase / (decrease) in trade and other payables	144	
(75)	Increase / (decrease) in provisions	(118)	
<b>(48,445)</b>	<b>Net cash outflow from operating activities</b>	<b>33</b>	<b>(48,807)</b>
	<b>Cash flows from investing activities</b>		
(854)	Purchase of property, plant and equipment	(3,561)	
(76)	Purchase of intangible assets	(19)	
(591)	Investment Additions	(81)	
327	Proceeds of disposal of property, plant and equipment	163	
446	Receipts from sale of investments	23	
<b>(748)</b>	<b>Net cash outflow from investing activities</b>	<b>33</b>	<b>(3,475)</b>
	<b>Cash flows from financing activities</b>		
49,015	Funding	52,201	
(2,300)	Movement in general fund working capital	891	
<b>46,715</b>	<b>Cash drawn down</b>	<b>53,092</b>	
<b>46,715</b>	<b>Net Financing</b>	<b>33</b>	<b>53,092</b>
<b>(2,478)</b>	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>		<b>813</b>
<b>3,072</b>	<b>Cash and cash equivalents at the beginning of the period</b>		<b>594</b>
<b>594</b>	<b>Cash and cash equivalents at the end of the period</b>		<b>1,407</b>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>		
<b>(2,478)</b>	Increase/(decrease) in cash in year		<b>813</b>
<b>3,072</b>	Net debt/cash at 1 April		<b>594</b>
<b>594</b>	<b>Net debt/cash at 31 March</b>		<b>1,407</b>

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

**STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY**

**FOR THE YEAR ENDED 31 MARCH 2015**

	Note	General Fund £'000	Revaluation Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
<b>Balance at 31 March 2014</b>		8,909	2,700	966	12,575
Prior year adjustments for changes in accounting policy and material errors	<u>25</u>	0	0		0
<b>Restated balance at 1 April 2014</b>		8,909	2,700	966	12,575
<b>Changes in taxpayers' equity for 2014-15</b>					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	<u>11</u>	0	104		104
Net gain/(loss) on revaluation of available for sale financial assets	<u>14</u>		0	64	64
Impairment of property, plant and equipment	<u>11</u>		(8,332)		(8,332)
Revaluation & impairments taken to operating costs	<u>3</u>		8,332		8,332
Transfers between reserves		2,276	(2,276)		0
Net operating cost for the year		(58,569)		(23)	(58,592)
<b>Total recognised income and expense for 2014-15</b>		(56,293)	(2,172)	41	(58,424)
<b>Funding:</b>					
Drawn down		53,092			53,092
Movement in General Fund (Creditor) / Debtor	<u>cfs</u>	(891)			(891)
<b>Balance at 31 March 2015</b>	<u>BS</u>	4,817	528	1,007	6,352

**FOR THE YEAR ENDED 31 MARCH 2014**

		Restated			
<b>Balance at 31 March 2013</b>		11,650	800	1,004	13,454
Prior year adjustments for changes in accounting policy and material errors	<u>25</u>	(679)	0	0	(679)
<b>Restated balance at 1 April 2013</b>		10,971	800	1,004	12,775
<b>Changes in taxpayers' equity for 2013-14</b>					
Net gain/(loss) on revaluation/indexation of property, plant and equipment	<u>11</u>	0	33		33
Impairment of property, plant and equipment	<u>11</u>		713		713
Revaluation & impairments taken to operating costs	<u>3</u>		1,154		1,154
Net operating cost for the year		(51,077)		(38)	(51,115)
<b>Total recognised income and expense for 2013-14</b>		(51,077)	1,900	(38)	(49,215)
<b>Funding:</b>					
Drawn down		46,715			46,715
Movement in General Fund (Creditor) / Debtor		2,300			2,300
<b>Balance at 31 March 2014</b>	<u>BS</u>	8,909	2,700	966	12,575

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

# NOTES TO THE ACCOUNTS

## NOTE 1 – ACCOUNTING POLICIES

### 1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (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) Standards issued but not yet effective are:-

IFRS 13 - Fair value measurement which has been issued to provide consistent guidance on fair value measurement. It will be included in the 2015/16 FReM without adaptation. However, adaptations to other standards limit the circumstances in which a valuation is required under IFRS 13.

IAS 36 - Impairment of assets on recoverable amount disclosures (amendment) modifies some of the disclosure requirements regarding measurement of the recoverable amount of impaired assets. It is expected to apply from 2015/16.

##### (b) New standards in 2014/15:-

The only new standards in 2014/15 are the group accounting standards, i.e. IFRS 10 Consolidated financial statements, IFRS 11 Joint arrangements, IFRS 12 Disclosure of interests in other entities, IAS 27 Separate financial statements, IAS 28 Investments in associates and joint ventures.

### 2. Basis of Consolidation

#### Consolidation

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

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

The Orkney Health Board Endowment Funds is a Registered Charity with the Office of the Charity Regulator of Scotland (OSCR) and is required to prepare and submit Audited Financial Statements to OSCR on an annual basis. The basis of consolidation used is Merger Accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation.

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

### 3. Prior Year Adjustments

2013/2014 has been restated to incorporate the provision of Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

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

- Statement of Consolidated Comprehensive Net Expenditure
- Consolidated Balance Sheet
- Statement of Consolidated Changes in Taxpayers Equity

CNORIS is a risk transfer and financing scheme for NHS Scotland and further details are set out in Note 17b.

The change in accounting treatment in 2014/15 relates to the recognition of the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. To ensure consistency, equivalent adjustments have been made to the position of the prior year as follows: -

- Provision recognising the Board's liability from participating in the scheme at 31 March: £673,000 at 31 March 2013; (£605,000 at 31 March 2014)

The movement in the provision between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

#### **4. Going Concern**

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

#### **5. Accounting Convention**

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

#### **6. Funding**

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

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

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

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

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

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

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in the Statement of 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:

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. Amortised over their expected useful life
- 2) Software licences. Amortised over the shorter term of the licence and their useful economic lives.
- 3) Other intangible assets. Amortised over their expected useful life.
- 4) Intangible assets which has been reclassified as 'Held for Sale' ceases to be amortised upon the reclassification.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software	5

## 9. Non-current assets held for sale

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

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

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

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

## 10. Donated Assets

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

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

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of 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 an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SOCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

## 14. General Fund Receivables and Payables

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

## 15. Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost.



**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.

**19. Related Party Transactions**

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

**20. Value Added Tax**

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

**21. NPD Schemes**

NHS Orkney has a Non Profit Distributing (NPD) scheme which is agreed with the Scottish Government for completion in 2018/19.

**22. Provisions**

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

## 23. Contingencies

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

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

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

## 24. Corresponding Amounts

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

## 25. Financial Instruments

### Financial assets

#### Classification

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

#### (a) 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 notes 4 to 7 for Hospital & Community, Family Health and Other Service and Administration Costs, the basis of which relates to Scottish Government funding streams and the classification of which varies depending on Scottish Government reporting requirements.

## **27. Cash and cash equivalents**

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

## **28. Foreign exchange**

The functional and presentational currencies of the Board are sterling.

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

## **29. Third party assets**

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

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

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

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

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of 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: 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.
- Judgment: Whether substantially all the significant risks and rewards of ownership of financial assets and lease assets are transferred to other entities.

NHS ORKNEY

NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 31 MARCH 2015

2(a) Staff Numbers and Costs

2013/14		2014/15					
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £000s	Other Staff £'000	Total £'000
18,029	Salaries and wages	494	109	18,439			19,042
1,481	Social security costs	60	3	1,481			1,544
2,062	NHS scheme employers' costs	66	0	2,115			2,181
331	Inward secondees				206		206
1,375	Agency staff					762	762
23,278		620	112	22,022	206	762	23,735
112	Compensation for loss of office or early retirement	0	0	0	0	0	0
23,390	<b>TOTAL</b>	<b>620</b>	<b>112</b>	<b>22,022</b>	<b>206</b>	<b>762</b>	<b>23,735</b>

Included in the total Staff Costs above were costs of staff engaged directly on capital projects, charged to capital expenditure for 2014/15 is £420,432 (2013/14 £0).

2013/14		2014/15
ANNUAL MEAN	STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	ANNUAL MEAN
11.8	Administration Costs	13.5
398.3	Hospital and Community Services	424.8
11.1	Non Clinical Services	12.5
74.0	Other, including recharge Trading Accounts	57.9
3.6	Inward secondees	3.1
14.1	Agency staff	7.4
<b>512.9</b>	<b>Board Total Average Staff</b>	<b>519.2</b>
4.0	Disabled staff	5.4
0.0	The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	6.4

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme is in note 24.

## 2(b). Higher Paid Employees Remuneration

Other employees whose remuneration fell within the following ranges:

2013/14 Number		2014/15 Number	
<b>Clinicians</b>			
15	£50,001 to £60,000	14	
7	£60,001 to £70,000	4	
4	£70,001 to £80,000	6	
7	£80,001 to £90,000	6	
3	£90,001 to £100,000	2	
3	£100,001 to £110,000	3	
4	£110,001 to £120,000	4	
2	£120,001 to £130,000	1	
1	£130,001 to £140,000	5	
	£140,001 to £150,000	1	
1	£160,001 to £170,000	1	
1	£190,001 to £200,000		
	£210,001 to £220,000	1	

<b>Other</b>			
5	£50,001 to £60,000	2	
1	£60,001 to £70,000	1	
2	£70,001 to £80,000	3	
1	£100,001 to £110,000	1	

Directors and senior managers are reported in more detail within the remuneration report and are excluded from the above.

## 3. Other Operating Costs

2013/14 £'000		2014/15 £'000	Note
<b>Expenditure Not Paid In Cash</b>			
1,156	Depreciation	1,226	<a href="#">11</a>
63	Amortisation	46	<a href="#">10</a>
30	Depreciation Donated Assets	31	<a href="#">11b</a>
1,154	Impairments on PPE charged to SOCNE	8,332	<a href="#">11</a>
(17)	Funding Of Donated Assets	0	<a href="#">11b</a>
(49)	Loss/(Profit) on disposal of property, plant and equipment	(52)	
<b>2,337</b>	<b>Total Expenditure Not Paid In Cash</b>	<b>9,583</b>	<a href="#">CFS</a>

### Statutory Audit

84	External auditor's remuneration and expenses	69
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#### 4. Hospital and Community Health Services (HCH)

2013/14 £'000		2014/15 £'000	Note
	<b>BY PROVIDER</b>		
26,796	Treatment in Board area of NHS Scotland Patients	33,752	
5,937	Other NHS Scotland Bodies	6,922	
28	Health Bodies outside Scotland	27	
52	Primary care bodies	52	
445	Private sector	416	
	<b>Community Care</b>		
4	Support Finance	4	
1,958	Resource Transfer	1,927	
79	Contributions to Voluntary Bodies and Charities	70	
<b>35,299</b>	<b>Total NHS Scotland Patients</b>	<b>43,170</b>	
72	Treatment of UK residents based outside Scotland	123	
<b>35,371</b>	<b>Total Hospital &amp; Community Health Service</b>	<b>43,293</b>	<a href="#">SOCNE</a>

#### 5. Family Health Service Expenditure (FHS)

2013/14 Total £'000		Unified Budget £'000	Non Disc £'000	2014/15 Total £'000	Note
5,492	Primary Medical Services	5,307	0	5,307	
4,007	Pharmaceutical Services	3,658	565	4,223	
3,155	General Dental Services	2,027	688	2,715	
250	General Ophthalmic Services	0	245	245	
<b>12,904</b>	<b>Total</b>	<b>10,992</b>	<b>1,498</b>	<b>12,490</b>	<a href="#">SOCNE</a>

#### 6. Administration Costs

2013/14 £'000		2014/15 £'000	Note
686	Board members' remuneration	732	<a href="#">Note 2 (a)</a>
81	Administration of Board Meetings and Committees	80	
222	Corporate Governance and Statutory Reporting	209	
74	Health Planning, Commissioning and Performance Reporting	65	
20	Treasury Management and Financial Planning	9	
22	Public Relations	22	
<b>1,105</b>	<b>Total administration costs</b>	<b>1,117</b>	<a href="#">SOCNE</a>

## 7. Other Non Clinical Services

Restated 2013/14 £'000		2014/15 £'000	Note
86	Compensation payments - Clinical	73	
61	Compensation payments - Other	79	
175	Pension enhancement & redundancy	46	
8	Patients' Travel Attending Hospitals	6	
2,140	Patients' Travel Highlands and Islands scheme	2,351	
576	Health Promotion	671	
116	Public Health	121	
0	Emergency Planning	3	
81	Endowment Expenditure	63	
<b>3,243</b>	<b>Total Other Non Clinical Services</b>	<b>3,413</b>	<a href="#">SOCNE</a>

Pension enhancement and redundancy values includes Payment in Lieu of Notice in addition to redundancy

## 8. Operating Income

2013/14 £'000		2014/15 £'000	Note
	<b>Hospital and Community Health Services Income</b>		
	<b>NHSScotland Bodies</b>		
1	SGHSCD	0	
366	Boards	291	
72	NHS Non-Scottish Bodies	123	
	<b>Non NHS</b>		
24	Private Patients	24	
(32)	Compensation Income	51	
14	Other Hospital and Community Health Services income	1	
<b>445</b>	<b>Total Hospital and Community Health Services Income</b>	<b>490</b>	<a href="#">SOCNE</a>
	<b>Family Health Service Income</b>		
237	Unified	219	
	<b>Non Discretionary</b>		
0	General Dental Services	280	
<b>237</b>	<b>Total Family Health Services Income</b>	<b>499</b>	<a href="#">SOCNE</a>
	<b>Other Operating Income</b>		
0	NHS Scotland Bodies	135	
2	SGHSCD	0	
72	Contributions in respect of clinical and medical negligence claims	0	
49	Profit on disposal of non current assets	65	
18	Donated Asset Additions	0	
43	Endowment Income	40	
642	Other	492	
<b>826</b>	<b>Total Other Operating Income</b>	<b>732</b>	<a href="#">SOCNE</a>
<b>1,508</b>	<b>Total Income</b>	<b>1,721</b>	
<b>337</b>	<b>Of the above, the amount derived from NHS bodies is</b>	<b>426</b>	



**9. Analysis of Capital Expenditure**

2013/14 £'000		2014/15 £'000	Note
	<b>EXPENDITURE</b>		
76	Acquisition of Intangible Assets	19	<a href="#">10</a>
969	Acquisition of Property, plant and equipment	3,628	<a href="#">11</a>
17	Donated Asset Additions	0	<a href="#">11b</a>
<b>1,062</b>	<b>Gross Capital Expenditure</b>	<b>3,647</b>	
	<b>INCOME</b>		
0	Net book value of disposal of Property, plant and equipment	17	<a href="#">11a</a>
278	Value of disposal of Non-Current Assets held for sale	94	<a href="#">11c</a>
17	Donated Asset Income	0	
<b>295</b>	<b>Capital Income</b>	<b>111</b>	

<b>767</b>	<b>Net Capital Expenditure</b>	<b>3,536</b>
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**SUMMARY OF CAPITAL RESOURCE OUTTURN**

767	Core capital expenditure included above	3,536
777	Core Capital Resource Limit	3,550
<b>10</b>	<b>Saving/(excess) against Core Capital Resource Limit</b>	<b>14</b>
767	Total Capital Expenditure	3,536
777	Total Capital Resource Limit	3,550

<b>10</b>	<b>Saving/(excess) against Total Capital Resource Limit</b>	<b>14</b>
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**10. Intangible Assets**

Movements in 2014/15	Software Licences £'000
<b>Cost or Valuation:</b>	
As at 1st April 2014	869
Additions	19
Transfers	0
<b>At 31st March 2015</b>	<b>888</b>
<b>Amortisation</b>	
As at 1st April 2014	731
Provided during the year	46
<b>At 31st March 2015</b>	<b>777</b>
<b>Net Book Value at 1st April 2014</b>	<b>138</b>
<b>Net Book Value at 31 March 2015</b> <u>BS</u>	<b>111</b>

Movements in 2013/14	Software Licences £'000	Assets Under Development £'000	Total £'000
<b>Cost or Valuation:</b>			
As at 1st April 2013	793	0	793
Additions	10	66	76
Transfers	66	(66)	0
<b>At 31st March 2014</b>	<b>869</b>	<b>0</b>	<b>869</b>
<b>Amortisation</b>			
As at 1st April 2013	668	0	668
Provided during the year	63	0	63
<b>At 31st March 2014</b>	<b>731</b>	<b>0</b>	<b>731</b>
<b>Net Book Value at 1st April 2013</b>	<b>125</b>	<b>0</b>	<b>125</b>
<b>Net Book Value at 31 March 2014</b> <u>BS</u>	<b>138</b>	<b>0</b>	<b>138</b>

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

Current Year Purchased Assets

Movements in 2014/15	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>									
At 1 April 2014	744	12,032	475	364	5,574	2,792	202	97	22,280
Additions	1,319	0	0	0	114	0	0	2,195	3,628
Completions	0	618	0	0	469	53	0	(1,140)	0
Revaluation	0	105	5	0	0	0	0	0	110
Impairment Charge	(227)	(8,642)	0	0	(167)	(3)	0	0	(9,039)
Disposals	0	(1)	0	0	(31)	0	0	0	(32)
<b>At 31 March 2015</b>	<b>1,836</b>	<b>4,112</b>	<b>480</b>	<b>364</b>	<b>5,959</b>	<b>2,842</b>	<b>202</b>	<b>1,152</b>	<b>16,947</b>
<b>Depreciation</b>									
At 1 April 2014	0	229	12	219	4,267	2,432	151	0	7,310
Provided during the year	0	561	28	44	404	179	10	0	1,226
Revaluation	0	5	1	0	0	0	0	0	6
Impairment Charge	0	(684)	0	0	(95)	(2)	0	0	(781)
Disposals	0	0	0	0	(15)	0	0	0	(15)
<b>At 31 March 2015</b>	<b>0</b>	<b>111</b>	<b>41</b>	<b>263</b>	<b>4,561</b>	<b>2,609</b>	<b>161</b>	<b>0</b>	<b>7,746</b>
<b>Net book value at 1 April 2014</b>	<b>744</b>	<b>11,803</b>	<b>463</b>	<b>145</b>	<b>1,307</b>	<b>360</b>	<b>51</b>	<b>97</b>	<b>14,970</b>
<b>Net book value at 31 March 2015</b>	<b>1,836</b>	<b>4,001</b>	<b>439</b>	<b>101</b>	<b>1,398</b>	<b>233</b>	<b>41</b>	<b>1,152</b>	<b>9,201</b>
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>1,836</b>		<b>439</b>						
<b>Asset financing:</b>									
Owned	1,836	4,001	439	101	1,398	233	41	1,152	9,201
<b>Net book value at 31 March 2015</b>	<b>1,836</b>	<b>4,001</b>	<b>439</b>	<b>101</b>	<b>1,398</b>	<b>233</b>	<b>41</b>	<b>1,152</b>	<b>9,201</b>

Prior year Purchased Assets

Movement in 2013/14	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
<b>Cost or valuation</b>									
At 1 April 2013	748	12,712	536	400	5,066	2,684	171	1	22,318
Additions	0	16	0	0	541	48	32	332	969
Completions	0	111	40	0	25	60	0	(236)	0
Revaluation	0	(570)	0	0	0	0	0	0	(570)
Impairment Charge	(4)	(301)	(141)	0	0	0	0	0	(446)
Impairment Reversal	0	64	40	0	0	0	0	0	104
Disposals	0	0	0	(36)	(58)	0	(1)	0	(95)
<b>At 31 March 2014</b>	<b>744</b>	<b>12,032</b>	<b>475</b>	<b>364</b>	<b>5,574</b>	<b>2,792</b>	<b>202</b>	<b>97</b>	<b>22,280</b>
<b>Depreciation</b>									
At 1 April 2013	0	1,321	71	209	3,976	2,176	144	0	7,897
Provided during the year	0	470	27	46	349	256	8	0	1,156
Revaluation	0	(604)	0	0	0	0	0	0	(604)
Impairment Charge	0	(36)	(20)	0	0	0	0	0	(56)
Impairment Reversal	0	(922)	(66)	0	0	0	0	0	(988)
Disposals	0	0	0	(36)	(58)	0	(1)	0	(95)
<b>At 31 March 2014</b>	<b>0</b>	<b>229</b>	<b>12</b>	<b>219</b>	<b>4,267</b>	<b>2,432</b>	<b>151</b>	<b>0</b>	<b>7,310</b>
<b>Net book value at 1 April 2013</b>	<b>748</b>	<b>11,391</b>	<b>465</b>	<b>191</b>	<b>1,090</b>	<b>508</b>	<b>27</b>	<b>1</b>	<b>14,421</b>
<b>Net book value at 31 March 2014</b>	<b>744</b>	<b>11,803</b>	<b>463</b>	<b>145</b>	<b>1,307</b>	<b>360</b>	<b>51</b>	<b>97</b>	<b>14,970</b>
<b>Open Market Value of Land in Land and Dwellings Included Above</b>	<b>744</b>								
<b>Asset financing:</b>									
Owed	744	11,803	463	145	1,307	360	51	97	14,970
<b>Net book value at 31 March 2014</b>	<b>744</b>	<b>11,803</b>	<b>463</b>	<b>145</b>	<b>1,307</b>	<b>360</b>	<b>51</b>	<b>97</b>	<b>14,970</b>

**11(b). Property, Plant and Equipment (Donated Assets)**

Movements in 2014/15	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Information Technology £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2014	107	209	48	364
Impairment Charge	(91)	0	0	(91)
<b>At 31 March 15</b>	<b>16</b>	<b>209</b>	<b>48</b>	<b>273</b>
<b>Depreciation</b>				
At 1 April 2014	9	173	25	207
Provided during the year	8	13	10	31
Impairment Charge	(17)	0	0	(17)
<b>At 31 March 15</b>	<b>0</b>	<b>186</b>	<b>35</b>	<b>221</b>
<b>Net book value at 1 April 2014</b>	<b>98</b>	<b>36</b>	<b>23</b>	<b>157</b>
<b>Net book value at 31 March 2015</b> <u>BS</u>	<b>16</b>	<b>23</b>	<b>13</b>	<b>52</b>

**Asset financing:**

Owned	16	23	13	52
<b>Net Book Value at 31 March 2015</b>	<b>16</b>	<b>23</b>	<b>13</b>	<b>52</b>

Movement in 2013/14	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Information Technology £'000	Total £'000
<b>Cost or valuation</b>				
At 1 April 2013	111	198	42	351
Additions	0	11	6	17
Revaluation	(2)	0	0	(2)
Impairment Reversal	(2)	0	0	(2)
<b>At 31 March 2014</b>	<b>107</b>	<b>209</b>	<b>48</b>	<b>364</b>
<b>Depreciation</b>				
At 1 April 2013	17	160	14	191
Provided during the year	6	13	11	30
Revaluation	(1)	0	0	(1)
Impairment Reversal	(13)	0	0	(13)
<b>At 31 March 2014</b>	<b>9</b>	<b>173</b>	<b>25</b>	<b>207</b>
<b>Net book value at 1 April 2013</b>	<b>94</b>	<b>38</b>	<b>28</b>	<b>160</b>
<b>Net book value at 31 March 2014</b> <u>BS</u>	<b>98</b>	<b>36</b>	<b>23</b>	<b>157</b>

**Asset financing:**

Owned	98	36	23	157
<b>Net book value at 31 March 2014</b>	<b>98</b>	<b>36</b>	<b>23</b>	<b>157</b>

**11(c). Assets Held for Sale**

The following assets related to NHS Orkney have been presented as held for sale following the approval by NHS Orkney Board:

Brinian House, Rousay

The completion date for sale is expected to be on or before 31 December 2015.

Movements in 2014/15	Property, Plant & Equipment £'000
At 1 April 2014	187
Disposals for non-current assets held for sale	(94)
As at 31 March 2015	93

Movements in 2013/14	Property, Plant & Equipment £'000
At 1 April 2013	465
Disposals for non-current assets held for sale	(278)
As at 31 March 2014	187

**11(d). Property, Plant and Equipment Disclosures**

2013/14 £'000		2014/15 £'000	Note
	Net book value of property, plant and equipment at 31 March		
14,970	Purchased	9,201	11a
157	Donated	52	11b
15,127	Total	9,253	BS

744	Net book value related to land valued at open market value at 31 March	1,836
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653	Net book value related to buildings valued at open market value at 31 March	532
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**12. Inventories**

2013/14 £'000		2014/15 £'000
463	Raw Materials and Consumables	444
463	Total Inventories	444

**13. Trade and Other Receivables**

Consolidated 2013/14 £'000	Board 2013/14 £'000		Consolidated 2014/15 £'000	Board 2014/15 £'000	Note
		<b>Receivables due within one year</b>			
		<b>NHS Scotland</b>			
1	1	SGHSCD	1	1	
428	428	Boards	120	120	
<b>429</b>	<b>429</b>	<b>Total NHS Scotland Receivables</b>	<b>121</b>	<b>121</b>	
34	34	NHS Non-Scottish Bodies	32	32	
73	73	VAT recoverable	51	51	
355	355	Prepayments	197	197	
89	89	Other Receivables	191	191	
78	78	Other Public Sector Bodies	305	305	
1	0	Endowments consolidation	1	0	
<b>1,059</b>	<b>1,058</b>	<b>Total Receivables due within one year</b>	<b>898</b>	<b>897</b>	<u>BS</u>
		<b>Receivables due after more than one year</b>			
		<b>NHS Scotland</b>			
0	0	Prepayments	4	4	
<b>0</b>	<b>0</b>	<b>Total Receivables due after more than one year</b>	<b>4</b>	<b>4</b>	<u>BS</u>
<b>1,059</b>	<b>1,058</b>	<b>TOTAL RECEIVABLES</b>	<b>902</b>	<b>901</b>	
7	7	The total receivables figure above includes a provision for impairments of :	12	12	
		<b>WGA Classification</b>			
428	428	NHS Scotland	120	120	
74	74	Central Government Bodies	52	52	
78	78	Whole of Government Bodies	48	48	
34	34	Balances with NHS Bodies in England and Wales	32	32	
445	444	Balances with bodies external to Government	650	649	
<b>1,059</b>	<b>1,058</b>	<b>Total</b>	<b>902</b>	<b>901</b>	

2014 £'000	2014 £'000	Movements on the provision for impairment of receivables are as follows:	2015 £'000	2015 £'000
23	23	At 1 April	7	7
4	4	Provision for impairment	8	8
(13)	(13)	Receivables written off during the year as uncollectible	(3)	(3)
(7)	(7)	Unused amounts reversed	0	0
<b>7</b>	<b>7</b>	<b>At 31 March</b>	<b>12</b>	<b>12</b>

As of 31 March 2015, receivables with a carrying value of £8,265 (2014: £3,000) were impaired and provided for. The amount of the provision was £12,000 (2014: £7,000). The aging of these receivables is as follows:

2013/14 £'000		2014/15 £'000
0	3 to 6 months past due	0
7	Over 6 months past due	12
7		12

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2015, receivables with a carrying value of £901,000 (2014: £1,072,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2013/14 £'000		2014/15 £'000
1,059	Up to 3 months past due	883
6	3 to 6 months past due	10
7	Over 6 months past due	8
1,072		901

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

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

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.

#### 14. Available for Sale Financial Assets

2013/14 £'000		2014/15 £'000	Note
59	Government securities	63	
759	Other	874	
818	<b>TOTAL</b>	937	<b>BS</b>
673	At 1 April	818	
591	Additions	80	
(446)	Disposals	(23)	
0	Revaluation surplus/(deficit) transferred to equity	62	
818	At 31 March	937	
818	Non-current	937	<b>BS</b>
818	At 31 March	937	
0	The carrying value includes an impairment provision of	0	



**15. Cash and Cash Equivalents**

<b>Movements in 2014/15</b>	<b>At 01/04/14 £'000</b>	<b>Cash Flow £'000</b>	<b>At 31/03/15 £'000</b>	<b>Note</b>
Government Banking Service account balance	424	885	1,309	<u>BS</u> <u>16</u>
Cash at bank and in hand	21	6	27	
Endowment Cash	149	(78)	71	
<b>Total cash and cash equivalents - balance sheet</b>	<b>594</b>	<b>813</b>	<b>1,407</b>	
Overdrafts	0	0	0	
<b>Total cash - cash flow statement</b>	<b>594</b>	<b>813</b>	<b>1,407</b>	

CFS

CFS

<b>Restated Movements in 2013/14</b>	<b>At 01/04/13 £'000</b>	<b>Cash Flow £'000</b>	<b>At 31/03/14 £'000</b>	<b>Note</b>
Government Banking Service account balance	2,717	(2,293)	424	<u>BS</u> <u>16</u>
Cash at bank and in hand	28	(7)	21	
Endowment Cash	327	(178)	149	
<b>Total cash and cash equivalents - balance sheet</b>	<b>3,072</b>	<b>(2,478)</b>	<b>594</b>	
Overdrafts	0	0	0	
<b>Total cash - cash flow statement</b>	<b>3,072</b>	<b>(2,478)</b>	<b>594</b>	

CFS

CFS

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

**16. Trade and Other Payables**

Consolidated 2013/14 £'000	Board 2013/14 £'000		Consolidated 2014/15 £'000	Board 2014/15 £'000	Note
		<b>Payables due within one year</b>			
		<b>NHS Scotland</b>			
1,313	1,313	Boards	1,126	1,126	
<b>1,313</b>	<b>1,313</b>	<b>Total NHS Scotland Payables</b>	<b>1,126</b>	<b>1,126</b>	
7	7	NHS Non-Scottish Bodies	4	4	
445	445	Amounts Payable to General Fund	1,336	1,336	
644	644	FHS Practitioners	662	662	
628	628	Trade Payables	474	474	
498	498	Accruals	899	899	
1	1	Deferred income	0	0	
425	425	Income tax and social security	474	474	
320	320	Superannuation	335	335	
18	18	Holiday Pay Accrual	92	92	
238	238	Other Public Sector Bodies	234	234	
0	0	Other payables	3	3	
2	0	Endowments Consolidation	2	0	
<b>4,539</b>	<b>4,537</b>	<b>Total Payables due within one year</b>	<b>5,641</b>	<b>5,639</b>	<b>BS</b>
<b>4,539</b>	<b>4,537</b>	<b>TOTAL PAYABLES</b>	<b>5,641</b>	<b>5,639</b>	

**WGA Classification**

1,313	1,313	NHS Scotland	1,126	1,126	
745	745	Central Government Bodies	809	809	
238	238	Whole of Government Bodies	234	234	
7	7	Balances with NHS Bodies in England and Wales	4	4	
2,236	2,234	Balances with bodies external to Government	3,468	3,466	
<b>4,539</b>	<b>4,537</b>	<b>Total</b>	<b>5,641</b>	<b>5,639</b>	

All carrying amounts of payables are denominated in pounds sterling and approximate their fair value.

## 17. Provisions

Movements in 2014/15	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2014	419	0	605	248	1,272
Arising during the year	59	0		166	225
Utilised during the year	(65)	0	(120)	(71)	(256)
Reversed unutilised	0	0		(87)	(87)
<b>At 31 March 2015</b>	<b>413</b>	<b>0</b>	<b>485</b>	<b>256</b>	<b>1,154</b>

### Analysis of expected timing of discounted flows to 31 March 2015

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Note
Payable in one year	48	0	68	256	372	<a href="#">BS</a>
Payable between 2 - 5 years	365	0	417	0	782	
<b>At 31 March 2015</b>	<b>413</b>	<b>0</b>	<b>485</b>	<b>256</b>	<b>1,154</b>	

Movements in 2013/14	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Restated Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2013	453	109	673	112	1,347
Arising during the year	44	0	0	248	292
Utilised during the year	(78)	(109)	(68)	(112)	(367)
<b>At 31 March 2014</b>	<b>419</b>	<b>0</b>	<b>605</b>	<b>248</b>	<b>1,272</b>

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

### Analysis of expected timing of discounted flows - to 31 March 2014

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Restated Participation in CNORIS £'000	Other £'000	Total £'000	Note
Payable in one year	63	0	73	248	384	<a href="#">BS</a>
Payable between 2 - 5 years	0	0	532	0	532	
Thereafter	356	0	0	0	356	<a href="#">BS</a>
<b>At 31 March 2014</b>	<b>419</b>	<b>0</b>	<b>605</b>	<b>248</b>	<b>1,272</b>	

Movements in 2012/13	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Restated Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2012	493	28	0	463	984
Arising during the year	51	81	673	112	917
Utilised during the year	(91)	0	0	(190)	(281)
Reversed Unutilised	0	0	0	(273)	(273)
<b>At 31 March 2013</b>	<b>453</b>	<b>109</b>	<b>673</b>	<b>112</b>	<b>1,347</b>

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

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

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Restated Participation in CNORIS £'000	Other £'000	Total £'000	Note
Payable in one year	76	109	61	112	358	<a href="#">BS</a>
Payable between 2 - 5 years	0	0	612	0	612	
Thereafter	377	0	0	0	377	<a href="#">BS</a>
<b>At 31 March 2013</b>	<b>453</b>	<b>109</b>	<b>673</b>	<b>112</b>	<b>1,347</b>	

#### Pensions and similar Obligations

The board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.3% 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

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

#### Other

The Board currently has three invoice disputes which may result in payments. It is anticipated these issues will be resolved in 15/16.

#### 17(b). Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

Restated 2012/13 £'000	Restated 2013/14 £'000		2014/15 £'000	Note
109	0	Provision recognising individual claims against the NHS Board as at 31 March	0	<a href="#">17</a>
(44)	0	Associated CNORIS receivable at 31 March	0	<a href="#">13</a>
673	605	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	485	<a href="#">17</a>
<b>738</b>	<b>605</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>	<b>485</b>	

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 line above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid your understanding of CNORIS.

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

#### 18. Movement on working capital balances

2013/14	Net Movement £'000	2014/15			Note
		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	
		<b>INVENTORIES</b>			
(42)	Balance Sheet	463	444		<a href="#">12</a>
(42)	Net Decrease/(Increase)			19	
		<b>TRADE AND OTHER RECEIVABLES</b>			
(332)	Due within one year	1,058	897		<a href="#">13</a>
0	Due after more than one year	0	4		<a href="#">13</a>
		1,058	901		
(332)	Net Decrease/(Increase)			157	
		<b>TRADE AND OTHER PAYABLES</b>			
(1,408)	Due within one year	4,537	5,639		<a href="#">16</a>
(115)	Less: Property, Plant & Equipment (Capital) included in above	(211)	(278)		
2,300	Less: General Fund Creditor included in above	(445)	(1,336)		<a href="#">16</a>
		3,881	4,025		
777	Net (Decrease)/Increase			144	
		<b>PROVISIONS</b>			
(75)	Balance Sheet	1,272	1,154		<a href="#">17</a>
(75)	Net (Decrease)/Increase			(118)	
328	NET MOVEMENT (Decrease)/Increase			202	<a href="#">CFS</a>

## 19. Contingent Liabilities

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

2013/14 £'000	Nature	2014/15 £'000
5	Clinical and medical compensation payments	0
5	<b>TOTAL CONTINGENT LIABILITIES</b>	<b>0</b>

## 20. Events after the end of the reporting year

There are no events with a material effect on the accounts.

## 21. Capital Commitments

The board has the following Capital Commitments which have not been included for in the annual accounts.

2013/14 Property, plant and equipment: £'000		2014/15 Property, plant and equipment: £'000
	<b>Contracted</b>	
10	VES migration	0
51	Eday surgery and nurses house upgrade	0
519	CT Scanner works	0
400	CT scanner	0
0	New hospital professional fees	1,000
<b>980</b>	<b>Total</b>	<b>1,000</b>
	<b>Authorised but not Contracted</b>	
0	Eday new health centre	387
0	New hospital professional fees	1,100
<b>0</b>	<b>Total</b>	<b>1,487</b>

## 22. Commitments under leases

2013/14 £'000	Operating Leases	2014/15 £'000
	<b>Obligations under operating leases comprise:</b>	
	<b>Land</b>	
14	Not later than one year	14
14	Later than one year, not later than 2 years	14
42	Later than two year, not later than five years	42
56	Later than five years	28
	<b>Buildings</b>	
112	Not later than one year	113
111	Later than one year, not later than 2 years	111
334	Later than two year, not later than five years	334
847	Later than five years	624
	<b>Other</b>	
10	Not later than one year	6
3	Later than one year, not later than 2 years	0

### Amounts charged to Operating Costs in the year were:

17	Hire of equipment (including vehicles)	14
145	Other operating leases	120
162	<b>Total</b>	<b>134</b>

There are no finance leases within NHS Orkney.

## 23. Commitments under PFI contracts – off balance sheet

No PFI contracts on or off balance sheet.

## 24. Pension Costs

NHS Orkney participates in the National Health Service Superannuation Scheme (Scotland). This scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

NHS Orkney has no liability for other employers' obligations to the multi-employer scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where NHS Orkney is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate for the period from 1 April 2015 will be 14.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% pensionable pay.

At the last valuation a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employer's contribution rate.

NHS Orkney's level of participation in the pension scheme is 0.34% as indicated by the proportion of total contributions paid in 2013/14.

Provisions amounting to £0.413 million are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Consolidated Comprehensive Net Expenditure and the amounts paid directly.

Changes to the pension scheme were implemented from 1 April 2008. Further changes are being implemented from 1 April 2015, moving from a "final salary" scheme to a "career average revalued earnings" scheme. Further information on these pension scheme changes can be found on the Scottish Public Pensions Agency website [www.sppa.gov.uk](http://www.sppa.gov.uk).

2013/14 £'000		2014/15 £'000
2,288	Pension cost charge for the year	2,411
175	Additional Costs arising from early retirement	46
419	Provisions/Liabilities/Pre-payments included in the Balance Sheet	413

## 25. Prior year adjustments

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

	Dr. £000	Cr. £000
Adjustment 1		
Retrospective restatement		
A retrospective restatement has been recognised in these Accounts arising from the changes to the accounting treatment for CNORIS as set out at Notes 1.18 and 17b.		
Note 17 Provisions	68	
Note 7 Other Non-Clinical Services		68
The opening general fund balance for 2013/14 has been reduced by £673,000. This amount represents the Board's share of the total liability of NHS Scotland as at 31 March 2013, as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. This amount is also recognised in Note 17.		

## 26. Restated Primary Statements

This note reconciles the Balance Sheet, SOCNE and Statement of Cash Flows as published for 2013/14 and as restated in the 2014/15 accounts.

### 26(a). Restated SOCNE

	Published Accounts 2013/14 £'000	Adjustment 1 £'000	Restated Accounts 2013/14 £'000
<b>Clinical Services Costs</b>			
Hospital and Community	35,371		35,371
Less: Hospital and Community Income	(445)		(445)
	34,926		34,926
Family Health Services	12,904		12,904
Less: Family Health Services Income	(237)		(237)
	12,667		12,667
<b>Total Clinical Services Costs</b>	<b>47,593</b>	<b>0</b>	<b>47,593</b>
<b>Administration Costs</b>			
	1,105		1,105
	1,105	0	1,105
Other Non Clinical Services	3,311	(68)	3,243
Less: Other Operating Income	(826)		(826)
	2,485	(68)	2,417
<b>Net Operating Costs</b>	<b>51,183</b>	<b>(68)</b>	<b>51,115</b>



26(b). Restated Balance Sheet at 31 March 2014

	Published Accounts 31 March 2014 £'000	Adjustment 1 £'000	Adjustment 2 £'000	Restated Accounts 31 March 2014 £'000
<b>Non-current assets</b>				
Property, plant and equipment	15,133		(6)	15,127
Intangible assets	138			138
Financial assets:				
Available for sale financial assets	818			818
	<b>16,089</b>	<b>0</b>	<b>(6)</b>	<b>16,083</b>
<b>CURRENT ASSETS</b>				
Inventories	463			463
Financial assets:				
Trade and other receivables	1,059			1,059
Cash and cash equivalents	594			594
Assets classified as held for sale	187			187
	<b>2,303</b>	<b>0</b>	<b>0</b>	<b>2,303</b>
<b>TOTAL ASSETS</b>	<b>18,392</b>	<b>0</b>	<b>(6)</b>	<b>18,386</b>
<b>CURRENT LIABILITIES</b>				
Provisions	(311)	(73)		(384)
Financial liabilities:				
Trade and other payables	(4,539)			(4,539)
<b>TOTAL CURRENT LIABILITIES</b>	<b>(4,850)</b>	<b>(73)</b>	<b>0</b>	<b>(4,923)</b>
<b>NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES</b>	<b>13,542</b>	<b>(73)</b>	<b>(6)</b>	<b>13,463</b>
<b>Non-current liabilities</b>				
Provisions	(356)	(532)		(888)
<b>Total non-current liabilities</b>	<b>(356)</b>	<b>(532)</b>	<b>0</b>	<b>(888)</b>
<b>Assets less liabilities</b>	<b>13,186</b>	<b>(605)</b>	<b>(6)</b>	<b>12,575</b>
<b>TAXPAYERS' EQUITY</b>				
General Fund	9,520	(605)	(6)	8,909
Revaluation Reserve	2,700			2,700
Other Reserves	966			966
<b>Total taxpayers' equity</b>	<b>13,186</b>	<b>(605)</b>	<b>(6)</b>	<b>12,575</b>

**26(c). Restated Cash Flow Statement**

	Published Accounts 2013/14 £'000	Adjustment 1 £'000	Restated Accounts 2013/14 £'000
<b>Cash flows from operating activities</b>			
Net operating cost	(51,183)	68	(51,115)
Adjustments for non-cash transactions	2,337		2,337
(Increase) / decrease in trade and other receivables	(327)		(327)
(Increase) / decrease in inventories	(42)		(42)
Increase / (decrease) in trade and other payables	777		777
Increase / (decrease) in provisions	(7)	(68)	(75)
<b>Net cash outflow from operating activities</b>	<b>(48,445)</b>	<b>0</b>	<b>(48,445)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(854)		(854)
Purchase of intangible assets	(76)		(76)
Investment additions	(591)		(591)
Proceeds of disposal of property, plant and equipment	327		327
receipts from the sale of investments	446		446
<b>Net cash outflow from investing activities</b>	<b>(748)</b>	<b>0</b>	<b>(748)</b>
<b>Cash flows from financing activities</b>			
Funding	49,015		49,015
Movement in general fund working capital	(2,300)		(2,300)
Cash drawn down	46,715		46,715
<b>Net Financing</b>	<b>46,715</b>	<b>0</b>	<b>46,715</b>
<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>	<b>(2,478)</b>	<b>0</b>	<b>(2,478)</b>
Cash and cash equivalents at the beginning of the period	3,072		3,072
<b>Cash and cash equivalents at the end of the period</b>	<b>594</b>	<b>0</b>	<b>594</b>
<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
Increase/(decrease) in cash in year	(2,478)	0	(2,478)
Net debt/cash at 1 April	3,072		3,072
<b>Net debt/cash at 31 March 2015</b>	<b>594</b>	<b>0</b>	<b>594</b>

27(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Note
2014/15					
<b>At 31 March 2015</b>					
<b>Assets per balance sheet</b>					
Investments		937	937		<u>14</u>
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	529		529	528	<u>13</u>
Cash and cash equivalents	1,407		1,407	1,336	<u>15</u>
	<b>1,936</b>	<b>937</b>	<b>2,873</b>	<b>1,864</b>	

2013/14	Consolidated			Board	
	Loans and Receivables £'000	Available for Sale £'000	Total £'000	Loans and Receivables £'000	Note
<b>At 31 March 2014</b>					
<b>Assets per balance sheet</b>					
Investments		818	818		<u>14</u>
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	202		202	201	<u>13</u>
Cash and cash equivalents	594		594	445	<u>15</u>
	<b>796</b>	<b>818</b>	<b>1,614</b>	<b>646</b>	

Financial Liabilities	Consolidated		Board	
	Other financial liabilities £'000		Other financial liabilities £'000	Note
2014/15				
<b>At 31 March 2015</b>				
<b>Liabilities per balance sheet</b>				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		3,706	3,704	<u>16</u>
		<b>3,706</b>	<b>3,704</b>	

2013/14	Consolidated		Board	
	Other financial liabilities £'000		Other financial liabilities £'000	Note
<b>At 31 March 2014</b>				
<b>Liabilities per balance sheet</b>				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		2,480	2,478	<u>16</u>
		<b>2,480</b>	<b>2,478</b>	

## 27(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 2015 was £3.706m (31 March 2014 was £2.480m).

#### 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.

## 28. Derivative Financial Instruments

NHS Orkney doesn't have any derivative financial instruments.

## 29. Related Party Transactions

Dr Andrew Trevett, Non Executive Director of the Board, is a General Medical Practitioner at the Stromness Practice which provided Primary Medical Services to the Board. Payments to this practice in 2014/15 totalled £693,880.00. At 31 March 15 the Board owed Stromness Surgery £4,647.72. There were no special terms attached to these debts. There were no doubtful outstanding debts or provisions.

The directors of the Board are also Trustees of Orkney Health Board Endowments Fund. At 31 March 2015 there were no outstanding debts.

## 30. Segment Information

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

	HCH Services provided locally	HCH services provided off island	FHS services unified budget	FHS services non- discretionary budget	Total
	£'000	£'000	£'000	£'000	£'000
2014/15 Net operating cost	36,833	9,768	10,773	1,218	58,592
2013/14 Net operating cost	29,636	8,575	12,028	876	51,115

### 31. Third Party Assets

Third Party Assets managed by the Board consist of balances on Patients' Private Funds Accounts. There were no third party assets held in 2014/15 or 2013/14.

### 32. Exit packages

There were no compulsory redundancies in 2014/15 or 2013/14.

2014/15

There were no exit packages provided in 2014/15.

2013/14

Exit package cost band	Number of other departures agreed	Total number of exit packages by cost band
£100,000- £150,000	1	1
<b>Total number exit packages by type</b>	<b>1</b>	<b>1</b>
<b>Total resource cost (£'000)</b>	<b>112</b>	<b>112</b>

### 33(a). Consolidated Statement of Comprehensive Net Expenditure

2013/14	Group £'000	2014/15			
		Board £'000	Endowments £'000	Intra Group Adjustment £'000	Consolidated £'000
	<b>Clinical Services Costs</b>				
35,371	Hospital and Community	43,283	0	10	43,293
445	Less: Hospital and Community Income	490	0	0	490
34,926		42,793	0	10	42,803
12,904	<b>Family Health</b>	12,490	0	0	12,490
237	Less: Family Health Income	499	0	0	499
12,667		11,991	0	0	11,991
<b>47,593</b>	<b>Total Clinical Services Costs</b>	<b>54,784</b>	<b>0</b>	<b>10</b>	<b>54,794</b>
1,105	<b>Administration Costs</b>	1,117	0	0	1,117
1,105		1,117	0	0	1,117
3,243	<b>Other Non Clinical Services</b>	3,360	63	(10)	3,413
826	Less: Other Operating Income	692	40	0	732
2,417		2,668	23	(10)	2,681
<b>51,115</b>	<b>Net Operating Costs</b>	<b>58,569</b>	<b>23</b>	<b>0</b>	<b>58,592</b>

33(b). Consolidated Group Balance Sheet

2013/14		2014/15			
Group		Board	Endowment	Group	
£'000	Note	£'000	£'000	£'000	
<b>Non-current assets:</b>					
15,127	Property, plant and equipment	<a href="#">11</a>	9,253	0	9,253
138	Intangible assets	<a href="#">10</a>	111	0	111
<b>Financial assets:</b>					
818	Available for sale financial assets	<a href="#">14</a>	0	937	937
0	Trade and other receivables	<a href="#">13</a>	4	0	4
<b>16,083</b>	<b>Total non-current assets</b>		<b>9,368</b>	<b>937</b>	<b>10,305</b>
<b>Current Assets:</b>					
463	Inventories	<a href="#">12</a>	444	0	444
<b>Financial assets:</b>					
1,059	Trade and other receivables	<a href="#">13</a>	897	1	898
594	Cash and cash equivalents	<a href="#">15</a>	1,336	71	1,407
187	Assets classified as held for sale	<a href="#">11c</a>	93	0	93
<b>2,303</b>	<b>Total current assets</b>		<b>2,770</b>	<b>72</b>	<b>2,842</b>
<b>18,386</b>	<b>Total assets</b>		<b>12,138</b>	<b>1,009</b>	<b>13,147</b>
(384)	Provisions	<a href="#">17</a>	(372)	0	(372)
<b>Financial liabilities:</b>					
(4,539)	Trade and other payables	<a href="#">16</a>	(5,639)	(2)	(5,641)
<b>(4,923)</b>	<b>Total current liabilities</b>		<b>(6,011)</b>	<b>(2)</b>	<b>(6,013)</b>
<b>13,463</b>	<b>Non-current assets plus/less net current assets/liabilities</b>		<b>6,127</b>	<b>1,007</b>	<b>7,134</b>
<b>Non-current liabilities</b>					
(888)	Provisions	<a href="#">17</a>	(782)	0	(782)
<b>Financial liabilities:</b>					
0	Trade and other payables	<a href="#">16</a>	0	0	0
<b>(888)</b>	<b>Total non-current liabilities</b>		<b>(782)</b>	<b>0</b>	<b>(782)</b>
<b>12,575</b>	<b>Assets less liabilities</b>		<b>5,345</b>	<b>1,007</b>	<b>6,352</b>
<b>Taxpayers' Equity</b>					
8,909	General fund	<a href="#">SOCTE</a>	4,817	0	4,817
2,700	Revaluation reserve	<a href="#">SOCTE</a>	528	0	528
966	Funds Held on Trust	<a href="#">SOCTE</a>	0	1,007	1,007
<b>12,575</b>	<b>Total taxpayers' equity</b>		<b>5,345</b>	<b>1,007</b>	<b>6,352</b>





**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 (FRoM) which is in force for the year for which the statement of accounts are prepared.

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

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

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

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

Signed by the authority of the Scottish Ministers

Dated: 10/02/06