

ANNUAL REPORT AND ACCOUNTS

For

Year Ended 31 March 2026

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SECTION 1

Performance Report

The Performance Report provides sufficient information to understand the purpose of NHS Orkney, they key risks to the achievement of our objectives and how we have performed during the year 2025/26.

Further detailed information is provided in the Accountability Report, the Performance Report and the Financial Statements. You can also find more information about our services on our website www.ohb.scot.nhs.uk.

1. Statement from the Chair and Chief Executive

2025/26 has been a period of major transition and progress for NHS Orkney. Over this year we have continued to reconnect with our patients, community and staff, building meaningful relationships which are grounded in being open and honest.

We are now in our second year of our five-year Corporate Strategy, following extensive engagement with our patients, community, partners and staff.

We made a commitment when we launched our Corporate Strategy in 2024 to do all we can to bring it to life in everything we do. In doing so, it has become our 'compass', guiding all of our decisions which is now embedded across our organisation.

Our Corporate Strategy Year 2 delivery plan is available on our website by clicking here. We will continue to report our progress on a quarterly basis and share this publicly.

Our promise (our vision) is to look after our community and provide excellent care.

Our values are:

- Open and honest
- Respect
- Kindness

Underpinning our core values is 'Team Orkney', circa 800 staff who work together every day, and evidence teamwork, in the pursuit of our goals and delivery of our promise. Team Orkney is based at The Balfour, in our community and on our ferry-linked isles.

Our Strategic Objectives are: Place, Patient Safety, People, Performance Potential and Place. Each of our Strategic Objectives has an Executive Director lead. We report and publish how we're doing on a quarterly basis with our community, partners and staff so we are consistently open and honest.

We now have solid foundations in place which support sustainable improvement including:

- Improving our culture - a strong focus on visible and compassionate leadership, staff wellbeing and value and recognition, responding to feedback and creating a strong safety and speak up culture
- Stability of leadership – close to a fully substantive Executive Team and acting on the recommendations in an external review report into cultural development, governance and senior leadership with the Action Plan now being overseen by our Health Board)
- Operational and financial grip and control – clear ways in which we hold to account for delivery of performance improvements, including our Improvement Board, Senior Leadership Team, Planned Care Programme Board and Performance Review Meetings underpinned by improved data and benchmarking, including our Integrated Performance Report

- Strengthened approach to governance through the introduction of our Board Assurance Framework, refreshed our approach to risk management and have continued to further develop our Integrated Performance Report

PLACE

Our Integrated Performance Report now has a chapter on Population Health, recognising that some data is only available on an annual basis.

An MRI scanner on site at the Balfour has enabled many in the community to benefit without the need to travel to the mainland of Scotland.

Our Chief Executive is chairing a Rural and Islands Group for the subnational East and West regions, ensuring a focus is kept on the needs of our population as we work with partner NHS boards.

NHS Orkney is engaged in discussions around Public Sector Reform with a focus on collaborative working rather than structural reform.

The Island Games was held in July 2025 which saw competitors from 24 countries participate in 12 sports. There were over 4000 unique visitors to the events, and NHS Orkney worked closely with partners to ensure a safe and successful games.

Our Chief Executive is chairing a Remote, Rural and Island Task and Finish Group on behalf of the national Board CEOs. This is part of the national sustainability work to identify solutions for fragile services across Scotland

We completed an options appraisal and made the decision to sell our King Street site as it no longer supports our corporate and clinical strategies. The sale concluded early 2026/27.

We are also planning to demolish our Old Balfour Site and pre-demolitions surveys have been carried out with the aim of demolishing during 2026/27, This will provide an opportunity for assessing the site for future use with the intention to retain and develop it to support the strategic direction of the organisation going forward.

All work to decarbonise our estate has now finished – which is an incredible achievement after being awarded £4million by Scottish Government back in 2023 to further reduce reliance on the use of fossil fuels and ensure alternative renewable energy systems are installed.

PEOPLE

NHS Orkney continued to focus on improving staff experience during 2025/26, using feedback from the iMatter staff experience survey as a key source of insight to inform our People priorities and leadership approach.

The *iMatter Health and Social Care Staff Experience Survey 2025* results were published nationally in November 2025, enabling NHS Orkney to compare staff experience with other NHS Boards across Scotland. The results provide a comprehensive view of staff experience and inform ongoing improvement activity aligned to the Staff Governance Standard.

iMatter 2025 highlights

Key findings for NHS Orkney from the 2025 survey included:

- A **response rate of 69%**, exceeding the national average of 57% and demonstrating continued strong staff engagement with the survey.
- An **Employee Engagement Index score of 76**, in line with the national average and showing sustained improvement compared to earlier survey cycles.
- **66% of teams** agreeing action plans following receipt of results, above the national average and supporting a continued focus on team-led improvement.

The national benchmarking report shows that NHS Orkney continues to perform comparatively well across several staff experience measures, while recognising that further improvement is required in key areas highlighted through staff feedback.

Responding to staff feedback

Feedback from iMatter 2025 continues to reinforce the importance of health and wellbeing, leadership visibility, involvement in decision-making, valuing and recognising staff, and creating a culture where staff feel able to raise concerns confidently. These themes are reflected in NHS Orkney's organisation-wide People priorities for 2025/26 and are overseen through the staff experience programme. The core priorities include reducing sickness absence, particularly stress-related absence; increasing appraisal completion rates; strengthening financial awareness; and improving statutory and mandatory training compliance. These priorities are kept under review through established governance arrangements and key performance indicators.

Culture and leadership

During the year, NHS Orkney launched its **Behavioural Framework**, setting out clear expectations for behaviours aligned to organisational values. The framework supports consistent leadership practice, reinforces kindness and respect, and underpins improvements in team working and speaking up identified through iMatter feedback.

In parallel, **Your Employee Journey** has been developed to bring together multiple people-related improvement actions into a single, coherent framework. This approach ensures that staff feedback from iMatter 2025 is systematically translated into action, focusing on the moments that matter most to staff throughout their employment with NHS Orkney.

Together, these actions demonstrate NHS Orkney's ongoing commitment to strengthening organisational culture, leadership and staff experience, recognising the direct link between positive staff experience and the delivery of safe, effective and person-centred care.

PATIENT SAFETY

Patient safety remains a central priority for NHS Orkney, with continued focus on strengthening learning systems, improving assurance and embedding safer practice across the organisation. Throughout the year, work has concentrated on improving how safety intelligence is reviewed, acted upon and used to drive improvement, supporting a more consistent and proactive approach to patient safety.

The organisation has further embedded routine oversight of incidents, significant adverse events and safety learning through established clinical governance arrangements. Monthly review of incidents, learning summaries and emerging themes through the Clinical Quality Group and related governance forums has strengthened organisational visibility of patient safety issues and supported earlier identification of risk. This approach has reinforced accountability, improved escalation where required and supported a stronger focus on learning and improvement across services.

Alongside this, NHS Orkney has continued to strengthen its approach to organisational learning from significant adverse events. While work has progressed to review outstanding actions and ensure appropriate assurance, increased emphasis has been placed on sharing learning, understanding impact and embedding changes in practice. This supports a shift from process-driven review towards a more meaningful focus on improvement and safer care.

Clinical audit remains a key component of the patient safety framework. The Scottish National Audit Programme (SNAP) review and reporting is now embedded within governance processes, with improved compliance and more systematic review of findings. Audit outputs are used to identify variation in care, highlight potential risks to patient safety and inform targeted improvement activity. This strengthens assurance against national standards and supports safer,

more consistent care delivery. This work will continue in 2026/27 to further improve consistency and compliance which supports patient safety and high quality care.

Work has also continued to strengthen research governance within NHS Orkney. Processes for reviewing, approving and overseeing research activity have been clarified to ensure compliance with expected ethical and governance standards. At the same time, the organisation has sought to promote and encourage research activity that supports improvements in patient safety and quality of care. This balanced approach enables innovation and evidence-based improvement while maintaining appropriate safeguards for patients and staff. We aim to increase the visibility of research across the organisation in the coming year and review and implement recommendations from completed research projects.

Risk management processes have continued to evolve in support of patient safety. The organisation has further strengthened arrangements for identifying, reviewing and escalating risks at both operational and corporate level, supporting clearer oversight and assurance. These processes help ensure that patient safety risks are recognised early, monitored consistently and addressed through appropriate governance routes.

PERFORMANCE

NHS Orkney delivered continued progress across key performance priorities in 2025/26, supported by strengthened operational grip, improved governance, and a clear focus on sustainable improvement. Performance in urgent care remained strong, with improving compliance against the four-hour Emergency Access Standard, alongside targeted action to reduce planned care waits through enhanced oversight and additional activity where services were most challenged. While pressures remain in areas such as long waits and financial sustainability, the organisation has continued to build capability in performance management and data quality, improve transparency through regular public reporting, and maintain a clear improvement trajectory into 2026/27.

To reduce our waiting times for Planned Care patients, which includes new outpatient appointments, operations, tests, scans and cancer care, the Planned Care Programme Board provides oversight of performance and shares assurance reporting with Finance and Performance Committee. During 2025/26 we refreshed the weekly waiting times meeting, increasing the grip and control held on a weekly basis. Non-recurring funding helped to support additional activity to support those services where we have particular challenges and fragility and where our patients are experiencing unacceptably long waits (Ophthalmology and Ear, Nose and Throat).

We continue to publish each month a simple summary of our waiting times by specialty to our community, so it is easy to understand and digest, so we are being transparent.

A multi-disciplinary discharge planning group continues to meet to closely monitor the discharge experience for our patients, particularly those living on the ferry-linked isles.

Our Integrated Performance Report (IPR) continues to go from strength to strength, with our full IPR going bi-monthly to Senior Leadership Team and Board (for exception reporting) and relevant chapters of the IPR going to each Board Committee for oversight, scrutiny and assurance. The IPR provides important benchmarking information against the NHS Scotland Planning Framework, enabling Board members and senior and service managers to have better line of sight of performance trends and improvements required.

Following an external review of Data Quality conducted by Public Health Scotland in November 2023, the improvement plan continues into 2025/26 under the oversight of our Audit and Risk Committee. This approach aims to address the recommendations and further reinforce NHS Orkney's commitment to becoming a listening and learning organisation. Although progress has been made, embedding these principles into our culture remains a priority, and we acknowledge that ongoing effort is required in this area.

We’ve continued to strengthening relationships with a range of external stakeholders and partners – including informal Executive-to-Executive Team meetings between NHS Orkney, NHS

Grampian and NHS Highland to improve collaborative and cross-boundary working which we see as a key priority for the Board.

Performance Review Meetings have continued to be a key focus for our Senior Leadership Team, so that teams can be supported and held to account for delivery and improving across the full range of performance metrics. These meetings are for clinical and non-clinical teams and are held quarterly.

POTENTIAL

To accelerate the digitisation of NHS Orkney and the better use of technology and digital services to improve patient outcomes, we agreed three top digital priorities, which are the roll-out of Electronic Patients Records (EPR) for community-based staff, upgrading our electronic document management system (cCube) and re-provision of our GP IT systems. The first team to go live this year with MORSE was our Community Mental Health Team. The roll-out of the community EPR will continue into 2026/27

We now have a digital champions' network in place, with 20 people from across the organisation volunteering to be part of the digital transformation workstream of our Improving Together programme.

In December 2025, our Digital Services underwent an external audit by Scottish Government on our compliance against the Public Sector Cyber Resilience Framework which helps public sector organisations assess their cyber resilience. As a result of an increased focus on compliance, feedback from auditors was excellent, and we have increased our compliance to 56% which is what we set out to achieve in 2025/26.

The development of a new Education and Improvement Centre has been deferred until 2026/27; however, work continues on the business case and options appraisal.

NHS Orkney - Annual Review 2025: reconnecting with our community

Patient and Carer feedback – a summary of our listening and engagement sessions

Our Annual Review this year took place 6 October 2025. This year's Annual Review was a Ministerial Review, we were pleased to welcome Ms Maree Todd, Minister for Drugs and Alcohol, along with Caroline Lamb, Chief Executive of NHS Scotland and Director General of Health and Care Directorates at the Scottish Government.

During the meeting, we presented our progress, discussed the challenges we face and how we are addressing them, and outlined our plans for 2025/26.

To ensure everyone was aware of the meeting, we promoted the Annual Review well in advance. Community members and staff were invited to submit questions before the meeting by email or phone. Selected questions were addressed during the session alongside those asked in person.

Additionally, we provided an anonymous feedback box in staff areas at The Balfour to allow staff to submit questions privately, responding directly to previous feedback about accessibility.

All submitted questions received written responses the day after the Annual Review, in line with Ministerial Review guidance.

Questions submitted in advance for the Ministers were answered by the Minister for Drugs, Alcohol and Sport, as well as by members of the Board during the meeting.

Feedback from Scottish Government

Ms Todd commended local efforts to promote staff wellbeing and the successful delivery of the Island Games, including initiatives such as the mobile x-ray machine and new local clinics.

Recruitment and retention challenges, especially regarding housing and on-call rotas, were acknowledged. The importance of developing multidisciplinary teams and retaining locally trained staff through partnerships was emphasised.

Ms Todd recognised progress in early intervention, health improvement, and primary, community, and acute care services.

Staff dedication in managing pressures was appreciated, with meaningful engagement in strategic decisions highlighted as highly valued.

The Board's commitment to new roles, wellbeing support, improved working conditions, and remote working options was noted as responsive to staff concerns.

Effective partnership working and Executive Team commitment to resolving concerns were discussed.

The importance of patient and carer feedback, enhancing facilities, improving access to dentistry and mental health services, and leveraging technology for service accessibility was stressed.

Looking ahead

Throughout 2025/26 we continued to listen carefully to the views of our patients, community, partners and staff where we asked everyone: what matters most to you, which NHS Orkney has listened to and acted on. Our promise remains that we will look after our community and provide excellent care. We recognise we are on an improvement journey and at the heart of this is ensuring we reconnect in a meaningful way with our patients, community, partners and staff – by asking stakeholders regularly what matters to them we can make sure we are focusing and prioritising the right areas.

In April 2026 we will launch our Year 3 Corporate Strategy which sets out how we will work together to look after our community and provide excellent care, so we can continue to make improvements in the year ahead based on what matters most to our community.

We will keep investing in strong relationships with patients, the community, partners, and staff to stay connected to what matters. Our priority is putting people first and enhancing collaboration to improve patient care and services.

We recognise significant achievements in 2025/26, highlighting continued annual progress. We appreciate our partners, community, and Team Orkney staff for their ongoing dedication to serving our community every day.

In 2026/27, we remain committed to advancing our achievements, leading the organisation with integrity, and making continued progress toward our vision of supporting our community and delivering consistent, high-quality care.

James Goodyear – Interim Chief Executive
Davie Campbell - Board Chair

About NHS Orkney

Local Context

The Orkney Health Board (NHS Orkney) was established in 1974 under the National Health Service (Scotland) Act 1972 and is responsible for providing healthcare services for the residents of Orkney, with a growing population of in excess of 22,000.

NHS Orkney, as part of NHS Scotland, is one of 14 Territorial Health Boards in Scotland.

With circa 800 staff and serving a population of over 22,000, with a further population increase anticipated in the years to come, NHS Orkney is the smallest Territorial Health Board in Scotland, made up of 70 islands of which 20 are inhabited, with approximately a third of our population living on ferry-linked isles.

NHS Orkney is the smallest Territorial Health Board in Scotland by general funding allocation, and our services are delivered through an Acute Sector, a Public Health Directorate and a range of Primary and Community Care services delegated to the Integration Joint Board (IJB). Our clinical services are supported by a range of corporate functions: Finance, People and Culture, Estates and Facilities, Corporate Governance, Health Intelligence, Improvement Hub, Digital and Communications.

The Integration Joint Board (IJB) is a legally constituted cross sector body providing a focus for NHS Orkney to work in partnership with other agencies, including Orkney Islands Council (Local Authority) and Primary Healthcare contractors, in the provision of integrated services to the local community. Executive Directors and Non-Executive members of the NHS Orkney Board are members of the Integration Joint Board which provides the strategic direction for the integration of health and social care in Orkney.

Senior NHS Orkney colleagues are also members of the Community Planning Partnership (previously called The Orkney Partnership), including the Chief Executive, Board Chair, Director of Public Health and Chief Officer for the Integration Joint Board in their capacity of Chair of the Community Justice Partnership. This is the lead body for joint working in Orkney and is about public sector providers working together, and with communities, to improve the quality of people's lives and to create a better Orkney.

Local context – disease burden and health trends

Obesity

- 67% of Orkney adults overweight/obese. (67% Scotland average)
- 22.8% of Primary 1 children are at risk of being overweight/obesity

Health inequalities

- 16.3% of population living in Scottish Index of Multiple Deprivation Quintile 2

Fuel poverty

- 31 % of the population are in fuel poverty and 22% are in extreme fuel poverty

Dentistry

- P7 children had the lowest rates of tooth decay in Scotland (92.1% with no obvious signs of decay

Delayed Transfers of Care

- Higher numbers of delays, above our agreed maximum numbers, have been experienced over the past nine months. The reasons for these are many, although social care capacity due to recruitment challenges, continues to be a significant contributor to the delays.
- Hospital bed occupancy fluctuates between 82-95%

National Context

The vision nationally is a Scotland where people live longer, healthier and fulfilling lives – spanning access, prevention, quality of care and people and place.

The national priorities set out by the First Minister and Cabinet Secretary, which apply to all Health Boards, including NHS Orkney are clear and include:

1. Further reducing waiting times – and working to eliminate all waits over 52 weeks by 31 March of 2026
2. Reducing Delayed Transfers of Care, which means patients who are in hospital who are medically safe to transfer (home or to another care setting)
3. Path to financial balance and sustainability – ensuring that Boards have deliverable and credible plans which sets out over the coming three years our
4. Further digitising and improving productivity and efficiency
5. Shifting the balance of care from hospital (acute) to community

At the centre of responding to each of these priority areas in Orkney are leaders working across our system to influence change and improvements and working collaboratively and across boundaries for the benefit of our patients and community we serve.

The challenges are such on health and social care that Reform is required which will be focused around five guiding principles:

- Prevention first
- People first
- Community first
- Digital first
- Planning for the population

It is our job at NHS Orkney to consider the local Reform opportunities to us, which in simple terms means how we can explore different ways of working with our spectrum of partners that will not only further deepen partnership working arrangements but consider different ways of working that could further improve health outcomes and services for our patients, efficiency and the sustainability of public services in Orkney.

Regional context

The North of Scotland Region covers 70% of the landmass of Scotland yet is home to only 26% of the population. This creates challenges for the delivery and accessibility of services.

Whilst population changes are being experienced across Scotland, most remote and rural communities in the North have proportionally more people aged 65 and over, including Orkney, where a quarter of our population are over 65 (compared to 20% national average), and where it is predicted that half of our population will be over 65.

An ageing population has well-known implications for health and care service demand due to higher rates of chronic and long-term conditions, including conditions such as diabetes, heart, musculoskeletal and respiratory disease.

Collaboration and cross-boundary working is all the more important for NHS Orkney, to ensure we maximise the use of the resources we have available to build more sustainable, value-based healthcare whilst staying connected to our unique local communities and populations we serve.

Other cross-boundary services exist within Service Level Agreements (SLAs) between island Boards, including NHS Orkney, and other specialist centres, in our case mostly at NHS Grampian, NHS Highland and Golden Jubilee. We are working hard to further strengthen relationships and governance between Boards we rely on to ensure our patients receive timely care. There is also a shift to more population-based planning in this regional space.

In addition to demographic challenges experienced in the North of Scotland, other key challenges are:

- Workforce sustainability
- Travel
- Housing
- Funding
- Capital and infrastructure
- Fragile clinical and corporate services at risk of unsustainability

Challenges

NHS Orkney is experiencing many of the service pressures facing the rest of the NHS in Scotland, including unacceptably long waits in planned care in many services. We also have some unique challenges, including an ageing population, our geography, transport and accommodation which we are grappling with and working proactively to find solutions to. On the flip side, Orkney also has the longest healthy lifespan of anywhere in Scotland, some of the lowest rates of heart disease and an incredible community with a spirit that is unrivalled. It is important to build on our community's strengths whilst we strive for our own improvements.

The solutions to our challenges range from local, to regional and national ones and as such NHS Orkney ensures we have a strong voice in each of these spaces. We are one of six Health Boards that work together in the North of Scotland region (recognising many solutions to creating sustainable services are now regional ones) and there are many areas where a 'Once for Scotland' approach, notwithstanding our uniqueness as an Island Board, is entirely appropriate also.

Our journey of improvement

Our journey of improvement continued in 2025/26, with the launch of our Corporate Strategy 2024-28 Year 3 Delivery Plan – Delivering what matters most to our community.

Over the last 12 months, many important foundations have been laid at NHS Orkney to ensure we can deliver much-needed sustainable change and continuous improvement. At the heart of this has been reconnecting with Team Orkney and our community to build trusted and strengthened relationships based on openness and transparency.

The foundations now in place which will continue to support sustainable improvement include:

- Improving our culture - a strong focus on visible and compassionate leadership, staff wellbeing and value and recognition, responding to feedback and creating a strong safety and speak up culture
- Stability of leadership – close to a fully substantive Executive Team and acting on the recommendations of an external review report into cultural development, governance and senior leadership (December 2024)
- Operational and financial grip and control – clear ways in which we hold to account for delivery of performance improvements, including our Improving Together Programme Board, Senior Leadership Team, Planned Care Programme Board and Performance Review Meetings underpinned by improved data and benchmarking, including our Integrated Performance Report
- Strengthened approach to governance and risk management in the organisation

We have listened carefully to all the feedback we receive through engagement mechanisms, compliments and complaints, Care Opinion so we have a richer understanding of what matters most to our community and what would make the experience of working and receiving care and support here a better one.

During our engagement on the development of our Year 3 priorities, we heard consistently that our staff do incredible things every single day so many examples of staff going above and beyond and delivering excellent care for our patients and community.

2. Structure and governance arrangements

Building on the work undertaken in 2024/25 to stabilise NHS Orkney be prioritising people and finding ways to meaningfully reconnect with our patients, local community, our partners and our staff, a review of our structure and governance arrangements has been undertaken.

We have carried out a full review of our Corporate and Operational Governance landscape, to enable much more clinical involvement and transparency in decision-making, simplifying an overly complex structure, being more open and communicating at each step of the way.

We have held two Board-Senior Leadership Team meetings to build relationships between the Board and NHS Orkney's senior leadership community. These meetings are scheduled twice a year, with one of these meetings focused on annual and strategic planning.

Embedding Chair's Assurance Reports has provided greater consistency across our governance landscape and clarity regarding where there is assurance, work underway and commissioned, decisions made and items to be escalated. Revised timelines for paper submissions, with up-to-date reporting and assurance through the Chair's Assurance Report, supported by an improved turnaround of minutes and a new approach to agenda setting, has led to more effective and strengthened governance system.

There has been increased visibility on risk management, with risk moved higher on all governance Committee agendas, including the Board, Boad Committees and Senior Leadership Team.

Board and SLT agendas are aligned with the strategic objectives, this has been expanded to Board Committees this year.

Professional Advisory Groups have had a full review of Terms of Reference and workplans and embedding the Chair's Assurance Report as normal practice, feeding into the appropriate governance Committee.

3. Priorities, approach, and objectives for 2025/26

The Board is committed to working with our staff and partners to further improve the health of the residents of Orkney. We are now in year 2 of our five-year Corporate Strategy launched in April 2024, following extensive community, patient, partner and staff engagement, which included a new "Promise" (vision) and new Priorities.

Our Corporate strategy 2024-2028 – connecting with our community

Our strategy is underpinned by our commitment to delivering excellent care and services to our community.

We will do this by connecting with our community and ensuring our values are at the heart of everything we do.

Our promise to our community

Looking after our community and providing excellent care.

Values

Our values, aligned to those of NHS Scotland, are:

- **O**pen and honest
- **R**espect
- **K**indness

Underpinning these core values is 'Team Orkney' – which is our circa 800 staff who work together every day, and will evidence teamwork, in the pursuit of our goals and delivery of our promise. Team Orkney are based at The Balfour, in our community and on our ferry-linked isles.

Strategic objectives

We have 5 strategic objectives:

1. Place

By 2028 we will: be a key partner in leading the delivery of place-based care which improves health outcomes and reduces health inequalities for our community.

2. People

By 2028 we will: ensure NHS Orkney is a great place to work

3. Performance

By 2028 we will: within our budget, ensure our patients receive timely and equitable access to care and services and use our resources effectively.

4. Potential

By 2028 we will: ensure innovation, transformation, education and learning are at the forefront of our continuous improvement

Our priorities for 2025/26 (Year 2)

Each strategic objective has an Executive Director Lead (as below)

1. Place (Lead Executive Director: Director of Public Health)

- Improve people's physical, mental health and wellbeing by prioritising prevention and early intervention for smoking, obesity and wellbeing
- Progress our ambition to become a Population Health organisation and system by putting prevention and early intervention at the core of what we do
- Explore local reform opportunities to further improve outcomes and services for patients and our community and sustainability

2. People (Lead Executive Director: Director of People and Culture)

- Launch a new overarching experience programme which includes new behavioural standards to bring our values to life and ensures patient, staff and community feedback drives continuous improvement
- See a step change in appraisal, mandatory training and sickness absence rates
- Launch our new leadership development programme and approach to succession planning

3. Patient safety, quality and experience (Lead Executive Director: Medical Director)

- Embed a consistent and proportionate approach to risk management and further strengthen our governance
- Foster a culture of safety, learning and openness, encouraging staff to speak up
- Ensure the clinical voice drives safety and improvement changes across our hospital and community

4. Performance (Lead Executive Director: Executive Director of Nursing, Midwifery, AHPs and Chief Officer for Acute Services)

- Deliver our 2025/26 financial plan and continue our path to de-escalation
- Further improve our waiting times for patients by increasing the number of patients treated (inpatients and outpatients) within the national target
- Further improve the discharge experience for our patients, particularly those living on our ferry-linked isles

5. Potential (Lead Executive Director: Chief Executive)

- Accelerate digital transformation through our year 2 digital priorities which includes introducing a new model for how we deliver Digital Services for our patients, community and staff
- Set out a clear ambition for education, training and improvement underpinned by an integrated education strategy and new Education and Improvement Centre
- Revisit and refresh our Clinical Strategy which will redefine NHS Orkney, determine transformation opportunities and create more sustainable services

4. Principal risks to delivery of our strategy and Annual Delivery Plan

Escalation

NHS Orkney was placed on level three of the NHS Scotland Support and Intervention Framework for Finance, the first formal escalation stage in October 2023, following reporting of an adverse position against the 2023/24 financial plan. The position remained the same throughout 2024/25 and 2025/26. In response to this, the Board established an organisation-wide Team Orkney Improving Together Programme, which is an integrated improvement programme covering improvements to quality and safety, digital, operational and financial performance including improving the financial position and developing a financial sustainability programme with the ambition of delivering the statutory requirement to deliver services which are affordable and in line with the revenue resource limit available to the Board

Annual Delivery Plan 2025/26

The 2025/26 Annual Delivery Plan (ADP) sets out the Board's formal delivery agreement with the Scottish Government, translating national priorities into a focused, credible programme of work for the year ahead. Its core aim is to ensure the organisation delivers safe, effective and sustainable services within a constrained financial environment, while maintaining clear line of sight between strategic intent and operational delivery. The ADP places a strong emphasis on realism and prioritisation, requiring Boards to concentrate on a limited number of high-impact areas where delivery is both achievable and aligned to national expectations. It brings together performance, finance and transformation into a single, coherent plan, underpinned by robust trajectories and a clear articulation of risks, dependencies and enablers.

For 2025/26, the ADP is centred around four key priorities:

- Improving access to treatment and reducing waiting times by increasing elective capacity and improving diagnostic access
- Shifting the balance of care towards community and preventative models by reducing hospital demand, improving flow and discharge and expanding community and home-based care
- Accelerating digital enablement and innovation
- Improving population health outcomes, focusing on earlier intervention and reducing inequalities

These priorities are supported by a continued focus on improving patient flow, enhancing productivity, and strengthening workforce sustainability. Delivery is expected to be demonstrable,

data-driven and outcome-focused, with an increased emphasis on system working and service redesign to secure both immediate performance improvement and longer-term transformation.

The 2025 NHS Scotland Operational Improvement Plan (OIP) builds on the Annual Delivery Plan by providing a clear, nationally coordinated framework for improving operational performance across NHS Scotland. Its core purpose is to drive tangible, near-term improvements in access, flow and productivity, recognising the sustained pressure on urgent and elective care pathways. The Plan moves beyond high-level ambition, setting a more directive expectation on Boards to deliver measurable gains in performance through standardised approaches, strengthened operational grip, and a renewed focus on whole-system flow.

The Plan is primarily focused on stabilising and improving patient access and experience, particularly in unscheduled care, waiting times and diagnostics, while maximising the use of existing capacity. It places a strong emphasis on improving patient flow through hospitals, reducing delays, and ensuring timely discharge, alongside increasing elective throughput and diagnostic capacity. Underpinning this is a focus on data-driven decision making, enhanced performance management, and the adoption of consistent improvement methodologies across Scotland. Collectively, the Plan reinforces the expectation that Boards will deliver immediate operational improvements while laying the foundations for longer-term service transformation and sustainability.

Performance against the NHS Scotland OIP is overseen through a structured governance framework, with delivery monitored by the Senior Leadership Team, the Finance and Performance Committee, and the Board via regular quarterly reporting. This approach is aligned to the established reporting cadence for tracking progress against the organisation's Corporate Strategy priorities, ensuring a consistent and integrated view of performance, finance and delivery.

This disciplined approach to planning and performance management enables the organisation to maintain clear oversight of progress, respond proactively to emerging risks and pressures, and ensure delivery remains focused on agreed priorities. In turn, it supports the provision of services that are sustainable, high quality and centred on the needs of patients, ensuring care is delivered where it is most needed and has the greatest impact.

The following tables provides an assessment of NHS Orkneys progress against OIPs the deliverables at year end.

Deliverable	Due Date	RAG Status
Reduce waiting times ensuring that by March 2026 no one is waiting longer than a year for their new outpatient appointment or inpatient-day-case procedure	**31/03/2026**	**Green**
Increasing capacity: deliver over 150,000 extra appointments and procedures in 2025/26; increase capacity in NTCs to well over 30,000 in 2025/26	**31/03/2026**	**NA**
National Treatment Centres (NTCs) will support additional procedures for 2025/26 increasing to well over 30,000 procedures	**31/03/2026**	**NA**
Reducing the radiology backlog so that 95% of referrals are seen within six weeks by March 2026	**31/03/2026**	**Green**
Rolling out a new Digital Dermatology Pathway to all GPs by Spring 2025	**30/09/2025**	**Red**
Expanding the Rapid Cancer Diagnostic Services: deliver population coverage for this service pathways	**31/05/2025**	**Green**
Reducing the pressure in our hospitals: free up capacity and reduce occupancy levels towards 85%	**31/03/2026**	**Green**
Clear Child and Adolescent Mental Health Services (CAMHS) backlogs, and meet the 18-week target nationally by December 2025	**31/12/2025**	**Green**
Hospital at home: H@H beds to at least 2,000 by December 2026	**31/12/2026**	**Green**
Frailty: we will deliver direct access to specialist Frailty teams in every Emergency Department by Summer 2025	**31/08/2025**	**Red**

Access to GPs and other primary and community care clinicians: increase the capacity in general practice and make GP services more consistent across Scotland	**31/03/2026**	**Amber**
Eyecare: deliver a new acute anterior eye condition service during 2025	**31/12/2025**	**NA**
Pharmacy: expand Pharmacy First Service	**31/03/2026**	**Green**
Dentistry: deliver a 7% increase in student numbers from September 2025	**31/03/2026**	**NA**
(Digital Front Door) A new online app for health and social care: roll this out from December 2025, starting in Lanarkshire	**31/03/2026**	**Amber**
Build on digital platforms to increase operating theatre capacity: By June 2025 complete a roll out plan for the theatre scheduling tool with the anticipated benefit of productivity increase of up to 20% for some specialties	**30/12/2025**	**Amber**
Adopt new innovations: Before the end of 2025/26, start using genetic testing for recent stroke patients and newborn babies with bacterial infections and support 3,000 people newly diagnosed with type 2 diabetes over the next three years	**31/03/2026**	**NA**

Joint Workforce, Finance and Service Planning

In 2025/26 we took our first steps towards improving our approach to integrated planning. This approach seeks to provide a holistic approach to aligning population health needs, workforce, service delivery and financial planning as key enablers to delivering our corporate strategy. We have engaged with service leaders across the organisation to gain an understanding of the challenges they face and to understand any changes which may impact on the current workforce plan or the Financial Plan and key areas of focus moving forward, informed by a comprehensive suite of quality, performance, activity and population data. Discussions have emphasised the need for a sustained focus on service improvements and efficiencies across the organisation, alongside identifying opportunities for colleagues to develop new skills. Our learning and actions from this phase of our approach has been reflected in the delivery plan narrative.

5. A performance analysis

The Board monitors its performance against a range of quality and performance measures, some of which are set nationally. The performance measures in this section use national and local sources to present our 2025/26 performance. The Board's non-financial performance measures focus on the six dimensions of healthcare quality as highlighted in the Healthcare Quality Strategy for NHS Scotland which demonstrate that the system is Person-Centred, Safe, Effective, Efficient, Equitable and Timely.

Performance Management Framework

Regular performance monitoring helps to identify any deviations from KPI's. This early detection allows for quick interventions before issues escalate. Performance data, for example incident reports or patient outcomes, can be analysed to identify trends and areas needing improvement, ensuring decisions to enhance patient safety are based on solid evidence.

In September 2024 we introduced a new Performance Management Framework (PMF) which underpins our Board Assurance Framework.

NHS Orkney's PMF is the umbrella framework for measuring performance of our Corporate Strategy (which includes the Anchor Strategy), NHS Scotland Planning Framework, Operational Improvement Plan (including the Annual Delivery Plan) and key national operational performance metrics/local metrics. Performance against the KPI's will be presented via the Integrated Performance Report (IPR) on an exception only basis.

Only KPI's which are off track (rated red) will be included in the IPR in detail. KPIs which are on track (rated green) will not be included with performance being monitored by services, and kept under review via our operational governance forums, including our monthly Planned Care Board and quarterly Performance Review Meetings (PRMs to give some examples).

The full IPR is discussed, scrutinised and approved by the Senior Leadership Team and Public Board bi-monthly after the detailed chapters of the IPR have been scrutinised by our Board Committees i.e. workforce chapter to Staff Governance Committee, Finance, Operational and Community performance to Finance and Performance Committee and Population Health and Quality, Safety and Experience to Joint Clinical and Care Governance Committee).

Waiting Times Report

From February 2025 we introduced a new way of keeping patients informed of waiting times for planned (elective) care. Our waiting times statistics include information on waiting times for planned (elective) care. They exclude information about emergency (unscheduled) care. The information provides an overview of patients who are currently on an NHS Orkney waiting list. The statistics relate to the waiting times patients may experience to:

- Attend a particular outpatient clinic for the first time (known as a new outpatient attendance)
- Receive treatment under the national Treatment Time Guarantee (TTG) standard as an inpatient or day case

For patients currently on an NHS Orkney waiting list, some will have waited less than the median waiting time* whilst others will have waited longer. We use the 90th percentile to show that out of every 10 patients, 9 are currently waiting less than the number of weeks indicated.

The wait experienced by our patients may vary from the median for a number of reasons, and this includes:

- The clinical need of the patient
- The urgency of the care required
- The availability of services
- The number of patients waiting to be treated

To note: Decisions about waiting times are always made by a clinician and influenced by a clinical decision or the urgency of the care required. Statistics are likely to fluctuate as NHS Orkney addresses the backlog of patients waiting for planned care, consistent with Health Boards across NHS Scotland.

To ensure patient confidentiality, waiting times statistics are not included if there were less than 5 patients waiting or seen for treatment in the period (indicated as '<5' on each table).

Public Health Scotland Data and Intelligence publishes reports on various activities and performance of all NHS Boards. The most up-to-date information can be found at the following website: https://www.nhsperforms.scot The Board continues to work with Public Health Scotland who support national and local partners across Scotland to work together to further improve healthy life expectancy and reduce health inequalities in our communities. Further information is available on the Public Health Scotland website (https://www.publichealthscotland.scot).

NHS Orkney performance is regularly monitored through:

- Executive Management Team
- Senior Leadership Team
- Quarterly Performance Review Meetings
- Planned Care Programme Board
- Improving Together Programme Board and Delivery Group
- Consultant led weekly waiting times meeting
- Finance and Performance Committee
- Joint Clinical and Care Governance Committee
- Audit and Risk Committee
- Integration Joint Board
- Staff Governance Committee
- NHS Orkney Board

Corporate Strategy 2024-2028

Year 2 2025/26

We have worked hard to ensure alignment between our Corporate Strategy 2024 - 2028, Annual Delivery Plan 2025/26, 3-Year Financial Plan 2025-2028, Anchor Strategy, Integration Joint Board's Strategic Plan.

Board Assurance Framework

In December 2024, following a period of engagement with key stakeholders the Board Introduced its first Board Assurance Framework. This framework provides the Board with an overview of:

- The format and process for delivering NHS Orkney's strategic objectives.
- The key responsibilities for monitoring and reviewing the framework.
- A plan of action to monitor and review the Assurance Framework to assure the Board.

The framework links closely to NHS Orkney's Corporate Strategy (2024-2028) which is called 'Delivering what matters to our community, the national priorities set out by Scottish Government, the challenges faced by the north of Scotland and brings the quality, finance, performance and risk agendas more closely together. It also supports the people agenda, and the culture required to support effective governance processes across the organisation.

The Assurance Framework is a process that brings together all areas of governance including operational, clinical, information, financial and corporate governance, ensuring the Board of the robust and timely connection between the formal process of assessing, documenting, reviewing and reporting on risks to the Board and the planning, approval and implementation of action to address risks.

The Audit and Risk Committee provide assurance to the Board that the controls contained in the Board Assurance Framework are working effectively and that the process for managing risk and governance are adequate through the work of both internal and external audit.

The Audit and Risk Committee also act as co-ordinator of internal and external audit and ratifies the provision of resources by signing off annual audit plans. Updates will be provided to the Audit and Risk Committee on a quarterly basis.

Areas for Improvement

Quality/Patient Care

NHS Orkney recognises that further improvement is required to support consistently safe, effective and person-centred care within a remote and island context. Priorities for the coming year include strengthening timely learning from adverse events (incidents and near-misses), improving the routine use of safety intelligence to identify emerging risks, and reducing unwarranted variation through consistent application of national clinical audit findings.

We will continue to develop local risk management processes and support all staff in identifying, assessing and mitigating risk through training and development strategies alongside a culture of openness, learning and shared responsibility for patient safety and quality of care.

Areas for improvement
• Strengthen timely learning from adverse events and improve use of safety intelligence to identify emerging risks • Reduce unwarranted variation through more consistent application of national clinical audit findings • Continue to develop local risk management processes

People/Workforce

Workforce is at the heart of NHS Orkney and our local community. Now more than ever we face profound challenges, and we must take steps to retain the great staff we have through strengthened support and development options whilst attracting the best people to join us.

Improving workplace culture is at the heart of how we continue to develop as an organisation. It will help us to secure the future that places the needs of those we care for central to how we act, by listening to people, empowering staff to act, making decisions in a fair and open way, valuing high quality care, and building a sustainable future.

Areas for improvement

- Further work is required to develop our leaders and managers to ensure they have the skills and tools to lead successful teams and deliver the ambitions in our Improving Together Programme and Corporate Strategy. The implementation of our manager and leadership development programmes will be overseen by the Staff Governance Committee in partnership with the Area Partnership Forum
- Recruitment remains a challenge, we continue to think of innovative ways to attract people to NHS Orkney locally, regionally and nationally. We have undertaken a full review of our recruitment process to ensure it is as efficient as possible and will continue to implement recruitment campaigns.

Financial

The Board reported a financial overspend of £2.6m in 2025/26, whilst this position was an improvement relative to the £3.1m deficit forecast in the financial plan for 2025/26, the outturn position was £0.5m favourable movement against the financial plan.

The favourable movement in the financial position was largely driven by increased funding and reduced Mental Health SLA charges that were not anticipated in the financial plan.

Systems and Governance

Work is underway to further strengthen our governance, both the assurance and operational arms. This will be addressed through the Executive and Board Development programmes which are currently underway, strengthened operational governance arrangements and our Leadership Development Programme, which is being scoped, along with our new organisation-wide training programme, which will upskill Team Orkney.

6. Performance against the key national clinical treatment targets

Accident and Emergency

Four-hour emergency access standard

Average monthly attendances for patients that would be considered under the 4-Hour Emergency Access Standard (EAS) continue to increase year-on-year at NHS Orkney. Up to the end of March 2026 there have been 8467 attendances at The Balfour Emergency Department, representing a monthly average of 706 patients.

This is an increase over 2024/25 where there were 690 average attendances per month. Despite the increasing number of attendances, the Emergency Department shows a consistently improving picture in terms of compliance with the 4-Hour Emergency Access Standard. During 2025/26 there were 510 patients who waited more than 4 hours after arrival to be admitted, discharged, or transferred resulting in a compliance value of 93.98% against the EAS.

	Attendances		4Hr Breaches		Compliance	
Year	Total	+/-	Total	+/-	Overall	+/-
2022/23	7748		812		89.52%	
2023/24	7862	114	752	-60	90.44%	0.92%
2024/25	8277	415	742	-10	91.04%	0.60%
2025/26	8467	190	510	-232	93.98%	2.94%

Diagnostic tests or investigations completed on Island

A total of 315 patients were waiting for diagnostic tests or investigations (excluding Cardiology) at the end of March 2026 (compared to 320 patients in March 2025). 83 patients have been waiting over six weeks; 89 patients were waiting over 52 weeks in March 2025. There is 1 patient waiting over 52-weeks for diagnostic tests or investigations; 0 were waiting at the end of March 2025.

Radiology

At the end of March 2026, 276 patients were waiting for an unplanned imaging appointment, with a large majority (149) awaiting a Non-Obstetrics Ultrasound exam. Of those waiting, 76 (27.5%) are waiting over 6 weeks and 8 patients were waiting over 12 weeks. The number of patients waiting for Computer Tomography (CT) decreased from 42 in March 2025 to 22 in March 2026 and Non-Obstetric Ultrasound increased from 122 in March 2025 to 149 in March 2026. To note NHS Orkney does not undertake barium studies.

Endoscopy

There has been a modest decrease in the number of patients waiting for endoscopy procedures, falling from 152 in March 2025 to 39 in March 2026. Within that, 7 patients were waiting over 6 weeks, compared to 84 the previous year. There is currently one patient waiting more than 52 weeks, which is an increase over the position of 0 in March 2025.

Despite these pressures, a continuation of key success in 2024/25 with the reduction in the surveillance waiting list, this has been sustained in 2025/26. Improvements addressing both overall volume and long waits, aligning with national access standards.

The introduction of the GI capsule sponge clinic in February 2025 marks a significant and innovative shift in diagnostic practice. This new, minimally invasive procedure offers patients a simpler, quicker, and less burdensome alternative to conventional endoscopy. Developed through a quality improvement initiative, the service is now available as part of a monthly provision. Feedback from both patients and staff has been highly positive, and the change aligns closely with the principles of Realistic Medicine by reducing harm, unnecessary variation, and resource use. It has also created opportunities for local staff to acquire new skills and has broadened the diagnostic toolkit available to the service.

Taken together, these developments reflect a growing culture of improvement and modernisation within the service. The recent peer review by the Centre for Sustainable Delivery recognised NHS Orkney's appetite for innovation and provided a clear framework for further enhancement of quality, safety, and sustainability in endoscopy. While there is further progress to make, the current position demonstrates that NHS Orkney is actively taking steps to improve access and patient experience through structured change.

8 Key Diagnostic Tests & Investigations

Diagnostic Test & Investigation	Indicator	31-Mar-25	31 Mar 26
Key Diagnostic Tests or Investigations	**Waiting list size**	**320**	**315**
	Of which: ongoing waits <= 6 weeks	231	232
	% Waits 6 weeks or less	72.2%	73.65%
	Of which: ongoing waits > 6 weeks	89	83
	% Waits > 6 weeks	27.8%	26.35%
	Of which: ongoing waits > 13 weeks	65	10
	% Waits > 13 weeks	20.3%	3.17%
	Of which: ongoing waits > 26 weeks	32	2
	% Waits > 26 weeks	10%	0.63%
	Of which: ongoing waits >52 weeks	0	1
	% Waits > 52 weeks	0%	0.32%
All Endoscopy Tests	**Waiting list size**	**152**	**39**
	Of which: ongoing waits <= 6 weeks	68	32
	% Waits 6 weeks or less	44.7%	82.05%
	Of which: ongoing waits > 6 weeks	84	7
	% Waits > 6 weeks	55.3%	17.95%
	Of which: ongoing waits > 13 weeks	65	2
	% Waits > 13 weeks	42.8%	5.13%
	Of which: ongoing waits > 26 weeks	32	1
	% Waits > 26 weeks	21.1%	2.56%
	Of which: ongoing waits >52 weeks	0	1
	% Waits > 52 weeks	0%	2.56%
Diagnostic Test & Investigation	**Indicator**	**31-Mar-25**	
All Radiology Tests (MRI, CT, and non-obstetric ultrasound)	**Waiting list size**	**168**	**276**
	Of which: ongoing waits <= 6 weeks	163	200
	% Waits 6 weeks or less	97%	72.46%
	Of which: ongoing waits > 6 weeks	5	76
	% Waits > 6 weeks	3%	27.54%
	Of which: ongoing waits > 13 weeks	0	8
	% Waits > 13 weeks	0%	2.90%
	Of which: ongoing waits > 26 weeks	0	1
	% Waits > 26 weeks	0%	0.36%
	Of which: ongoing waits >52 weeks	0	0
	% Waits > 52 weeks	0%	0.00%

Theatre utilisation

The Balfour hosts two modern operating theatres; however, planned care currently runs in a single suite because of workforce limitations. Performance for 2025/26 is as follows:

- Slight increase in terms of cancellations: 2,793 procedures were scheduled and 355 cancelled, giving a 12.7% cancellation rate—up from 11.3% (323 cancellations) in 2024/25, a 1.4% relative increase.
- Higher productivity: refined patient-flow and list-building processes now allow up to 18 cataract operations per list, matching the best-performing eye units in Scotland.
- Targeted improvement work: detailed analysis of cancellation causes informed actions on bed availability, staff rostering and adverse-weather contingencies, while the Green Theatres Programme drove lean set-ups and reduced turnaround times.

Cancellation volumes were lowest in December 2025 (19), November 2025 (20) and April and July 2025 (both with 23 cancellations), illustrating the impact of the new measures. The peak of 57 cancellations in August 2025 was linked to an increase in the number of emergency cases.

Month	Total no of scheduled elective operations in theatre systems	Total no of scheduled elective cancellations in theatre systems	Cancellation based on clinical reason by hospital	Cancellation based on capacity or non-clinical reason by hospital	Cancelled by Patient	Other reason
Mar-25	229	28	7	6	9	6
Mar-26	278	38	8	10	12	8

Service Level Agreements

A review of all SLAs now forms part of the Health Board's Improvement programme. The intent is for all SLAs to be updated to provide robust clarity on activity, funding and core key performance indicators, and held centrally in a single repository within procurement. NHS Orkney provided £1.7 million of services to other Health Boards in 2025/26 and received £13.5 million of services.

31-day cancer standard

2025/26 saw NHS Orkney again achieving 100% compliance with the 32-Day Cancer Waiting Times Standard. This means NHS Orkney has maintained 100% compliance with the national standard of every patient treated for cancer to begin first definitive treatment within 31 days of the decision to treat since 2019. This success reflects close coordination between the local SACT unit, NHS Grampian tumour-site teams and the Patient Travel Office.

Year	Waiting Time Standard	Orkney %	Scotland %
2024-25	31-day	100%	95.4%
2025-26*	31-day	100%	94.7%
*Data for 2025/26 only available up to and including February 2026.			

62-day cancer standard

Up to the end of February 2026, NHS Orkney's performance against the 62-day pathway decreased in 2025/26, seeing 53.85% compliance with this standard compared to 60.71% in 2024/25. The represents a decrease of 6.86%.

The 2025-26 Cancer Improvement Plan, developed jointly with NHS Grampian, prioritises:

- embedding Optimal Diagnostic Pathways for colorectal, lung and head-and-neck cancers;
- implementing the national re-grading guidance for urgent suspicion of cancer referrals;

- extending virtual tumour-site MDT participation to Orkney clinicians to shorten decision-to-treat intervals; and
- commissioning an externally led Clinical Service Review to map future demand and workforce requirements.

These actions will support sustained 31-day performance and drive further improvements towards the 95 % 62-day trajectory, while ensuring equitable access for Orkney residents despite the very small population that makes percentage performance volatile year-on-year.

Year	Waiting Time Standard	Orkney %	Scotland %
2024/25	62-day	60.71%	66.9%
2025/26*	62-day	53.85%	69.6%
*Data for 2025/26 only available up to and including February 2026.			

Child and Adolescent Mental Health Service (CAMHS)

Our CAMHS services has continued to meet the referral to treatment time target. In March 2026, there were 12 patients on the CAMHS waiting list with 100% being seen within 18-weeks compared to 38 patients in 2025 who were all seen within 18-weeks.

Status	Indicator	31-Mar-25	31 Mar-26
		% n=38	% n=12
Waiting	0-18 weeks	100%	100%
Waiting	19-35 weeks	0%	0%
Waiting	36-52 weeks	0%	0%
Waiting	53 or more weeks	0%	0%
		% n=10	% n=6
Started treatment	0-18 weeks	100%	100%
Started treatment	19-35 weeks	0%	0%

That said, this service remains incredibly pressured with the level of referrals being received. The service will continue to strive to maintain the performance using trajectory planning.

Psychological Therapies Services

All patients accessing the psychological therapies service were seen and started treatment within 18-weeks in 2024, 2025, although a slight decrease has been seen in compliance during 2026. Compliance for each month throughout the year remained above the 90% national target. Overall compliance for patients starting treatment in 2025/26 was 94.85%.

Status	Indicator	31-Mar-25	31 Mar 26
		% n=71	% n=62
Waiting	0-18 weeks	100%	98.39%
		% n=5	% n=13
Started treatment	0-18 weeks	100%	92.3%

Performance across our CAMHS and psychological therapies services have remained relatively strong in 2025/26, even with the pressures the team are facing and experiencing on a daily basis (as above).

7. Financial performance

The Scottish Government sets three annual financial targets at NHS Board level which Boards are expected to manage their net expenditure within.

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

NHS Orkney had a core revenue budget of £91.213 million for the 2025/26 financial period and commenced the financial year with a planned full year deficit against allocation of £2.176 million. The total expenditure reported against this revenue budget was £93.840 million, resulting in an overall overspend against the core allocation of £2.627 million, £0.451 million higher than the original plan.

The Board has received £2.8m of non-repayable deficit support funding from Scottish Government to support the overspend during 2025/26 and as such will therefore report a small surplus of £0.173m within the Accounts. This brokerage received in prior years remains repayable to Scottish Government at the point at which the Board returns to financial balance. The balance of repayable brokerage as at 31 March 2026 remains at £9.02 million.

The tables below show the performance of the Health Board relative to the three financial targets outlined in the table above.

	Limit as set by SGHD £000	Actual Outturn £000	Surplus/ (Deficit) £000
Core Revenue Resource Limit	94,013	93,840	**173**
Non-Core Revenue Resource Limit	3,604	3,604	**-**
Total Revenue Resource Limit	**97,617**	**97,444**	**173**
Core Capital Resource Limit	1,833	1,676	**157**
Non-Core Capital Resource Limit	-	-	**-**
Total Capital Resource Limit	**1,833**	**1,676**	**157**
Cash Requirement	**97,585**	**97,585**	-

		£000
Memorandum of In Year Outturn	Core Revenue Resource Variance (Deficit)/ Surplus in 2025/26	**173**
	Financial Flexibility: Funding Provided By Scottish Government	(2,800)
	Underlying (Deficit)/ Surplus against Core Revenue Resource Limit	**(2,627)**
	Percentage	**(3%)**

A three-year financial plan was submitted to Scottish Government by NHS Orkney in March 2025 and a letter was issued in response to the NHS Boards' financial plan in April 2025. A further iteration of the 3 year plan was submitted in March 2026, following the Scottish Government review the NHS Board's current escalation status remains at level 3 on the NHS Board Performance Escalation Framework.

NHS Orkney required £2.8 million from Scottish Government in order to achieve financial balance in 2025-26. Without this additional support, the Board's final outturn would have been an overspend of £2.6 million (equivalent to 3% of the Revenue Resource Limit).

The Health Board was required to deliver £3.8m of efficiency savings during 2025/26 to achieve the £2.176m deficit plan.

Total savings of £2.088m have been recorded during the year, which is positive, £1.554m of these were delivered recurrently, with £0.534m delivered non-recurrently (£1.712m below plan).

Savings delivery continues to be a key focus for 2026/27, led through the Board's Improving Together Programme, with collaborative working relationships with Scottish Government

colleagues, aligned to national improvement programme initiatives. The Board is committed to support NHS Orkney's statutory responsibility to break even and operate within the resource allocation given.

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

Payment Policy

The Scottish Government and NHS Board are committed to supporting business in the current economic climate to support the sustainability and resilience of our key supply chain networks. In line with the Scottish Government's prompt payment policy, by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies. Performance against the prompt payment policy is summarised below.

Measure of Better Payment	2025/26	2024/25
Average period of credit taken	19	18
Total number of invoices	11.724	10,980
Total number of invoices paid within 30 days	10,409	9,562
Percentage of invoices paid within 30 days:		
-by volume	89%	87%
-by value	88%	87%
Percentage of invoices paid within 10 days:		
-by volume	66%	67%
-by value	62%	66%

Other Financial Disclosures

Pension Liabilities

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

Orkney Health Board Endowment Fund

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

The Orkney Health Board Endowment Fund reported total net assets of £1.079m in 2025/26, represented by £0.879m of unrestricted funds and £0.200m restricted funds (2024/25: £0.980m, with £0.874m unrestricted and £0.106m restricted). The in-year financial position was a surplus of £0.099 on charitable activities (2024/25 £0.070m deficit). This was driven by a net gain on investments of £0.043m during the period (2024/25 £0.021m loss) and one off bequests totalling £0.096m (2024/25 £nil).

Total income for the year was £0.128m (2024/25 £0.036m), £0.101m (2024/25: £0.010m) relating to donations and legacies and £0.027m relating to dividends and interest on investments (2024/25 £0.026m).

Total reported expenditure for the year was £0.074m (2024/25 £0.085m).

Integration Joint Board (IJB)

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

The IJB is a separate legal organisation and acts as principal in its own right. Accordingly, the Health Board is required to reflect the contribution to IJB funding for devolved health services, and the subsequent commissioning income from the IJB for those services delivered by the Health Board, as a distinct and separate transaction from the operational expenditure incurred delivering those services. The consequence of this, in the Health Board's accounts, is expenditure of £48.978m (2024/25 £44.664m - note 3) and income of £48.018m (2024/25 £44.093m – note 4). The expenditure is included in note 3 and income in note 4 and analysed below. The increase in expenditure is mainly due to the staff pay awards (3.4% for Agenda for Change staff and 4% for Medical). Of the £48.978m expenditure in year £0.419m (2024/25 £0.266m) relates to additional costs for Covid-19 for Health Board delegated services. Costs incurred as a result of the pandemic include the Vaccination costs for covid and the extended flu campaign as well as the Test and Protect. There is earmarked Covid funding of £0.012m carried forward to 2026/27.

There was earmarked funding allocations received in-year which were unutilised at year-end and therefore have been carried forward to the following financial year, £4.245m of earmarked funding will be carried forward to 2026/27.

NHS Orkney has 50% share of funds held in reserve by the IJB as a joint venture. This is reflected in the Consolidated Statement of Financial position of £2.123m.

	2024/25			2025/26		
	Budget £000	Actual £000	Variance £000	Budget £000	Actual £000	Variance £000
IJB	31,745	32,636	(891)	36,308	35,958	350
Set Aside	12,028	12,028	-	12,670	12,670	-
Total	**43,773**	**44,664**	**(891)**	**48,978**	**48,628**	**350**

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

The Orkney Health and Social Care Partnership is working with NHS Orkney's Improving Together Programme to develop and deliver their savings programme over the coming years. This work will identify key dates for delivery of the savings plans and is focused on areas such as models of care, community pharmacy and primary care provision.

Efficiency savings target

Through 2025/26, we have implemented several measures to strengthen our governance and corporate functions, which continue to be impactful in delivering on our financial and operational priorities:

- Established a best-practice approach to financial efficiency with clear accountability for delivery, a robust governance framework and organisation-wide engagement and ownership
- Achieved strong engagement across the organisation focusing on the improvement agenda with a very effective governance regime and a high performing system of grip and control across both pay and non-pay
- Dedicated time at Board meetings, including Scottish Government attendance, with a focus on a shared understanding of the causes of the deficit and de-escalation requirements
- Bringing Year 2 of our Corporate Strategy to life and making significant progress in realising those benefits. Year 3 priorities are being finalised and will be launched in Quarter 4 of

2025/26, so were ready to hit the ground running in Quarter 1 of 2025/26.
- Building organisational leadership through fortnightly Senior Leadership Team meetings and monthly clinical forums. In 2025/26 we launched quarterly Performance Review Meetings to hold corporate and clinical services to account
- Completed a review of our Corporate Governance with refreshed terms of reference and clarified remit for Board and Board Committees
- Commissioned a Clinical Services Review which will expand on the initial work undertaken in 2024/25 with the focus being on transformation to ensure that we have a clear baseline to review our agreements and monitor performance to ensure delivery and sustainability of our services going forward.

Within the NHS Scotland Support and Intervention Framework; we have worked collaboratively to optimise available funding to address risks and ready the organisation for the challenge ahead:

- Received additional support to deliver our Improving Together efficiency programme; and recruited a fixed-term Director of Performance and Transformation (and Deputy CEO) to widen and strengthen the capabilities of the Executive Team and ensure support for the CEO is optimised for the next phase of our journey.
- Recruited an external Interim Director of Finance to rapidly improve capability and stabilise the team. The Interim Director of Finance commenced in post in Quarter 4 of 2025/26 and will remain in post until April 2027.
- As a fundamental component of our de-escalation plans and as encouraged via central planning guidance we have:
    - set up a joint planning (Executive to Executive team) meeting with NHS Grampian, with NHS Highland and the other 2 Island Boards to follow and
    - commissioned a. clinical services review of our acute and primary care services to identify innovative new models of care to inform a future-state sustainable clinical offering.

Looking to 2026/27

Our 2025/26 delivery plan was developed alongside the NHS Scotland Financial Plan 2025/26 Guidance. Our Medium-Term Finance Plan (MTFP) 2025/26 – 2027/28 sets out an assessment of the related financial position based on current assumptions and expectations set by Scottish Government, along with current forecast information surrounding activity and local and national cost pressures.

Our aspiration and commitment is to build on successes of 2024/25 to develop a credible three-year financial plan that engenders confidence in the Board's understanding of the financial challenge and confidence in its ability to execute the difficult choices to deliver a balanced position in a short a timescale as possible, warranting consideration to move out of escalation.

Our Board approved an ambitious but deliverable plan – accumulatively exceeding the national annual minimum 3% recurrent efficiency requirement – however accept that a return to financial balance will require a longer timeframe to safely implement the scale of clinical and non-clinical transformation it intends to progress.

Our 2026/27 Improving Together Programme continues to build on efforts to establish the programme over the last 2 years with many elements retained to provide a seamless continuation of effort for staff and to minimise disruption to the organisation. Our programme for 2026/27 includes both central and local efficiencies workstreams, with the latter a new addition this year with efficiency targets devolved to directorates.

The transformational component of the programme includes four key priorities for the organisation in 2026/27, each with an aligned Executive Lead and project manager and team. These workstreams will transform services to provide sustainable models of care and workforce arrangements to secure the long-term future of services on the island.

Moving to staff-led development of ideas with greater engagement and ownership by clinical and operational teams.

- Introducing standardised 'good practice' documentation to capture scheme information ensuring a shared understanding of change.
- Launch of our Bright Ideas campaign engaging all staff to contribute and add value to our improvement programme.
- A robust clinically led Quality Impact Assessment (QIA) process to ensure patient safety and staff health & well-being are at the centre of all we do.
- Implementing a strengthened governance framework with operational and clinical staff at the heart of delivery and with full executive team oversight.
- The development of a credible plan that is owned and understood by NHS Orkney, supported by a continual communications effort to share good practice, innovation and team successes
- Further strengthening the role of our Risk Management Group

As we continue to build our efficiency programme, our focus will be to support the identification of schemes that:

- Reduce reliance on high-cost temporary (agency) staffing and converting to substantive staff across the medical and nursing workforce.
- Improve patient experience through increasing near-me or virtual appointments for outpatients, eliminating the need for off-island travel, where clinically appropriate.
- Enhance procurement processes to maximise our purchasing power and the management of our supplies.
- Deliver productivity across our acute and community services to increase capacity and reduce our waiting times.
- Ensure value for money across our service-level agreements where services are provided by other Health Boards or national organisations.

8. Fraud, Bribery and Corruption

NHS Orkney has a zero tolerance for fraud, bribery or corruption. As part of NHS Orkney's Statutory/Mandatory Training all staff are required to complete the Counter Fraud Services training module, ensuring staff are reminded regularly about counter fraud matters including the confidential routes that are available to report suspected fraud, bribery or corruption. A range of fraud awareness initiatives were progressed during the year including training in relation to absence fraud, anti-bribery and corruption and general fraud awareness.

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

9. Social Matters

Equality, Diversity and Inclusion (EDI)

NHS Orkney actively seeks to adopt good practice in relation to Equality, Diversity and Inclusion in employment as well as ensuring that it provides services which meet the needs of its diverse population. Our aim is to be an inclusive employer. The Board continues to work with partner agencies to develop initiatives that promote inclusiveness as part of its wider social responsibility remittance.

The Board also meets the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and in 2025/26 published its Equality and Diversity Workforce Monitoring Report 2024/25 and Equal Pay Statement and Pay Gap Report 2025.

In year, we have supported a number of staff to undertake development relating to social issues. Examples of this are:

- 145 individuals completed the Once for Scotland Understanding Equality, Diversity and Human Rights
- 167 individuals completed the Once for Scotland Prevention and Management of Violence and Aggression eLearning module
- 204 individuals completing Safety Intervention Training (Instructor-led) training
- 413 individuals completed the Adult Support and Protection module
- 431 individuals completed the Child Protection Level 1

Workforce and the Integrated Workforce Plan

NHS Orkney has 769 members of staff (excluding bank). This has significant economic and social impacts and benefits to a small community as a major employer and anchor institution. We seek to continuously improve the experience of our staff at work.

As part of our work to retain staff and improve experience, we established a staff experience programme with a suite of priority actions which are overseen by our Staff Governance Committee. Our priorities, for 2025/26, which will be continued in 2026/27 include:

- Statutory and mandatory training
- Appraisals
- Sickness absence management
- Values and behaviours
- Leadership development

We continue to seek to improve and progress our annual iMatter staff engagement activities and scores, recognising we have some way to go, and to ensure we create a culture where staff feel valued, supported and listened to.

In 2025 the percentage of staff completing the survey remained at 69% response rate (compared to 57% nationally). Our Employee Engagement Index score has increased consecutively for five years, reaching 76 in 2025 from 70 in 2021.

In 2025, we identified four areas in Monitor for further improvement and zero areas in the Improve to Monitor range. These areas remained the same from 2024; however, there was a variation of –1 to +1% points across these areas highlighted. The areas in Monitor for further improvement were:

- I am confident performance is managed well within my organisation (+1).
- I have confidence and trust in Board members who are responsible for my organisation (+1).
- I feel sufficiently involved in decisions relating to my organisation (-1).
- I feel that board members who are responsible for my organisation are sufficiently visible (remained the same).

Across our Staff Governance Standards Strand Scores, aligned to the five pillars of Staff Governance our weighted index value remained the same or increased in all areas by up to 1 points from 2024.

The Scottish Government iMatter Health & Social Care Staff Experience Survey 2025 shows comparative improvements across a range of areas for NHS Orkney and is a testament to the impact of the ongoing improvement work colleagues have been focused on since the 2024 results. Areas highlighted in the report have included:

- Overall national response rate: 57% (NHS Orkney 69%, remaining the same as 2024 and the second highest response rate out of all the territorial Health Boards).
- Action plans agreed within the 8-week window: national score 57% (NHS Orkney 66%).

- Employee Engagement Index: national score 77: NHS Orkney's was 76; however, it shows an improvement versus last year and continued improvement over several years, which is referenced in the report.
- Overall Experience Rating: NHS Orkney's score has risen for the second consecutive year, now 0.5 higher than in 2021, showing steady progress in staff perceptions of their working environment.
- Access to Patient Services: Up 2 points from 2024 to 76 for the question 'I would be happy for a friend or relative to access services within my organisation'. This improvement suggests growing confidence in the quality of care provided.

In response to staff feedback, we have focused on the following organisational priorities:

1. Staff health and well-being
2. Value and recognition schemes
3. Involving staff in decision-making
4. Listening and acting on feedback
5. Leading with kindness and living our values
6. Being able to confidently raise concerns, including those about safety

In preparation for our 2026 iMatter survey, we have engaged with staff and managers across our organisation. We have a communication campaign planned to promote and enable the successful delivery of iMatter.

Developing the Young Workforce and Future Pipelines

As part of our commitment to supporting the young workforce, NHS Orkney continues to promote and support a variety of employability and early-career pathways. NHS Orkney maintains a partnership with Developing the Young Workforce (DYW) Orkney and has offered a range of work experience and insight opportunities across services including physiotherapy, nursing, administration, speech and language therapy, dietetics, pharmacy, the laboratory, and maternity. Additionally, NHS Orkney has taken part in local employability initiatives such as school engagement and Job Centre involvement. Collectively, these activities raise awareness of careers in healthcare and help strengthen future workforce pipelines.

In line with the Government's direction and support, we have successfully recruited three international nurses from other countries to work in our organisation. To ensure these colleagues have the necessary skills to pass their Objective Structures Clinical Examination (OSCE) and apply for their PIN with the Nursing and Midwifery Council, they undergo a training course delivered by our partners, NHS Grampian.

10. Sustainability and the Environment

Introduction and National Context

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

As a designated Major Player, NHS Orkney is required to submit an annual return to the Sustainable Scotland Network (SSN) demonstrating compliance with statutory climate change duties. Information submitted is compiled into a national analysis report, published annually, which supersedes the requirement for public bodies to produce standalone sustainability reports. Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource: https://sustainablescotlandnetwork.org/reports

NHS Orkney has a strong reputation for leadership in sustainable healthcare delivery. The Balfour Hospital was the first net-zero hospital in Scotland. Recognition of this low-carbon approach

resulted in a successful Renewable Heat Incentive application, providing annual financial incentives over a 20-year period. NHS Orkney has also received the NHS Scotland Assure Energy Excellence Award in recognition of this work.

Progress Highlights

NHS Orkney has continued to deliver against its sustainability and decarbonisation commitments during 2025/26.

Following a successful Scottish Government capital funding bid, fossil fuel systems across the wider NHS Orkney estate have been replaced with renewable energy solutions, including heat pumps and solar panels, in line with national policy objectives.

NHS Orkney transitioned to a 100% electric vehicle fleet in 2025, removing all petrol and diesel pool vehicles. This transition supports national decarbonisation targets and contributes to a reduction in fleet-related emissions.

Active travel continues to be promoted through the provision of seven e-bikes and one e-trike across the mainland and outer isles. Dedicated charging infrastructure is in place, and staff continue to benefit from the Cycle to Work Scheme and regular Dr Bike maintenance sessions.

The Catering Department has continued to participate in a local authority procurement contract to source local produce where possible. The introduction of a plated patient meal service has continued to see an approximate 50% reduction in ward-level food waste.

Community, Engagement and Wellbeing

NHS Orkney recognises the strong link between environmental sustainability, staff wellbeing and community engagement. In addition to local activity, NHS Orkney contributes to partnership working through participation in joint Community Wealth Building and Sustainable Development groups, supporting a coordinated approach to sustainability, wellbeing and wider social value across Orkney.

The polytunnel area continues to be a successful and well-used space, supporting growing activities and staff involvement in food and planting initiatives. It has also enabled wider engagement with NHS staff, patients and members of the local community, helping to promote skills-sharing, learning and connection with greenspace.

During the year, the polytunnel area was used to host a drop-in engagement event delivered in partnership with Species on the Edge. The event provided opportunities for NHS staff and members of the local community to learn more about wildflowers, pollinators and wildlife-friendly gardening, as well as the role of nature connection in supporting health and wellbeing. This partnership activity further demonstrated the value of the polytunnel space as a shared resource for biodiversity, engagement and wellbeing.

Monthly Bloom & Blether sessions were introduced during the year, providing informal opportunities for staff to connect, share ideas and take part in practical greenspace activities such as seed and plant swaps and contributions to the Sensory Garden. While still in the early stages, the sessions have been positively received and support staff wellbeing while encouraging engagement with environmental sustainability in an accessible and inclusive way.

Public Recognition and Awards

NHS Orkney was recognised with the Sustainability Award at the Scottish Public Service Awards 2025, reflecting leadership in emissions reduction and environmental improvement, including the transition to a fully electric fleet and the installation of renewable energy systems across owned buildings.

Governance

Governance and oversight of sustainability and climate-related matters continue to be strengthened. Climate considerations are embedded within governance, assurance, strategic decision-making, project management and impact assessment processes.

The NHS Orkney Sustainability Steering Group provides leadership and coordination of sustainability activity and reports through the Finance and Performance Committee, which provides assurance to the Board. Staff engagement and participation are supported through communication, learning opportunities and local initiatives.

Climate-related risk management (2025/26)

During 2025/26, NHS Orkney enhanced its approach to identifying, assessing, and managing climate-related risks. These are now embedded within the same governance structures used for clinical, financial, and operational risk management.

Key climate-related risks identified include disruption arising from severe weather events, transport reliability challenges associated with the island context, and potential exposure to energy cost volatility. Mitigating actions include participation in the Orkney Local Emergency Coordinating Group, proactive weather monitoring, business continuity planning, hybrid working arrangements where appropriate, and backup power provision at The Balfour Hospital.

In line with Task Force on Climate-related Financial Disclosures guidance, NHS Orkney continues to develop its understanding of how climate change could affect the organisation. This includes identifying climate-related risks and opportunities over the short, medium and long term, considering implications for strategy and financial planning, and assessing the resilience of plans under different future climate scenarios.

This work will continue to be developed and, where climate-related risks are considered significant, will be integrated into NHS Orkney's strategic and financial planning processes.

Key Performance Metrics Summary 2025/26

During 2025/26, NHS Orkney monitored performance against a defined suite of environmental and climate-related metrics, including greenhouse gas emissions, energy consumption, waste management and transport. Performance data demonstrates continued progress in reducing emissions, supported by estate decarbonisation, fleet electrification, reduced energy demand and improved waste segregation. Detailed performance data and trend analysis are reported separately through the Annual Climate Emergency and Sustainability Report and the Sustainable Scotland Network submission.

NHS Orkney uses a range of environmental performance metrics aligned with national sustainability frameworks to monitor and manage climate-related risks and opportunities. These include greenhouse gas emissions (Scopes 1 and 2), energy use, waste generation and recycling, transport and fleet data, and sustainable procurement indicators.

These metrics are monitored and reported annually through the Annual Climate Emergency and Sustainability Report.

Looking Ahead

During 2026/27, NHS Orkney will continue to build on the progress made to date in embedding sustainability and environmental considerations across the organisation. A key focus will be the further integration of climate-related considerations into strategic, operational and financial planning, ensuring that sustainability supports organisational resilience and service delivery within a remote and island context.

NHS Orkney will also continue to develop initiatives that link environmental sustainability with staff wellbeing and community engagement. The Bloom & Blether programme will be progressed as part of this approach, providing ongoing opportunities for staff to engage with greenspace

activity, biodiversity initiatives and informal peer connection. These sessions support wellbeing while encouraging practical involvement in sustainability activity and will continue to evolve in response to staff interest and participation.

In relation to the estate, NHS Orkney will explore opportunities to further optimise renewable energy generation at The Balfour Hospital, including consideration of the potential to increase the existing solar photovoltaic array. This work will be subject to technical feasibility, business case development and alignment with capital planning and affordability considerations and will seek to maximise environmental and financial benefits while supporting energy resilience.

Further priorities for 2026/27 include strengthening climate adaptation planning, progressing biodiversity and greenspace projects, and continuing to align sustainability governance with the Board's assurance and risk management arrangements. Collectively, these actions will support NHS Orkney's contribution to national net-zero ambitions while delivering wider benefits for staff, patients and the local community.

Governance and pathways

- Risk Jotter & validation: All service and programme risks, including environmental ones, are now captured in the electronic Risk Jotter. Operational risks are validated monthly by the Risk Management Group; organisational risks are escalated to the Senior Leadership Team (SLT) for inclusion on the Corporate Risk Register.
- Board Assurance Framework (BAF): The BAF dynamically maps every strategic objective to current corporate risks and summarises the key controls and assurances in place. This allows the Board to view climate-related risks in context alongside financial sustainability (Risk 510, score 20) and fragile clinical services (Risk 1228, score 12).
- Gap analysis: Although the Corporate Risk Register does not yet carry a discrete environmental-sustainability risk, the Executive has commissioned the Risk Management Group to develop a standalone climate-risk entry for 2025/26 so that exposure can be explicitly tracked and compared against other principal risks.

Risk identification and assessment tools

- **Quality Impact Assessment (QIA**): Every project within the Improving Together programme is subjected to a locally developed QIA. This tool requires authors to consider the NHS Scotland Climate Emergency & Sustainability Strategy, the National Plan for Scotland's Islands (2019) and duties under the Islands (Scotland) Act 2018 before approval.

- **Service-level reviews**: A whole-system clinical-services review has been completed consistent with the Centre for Sustainable Healthcare definition of "sustainable healthcare". The review is considering each model of care against affordability, sustainability and social value, and prioritises digital or local solutions where they reduce carbon and travel demand.

Key risk mitigations delivered in-year

- **Low-carbon models of care:**

  - **Expansion of *Near Me* video consultations** and the repatriation of MRI, elastography, capsule endoscopy and digital dermatology services to Orkney have avoided thousands of patient-travel miles.
  - **Ongoing collaboration with NHS Grampian** on shared protocols continues to reduce unnecessary inter-island transfers.
- **Lifecycle management of assets:** A new Medical Equipment Policy introduces whole-life planning from procurement through to end-of-life disposal so that environmental risk (energy use, waste and hazardous materials) is assessed alongside clinical and financial risk at every replacement decision.

Opportunities

NHS Orkney are part of the Nature Network Delivery Group which is led by Orkney Islands Council to identify and support delivering nature networks on our land. We have recently completed a GIS Mapping exercise which includes all NHS Orkney's properties. Our next greenspace project is to develop an area of unused land for a holistic Memorial/Celebration Garden which will promote biodiversity and encourage wildlife.

Looking forward to 2026/27

We will establish a dedicated *Climate & Sustainability* risk on our Corporate Risk Register, with agreed risk appetite and key risk indicators as well as extending the Quality Impact Assesment process to cover procurement decisions over £25 k.

Following completion of the Clinical Services Review in June 2025 we will implement the resulting sustainable-care pathway changes and integrate equipment-lifecycle datasets into the Capital & Property Strategy risk register to facilitate monitoring of asset-related environmental exposure.

This integrated approach ensures that climate-related risks are considered material to organisational resilience and are managed through the same disciplined processes as our other principal risks and Strategic Objectives set out in our Corporate Strategy.

James Goodyear
Interim Chief Executive
Date:

SECTION 2
Accountability Report

1. Corporate Governance Report

Directors' Report

The Directors' present their report and the audited financial statements for the year ended 31 March 2026.

Naming convention

NHS Orkney is the common name for Orkney Health Board.

Date of Issue

The Accountable Officer authorised these financial statements for issue on 25 June 2026.

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 KPMG LLP (UK) 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.

Board Membership

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

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

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

Chair and Vice Chair		
Meghan McEwen	Chair	Until July 2025
David Campbell	Chair	From July 2025
David Campbell	Vice Chair	Until July 2025
Joanna Kenny	Vice Chair	From October 2025
Non-Executive Directors		
Isobel Grieve	Non-Executive Board member	
Joanna Kenny	Non-Executive Board member	
Rona Gold	Non-Executive Board member	
Ryan McLaughlin	Employee Director	
Kirsty Cole	Area Clinical Forum Chair	
Jean Stevenson	Local Authority Representative	
Jason Taylor	Non-Executive Board member	
Fiona MacKay	Non-Executive Board member	From November 2025
Executive Directors		
Laura Skaife-Knight	Chief Executive	Until September 2025
James Goodyear	Interim Chief Executive	From September 2025
Dr Anna Lamont	Medical Director	

Samantha Thomas	Director of Nursing, Midwifery and Allied Health Professionals and Acute Services	
Melanie Barnes	Interim Director of Finance	
Damian Reid	Interim Director of Finance	From March 2026
Dr Louise Wilson	Director of Public Health	
Advisors to the Board		
Jarrod O Brien	Director of People and Culture	Until August 2025
David Harris	Director of People and Culture	From November 2025
Stephen Brown	Chief Officer – IJB	
Tammy Sharp	Director Performance and Transformation (and Deputy CEO)	From May 2025

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

Due to several Executive Director vacancies and Scottish Government funding, interim cover arrangements were made to ensure portfolios were managed and engagement and attendance at essential meetings, including Board and Governance Committees, maintained. This included

- Phil Tydeman, Director of Improvement 1 April 2025 – 8 May 2025
- Linda McGovern, Interim Director of People and Culture 31 August 2025 – 30 November 2025.

Statement of Board Members Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as of 31 March 2026 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.

Board members' interests

The Register of Interests of Board Members is available to members of the public to view on the NHS Orkney Website at the following link NHS Orkney Register of Interests | NHS Orkney (scot.nhs.uk). The Board Members have declared in the register of interests any potential business or other relationship, which they felt could influence, or could be seen to influence, the exercise of their judgement as required by IAS 24.

Disclosure of information to Auditor

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

Remuneration for non-audit work

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

Public Services Reform (Scotland) Act 2010

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

Personal Data Related Incidents

During 2025/26, there was a total of 74 incidents reported to the Information Governance Team, which was a decrease from 81 incidents the year before. From the incidents reported, a total of 6 met the threshold for reporting to the Information Commissioners Office, down from 7 in the previous year.

During 2025/26 none of the incidents reported to the Information Commissioners Office (ICO) resulted in any recommendations or required any further actions. No enforcement actions or penalties were applied by the ICO in relation to incidents reported by NHS Orkney.

There was a single incident of a patient reporting an incident to ICO after NHS Orkney had issued a response. In this case, the ICO fully supported the actions taken by NHS Orkney and did not uphold the complaint.

Statement of Accountable Officer's Responsibilities

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

This designation carries with it, responsibility for**:**

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

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

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

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

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officer's letter dated 25 June 2026.

Annual 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 achievement of NHS Orkney's policies and promotes the achievement of the organisation's aims and objectives, including those set by Scottish Ministers.

I am also responsible for safeguarding the public funds and assets assigned to the Board. In accordance with IAS 27 – Separate Financial Statements, these financial statements consolidate Orkney Health Board Endowment Fund. This statement includes any relevant disclosure in respect of these Endowment Accounts.

System of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically, and is designed to manage rather than eliminate the risk of failure to achieve the Board's aims and objectives. As such, it can only provide reasonable and not absolute assurance. The process is consistent with the SPFM and supplementary NHS guidance and has been in place for the year up to the date of approval of the Annual Report and Accounts.

The Scottish Ministers issue the SPFM to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds, and it can be accessed here.

There is evidence that when we scrutinise the work undertaken across all of NHS Orkney's Board Committees, including the Audit and Risk Committee, that the governance and internal control arrangements in place in 2025/26 were much-strengthened in all areas, including financial governance, as evidenced by NHS Orkney being one of few Boards in Scotland to achieve its Financial plan, Savings Plan and recurring savings requirement for the year, improved operational performance in a number of domains and improved patient and staff experience compare to the previous year.

As Accountable Officer, I can confirm that there are organisation-wide governance and grip and control processes in place relating to all aspects of performance. This includes additional controls in the form of a new integrated improvement function spanning operational and financial performance, digital and quality and safety, a monthly Improving Together (efficiency) Programme Board, quarterly Performance Review Meetings for clinical and corporate teams/services, introduction of a new Performance Management Framework, Board Assurance Framework and more structured Senior Leadership Team meetings which focus on our 5 Strategic Objectives as set out in our Corporate Strategy 2024-28 and enhanced triangulation and cross Board Committee working. As the assurance arm of our governance has further strengthened, as is the operational arm being strengthened, with this work remaining a priority as we enter 2026/27, along with processes and governance for continuing to hold colleagues to account across the organisation.

The former reports and provides assurance directly to Finance and Performance Committee and the latter reports and provides assurance to the Health Board on the work being undertaken to implement the necessary controls and measures to address the financial position. Both meetings, which are formally part of our governance structures with clear terms of reference, are chaired by me as Chief Executive.

We have supported our in-house improvement team to further strengthen our controls, governance and performance and we are proactively reviewing our Service Level Agreements with other Boards to ensure they are adequate and have controls in place which enable us to more closely monitor performance and spend.

Assurance Framework

Under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 the Health Board and Local Authority delegate the responsibility for the strategic planning and deliver of adult health and social care services to the Integration Joint Board.

The delegation of services is governed by an integration scheme agreed by both NHS Orkney and Orkney Islands Council. There are three non-executive members (and two proxies) of Orkney Health Board who are appointed, to represent the Board, as voting members on the IJB. There are also a number of Executives on the IJB who are professional advisors or stakeholders. The voting membership, and therefore the exercise of control over each IJB is shared equally between Orkney Health Board and Orkney Islands Council. The Board's performance management arrangements reflect those services delegated to the IJBs and the Chief Officer of the IJB attends each meeting of the Orkney Health Board and the Board's key Governance Committees as required.

The Board and its Standing Committees have clearly defined and documented roles and responsibilities, and the purpose of each committee is set out below. The non-executive members of the Standing Committees have the opportunity to scrutinise and seek assurance from the Board's Executive Management.

Governance Framework

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

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

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

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

The Non-Executive Board members provide constructive scrutiny and challenge, and this is evidenced in minutes of meetings.

On an annual basis the Board undertakes a review of corporate governance arrangements to ensure that they are fit for purpose. The Code includes the following:

- NHS Orkney Board Committee Structure
- Standing orders for NHS Orkney Board

- Governance Committee Terms of Reference
- Code of Conduct for Board Members
- Standing Financial Instructions
- Reservation of Powers and Scheme of Delegation
- Counter Fraud Policy
- Standards of Business Conduct for Staff

The Board has the following standing committees to support it, which are directly accountable to it:

Finance and Performance Committee

The purpose of the Finance and Performance Committee is to review the financial and non-financial performance of the Board, 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. The committee will provide cross committee assurance to the Integration Joint Board in relation to performance on delegated functions

Membership: David Campbell (Chair from 1 April 2025 – 31 October 2025), Fiona Mackay (Chair 1 November 2025 to 31 March 2026.

The Committee met 7 times in 2025/26.

Remuneration Committee

The Remuneration Committee is responsible for reviewing the objectives and performance of Executives and Senior Management cohorts and ensuring the application and implementation of fair and equitable pay systems on behalf of the Board as determined by Ministers and the Scottish Government.

Membership: David Campbell (Chair), Joanna Kenny (Vice Chair), Jason Taylor (from 1 October 2025), Laura Skaife-Knight (1 April 2026 – 03 September 2025), James Goodyear (3 September 2025 – 31 March 2026), Ryan McLaughlin, Jay O Brien (1 April 2025 – 1 July 2025), Linda McGovern (1 July 2025 - 3 November 2025) and David Harris (3 November – 31 March 2026).

The Committee met 11 times in 2025/26.

Joint Clinical and Care Governance Committee

The Joint Clinical and Care Governance Committee is responsible for:

- Providing the Board with the assurance that robust clinical governance controls and management systems are in place and effective, in relation to delegated and non-delegated services it delivers
- Provided the Integration Joint Board with assurance that robust clinical and care governance controls and management systems are in place and effective for the functions that NHS Orkney and Orkney Islands Council (OIC) have delegated to it
- Ensuring that the requirements set out in MEL (1998)75, MEL (2000)29 and HDL (2001)74 around the guidance on the implementation of Clinical Governance in the NHS in Scotland are in place

Membership: Rona Gold (Chair), Cllr Jean Stevenson (Vice Chair) (Elected Member), Dr Kirsty Cole, Morven Brooks (Third Sector Representative), Ryan McLaughlin (Employee Director), Cllr Lindsay Hall (Elected Member) and Cllr Ivan Taylor (Elected Member).

The Committee has met 6 times in 2025/26.

Staff Governance Committee

The Staff Governance Committee is responsible for:

- Ensuring scrutiny of performance against the individual elements of the Staff Governance Standards
- Ensuring effective workforce planning arrangements are in place
- Reviewing and signing off data collected during annual Staff Governance monitoring
- Reviewing and monitoring Staff Experience Engagement Index Data and improvement plans
- Seeking assurance from data and information provided in reports to the Committee

Membership: Joanna Kenny (Chair), Ryan McLaughlin (Vice Chair) Dr Kirsty Cole, Jason Taylor, Nickie Milne (Partnership Representative), Karen Spence (Staff Representative).

The Committee met 6 times in 2025/26.

Audit and Risk Committee

The Audit and Risk Committee is responsible for supporting the Board in its responsibilities for issues of risk, control and governance and associated assurance through a process of constructive challenge. The Audit and Risk Committee has a dual role of:

- An audit function – ensuring that the organisation operates effectively and meets statutory objectives
- A risk assurance function – ensuring that adequate structures are in place to undertake activities which underpin effective risk management

Membership: Jason Taylor (Chair), I Grieve, Ryan McLaughlin, Jean Stevenson

The Committee met 7 times in 2025/26

Operation of the Board

NHS Orkney's Governance Framework operates under a Code of Corporate Governance which was revised throughout the financial year, and includes:

- Standing orders and committee Terms of Reference
- The Code of Conduct that the Board Members must comply with
- The Standing Financial Instructions
- The Scheme of Delegation

These documents are the focus of the Boards annual review of governance arrangements.

All Committees of the Board provide and Annual Report to the Audit Committee and Board, describing their membership, attendance, frequency of meetings, business addressed, outcomes and assurance provided, risk management and to demonstrate they have fulfilled their roles and remit.

The Board has revised and improved a standard level of assurance approach to all Board and Governance Committee business throughout the financial year. The reporting format lays particular emphasis on the delivery of objectives from the Plan on a Page and the risks that are being addressed.

We now have in place a robust approach to governance and assurance at Executive and Non-Executive level, with ongoing training and development tin place to ensure everyone understands their orle and responsibilities. Appropriate oversight, scrutiny and challenge is present across the system, and everyone understands and carries out their responsibilities in this regard. We have refreshed our committee structures to ensure they enable the right level of scrutiny and assurance to be given and that there is appropriate challenge in our system.

Leadership

We have been successful in recruiting to all our key Executive posts during the financial year with the exception of a substantive Director of Finance. Work is underway to build this new Executive Team, with a formal Executive Team Development Programme in place to support this process.

Risk management arrangements

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

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

NHS Orkney acknowledges that the systematic and effective implementation of risk management is best practice at a corporate and strategic level as well as a means of improving the quality and safety of operational activities. As Chief Executive I ensure there is suitable review and management of corporate risks and that all significant risk management concerns are prioritised, considered and communicated to our Governance Committees and the Board on a regular basis. This is supported by an established assurance framework which is used by each of the core governance committees to identify and seek assurance regarding mitigating actions for risks that fall within their remit.

NHS Orkney's Risk Management Strategy and Policy includes the articulation and management of risk through a three-tier risk register structure which has been developed for our risk management approach to ensure it is well embedded and provides clear routes for escalation and de-escalation of risk as well as ensuring risk is an integral part of organisation wide decision making.

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

At present, there is one very high risk on the Board's corporate risk register relating to financial sustainability.

> There is a risk associated with the absence of a long-term, financially sustainable solution within the Corporate Finance framework. This gap poses a significant threat to maintaining and advancing patient safety, quality of care, and the patient experience. The current national escalation status exacerbates this risk, potentially hindering the progression of improvements in organisational culture that are currently being implemented.

We prioritised reducing this risk through appointment of a Director of Performance and Transformation, Deputy CEO (May 2025) supported by the Scottish Government as part of our response to financial escalation.

A pragmatic efficiency programme is in place, with a credible and realistic plan that supports the requirement to move beyond current savings and progress towards financial balance over the medium term. Delivery remains challenging and is dependent on the full implementation of transformational schemes; however, strengthened financial control, enhanced oversight and targeted transitional funding have mitigated immediate statutory risks. The approved financial plan provides a stable platform for continued improvement, while recognising that sustained progress will require ongoing discipline, delivery and organisational focus.

NHS Orkney continues to manage a small number of high-level corporate risks which reflect ongoing pressures across finance, workforce, service sustainability and system capacity. The principal high risks relate to workforce capacity and capability, fragility of clinical services, digital maturity, waiting times management, social care capacity, and statutory compliance with the Health and Care (Staffing) (Scotland) Act.

Mitigating actions are in place and are subject to regular review through established governance arrangements. These include improvement activity being brought together within a single, coherent programme supported by clear executive leadership, strengthened financial control and enhanced Board oversight. Workforce-related challenges addressed through focused recruitment and retention activity, leadership development, service sustainability planning.

Clinical and operational pressures are being managed through targeted recovery and improvement plans, strengthened pathways and routine review of quality and performance information to support this.

Other high risks include areas which pose a challenge to the delivery of services and patient care. This includes risks related to limited access to digital health records, access to contemporaneous activity data, workforce, and ability to meet population health needs. Management plans are in place to bring risk exposure down to the identified target levels.

Patient Experience/Feedback

The 2025/26 patient experience data provides a comprehensive overview of the volume, nature, and outcomes of feedback handled by NHS Orkney.

Patient and service user experience is a priority for NHS Orkney. The organisation actively seeks feedback to understand how services are meeting the needs of the community it serves and to identify opportunities for improvement. Feedback can be provided through a range of routes, including a dedicated patient and service user feedback email address and telephone contact, both of which are published on the NHS Orkney website. NHS Orkney also uses Care Opinion as an independent platform through which patients and service users can share their experiences of care. In addition, feedback can be provided using feedback leaflets and feedback boxes located across a range of hospital areas and departments, as well as targeted patient experience surveys.

NHS Orkney collects and collates feedback across a broad range of categories, not limited to formal complaints and compliments. This wider feedback provides valuable insight into patient and service user experience and supports learning and service improvement.

Concerns are recorded where individuals wish to raise an issue or share feedback but do not wish to pursue a formal complaint. Compliments are also received; however, many are provided directly to service areas and are therefore not always captured centrally. These frequently take the form of thank you cards, letters or small tokens of appreciation for staff.

Patient enquiries cover a wide range of requests, including queries about appointments, access to medical records and requests for information on waiting times. Work related requests are typically associated with enquiries about work experience or practice placements. General enquiries include a diverse range of contacts, such as requests linked to national programme promotions, website enquiries, requests for departmental contact details and liaison related to visiting cruise liners

NHS Orkney Feedback 2025-26						
Quarter	**Concerns**	**Compliments**	**Patient Enquiry**	**Work Related Requests**	**General Enquiries**	**Care Opinion**
Q1 - April-June	27	16	35	0	25	1
Q2 - July-September	19	13	29	2	46	1
Q3 - October-December	17	9	21	1	45	5
Q4 - January-March	35	11	21	4	45	4
Total	**98**	**49**	**106**	**7**	**161**	**11**

Care Opinion was implemented across all secondary care services in NHS Orkney during the previous year, with this work continuing throughout 2025/26. Support has been provided to services to promote the use of Care Opinion through a range of approaches, including staff drop-in sessions and targeted engagement with managers to build confidence, encourage participation and embed this feedback route within services.

During the year, the number of Care Opinion stories increased from four in the previous year to eleven in 2025/26. While overall numbers remain low, this represents a significant increase in activity. Most of the feedback received was positive, accounting for 92 per cent of stories. NHS Orkney responds to all Care Opinion feedback and provides contact details to enable individuals to raise a formal complaint if they wish to do so.

During 2026/27, NHS Orkney will continue to promote Care Opinion as a key route for patient and service user feedback. Planned activity includes further staff drop-in sessions and patient focused drop-in sessions to raise awareness of Care Opinion within the local community and support increased engagement.

Feedback leaflets remain an important mechanism for gathering patient and service user feedback across NHS Orkney services. Feedback boxes, along with leaflets and pens, are available within departments to encourage completion. The leaflets also provide a range of options for submitting feedback, including a freepost address and contact details for email and telephone, enabling individuals to choose how they wish to provide feedback.

During the year, work was undertaken to review and revise the feedback leaflets to support the more meaningful collection of feedback. This activity formed part of NHS Orkney's wider work on Realistic Medicine and was aligned with its principles, supporting person-centred care, shared decision-making and learning from experience.

To support service improvement, NHS Orkney periodically undertakes targeted surveys within services to identify areas for improvement and to recognise where care is delivered well. During the year, patient feedback activity was supported across a number of services, including following the pilot of a new clinical service, capsule sponge endoscopy.

Feedback gathered through this work supported an assessment of the benefits and any areas for improvement associated with the service and informed decision-making regarding its full implementation. This approach ensures that patient experience is used constructively to support service development and improvement.

Complaints

The table below shows the number of complaints over the last 5 years.

NHS Orkney Number of Stage 1 Complaints							
Quarter	**Months**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Quarter 1	**April-June**	15	28	28	20	24	15
Quarter 2	**July-September**	31	29	24	25	17	19
Quarter 3	**October-December**	27	28	32	23	9	9
Quarter 4	**January-March**	36	26	18	15	13	9
Total		**109**	**111**	**102**	**83**	**63**	**52**
NHS Orkney Number of Stage 2 & Stage 2 Escalated Complaints							
Quarter	**Months**	**2020-21**	**2021-22**	**2022-23**	**2023-24**	**2024-25**	**2025-26**
Quarter 1	**April-June**	4	5	12	13	6	6
Quarter 2	**July-September**	11	8	6	7	10	3
Quarter 3	**October-December**	5	9	22	5	7	6
Quarter 4	**January-March**	8	10	9	5	8	12
Total		**28**	**32**	**49**	**30**	**31**	**27**

The total number of complaints recorded varied across the quarters and, as in previous years, we received more Stage one complaints than Stage two. This is similar to previous years where our efforts have been to respond and resolve complaints at an early stage. It is recognised that this generally results in a good outcome for our patients and families, evidenced by no Stage two escalated complaints during the financial year.

- **Stage 1 complaints**: We received in total 55 Stage one complaints across the year, however three of these were withdrawn/no consent was received, so are not included in the figures. The number peaked in Quarter two with 19 complaints and dipped in Quarter four with nine complaints. The variation across quarters is notable; however, given the relatively small numbers, each complaint represents a significant percentage change. This highlights the importance of caution when interpreting these variations without considering potential influences.
- **Stage 2 non-escalated complaints**: These complaints peaked in Quarter four with twelve and the lowest received number was three in Quarter two. The small absolute numbers mean percentage changes can appear more dramatic, underscoring the need for context.
- **Stage 2 escalated complaints**: There have been no escalated complaints this year.
- **Overall Quarter complaints:** Over the quarters, the total figures for all complaints show a generally stable rate, with a small drop in total numbers in quarter three.

Outcomes of complaints

Complaint Outcomes	Complaint Upheld	Complaint Partially Upheld	Complaint Not Upheld
Stage 1	22	17	13
Stage 2	2	16	9
Stage 2 Escalation	0	0	0

Stage 1 outcomes:

- NHS Orkney upheld 42% of closed Stage one complaints, partially upheld 33% and did not uphold 25% of complaints. The outcome decision on complaints is made considering the original complaint, the investigation and the evidence found in relation to the concerns.
- In Quarter one the highest recorded outcome was “upheld” where 53% of complaints finalised with this decision. This reduced in Quarter two where 37% were upheld, with “not upheld” being the highest recorded outcome at 42%. In Quarter’s three and four, we saw most complaints upheld or partially upheld, with 89% and 78% respectively.

Stage 2 non-escalated outcomes:

- NHS Orkney upheld 7% of Stage two complaints, partially upheld 59% and did not uphold 33% of closed complaints. In all quarters, partially upheld complaints were the most recorded outcome with 50% in Quarter one, 67% in Quarter two, 83% in Quarter three and 50% in Quarter four finalised with this decision. It should be noted these are percentages of small numbers and compliance can shift considerably in each quarter depending on the number of complaints received.

Stage 2 escalated outcomes:

- There were no Stage two escalated complaints this year.

Response times

NHS Orkney aims to respond to complaints as promptly as possible, recognising the importance of reducing further distress for complainants while ensuring that learning is identified and acted upon in a timely way. At the same time, the organisation recognises that complaints must be

investigated thoroughly and responded to appropriately to ensure fairness, transparency and robust learning.

Response times are monitored, with response times and compliance with national timescales set out below.

Response Times	Less than 5 days	Less than 20 days	Average Response time calculated from all closed complaints
Stage 1	29	n/a	9 days
Stage 2	n/a	18	21 days
Stage 2 Escalation	n/a	n/a	n/a

Average Response Times / Extensions Authorised	Q1	Q2	Q3	Q4
Average no of days to respond to Closed Stage 1 Complaints (days)	**10**	**7**	**11**	**6**
Average No of days to respond to Closed Stage 2 Complaints (including escalations) (days)	**32**	**26**	**17**	**17**
Closed within Timescales				
Number of Complaints closed in full at Stage 1	**15**	**19**	**10**	**9**
% closed within timescale of 5 working days	**47%**	**53%**	**56%**	**78%**
Number of Complaints closed in full at Stage 2	**6**	**3**	**5**	**12**
% closed within timescale of 20 working days	**17%**	**66%**	**83%**	**83%**
Number of Escalated complaints closed	**n/a**	**n/a**	**n/a**	**n/a**
% closed within timescales of 20 working days	**n/a**	**n/a**	**n/a**	**n/a**

During the year, NHS Orkney prioritised improving the timeliness of complaint responses. This focus has resulted in increased compliance with national response timeframes for both Stage 1 and Stage 2 complaints, providing assurance that concerns are being managed more promptly while maintaining robust investigation and learning processes:

- **Stage 1 complaints**: The average response time fluctuated between six days in Quarter three and eleven days in Quarter two. Due to the small numbers the timeframe for response can be significantly affected by one response. Across the year the compliance with national timeframes increased from 47% in Quarter one to 78% in Quarter four.
- **Stage 2 non-escalated complaints**: The average response time for Stage two complaints improved across the quarters, with the last two quarters average response time falling below the national response time of 20 working days with an average response time of 17 and 18 days respectively. The average response time has reduced from last year with a similar picture of a number of more complex complaints in Quarter one and Quarter two. As with the Stage one complaints, the compliance with national timeframes has increased across the year with 17% in Quarter one to 83% in Quarter four.
- **Stage 2 escalated complaints**: There were no escalated complaints received this year.

It is also recognised that the number of complaints has fallen since 2020/21. There has been a 16% decrease this year from 2024/25. This is welcomed however should be balanced against the fact that Stage two complaints over the last few years have stayed relatively stable with the drop being in Stage one complaints.

Scottish Public Services Ombudsman (SPSO) Complaints

SPSO received two complaints about NHS Orkney services during 2025/26. The table below provides more detailed information on each case. SPSO independently review and investigate

complaints from patients and families who are not content with the response provided by NHS Orkney. Both complaints have not been taken forward by SPSO for the reasons mentioned below.

Service	Complaint	Outcome	Recommendations	Closed
Safety, Quality and Risk	Response to a complaint	Not taken forward – SPSO advised they would not take this forward because realistically there is nothing more they can achieve.	n/a	14/10/2025
NHS Orkney	Care, treatment and response to complaint	Not taken forward – SPSO advised they would not investigate further because the Board's responses appear reasonable.	n/a	20/10/2025

Incidents and Serious Adverse Event Review (SAER)

NHS Orkney actively encourages reporting of incidents and 'near misses'. This supports the organisation's learning and improving the quality of the care for service users. Everyone within the organisation can submit an incident report and these are investigated to identify 'things that have gone well', 'things that need to be improved' and 'lessons learnt'. Learning from incidents is shared with the reporter and the service area, and if applicable across the organisation.

Incidents are reviewed to determine whether harm has occurred which informs both the categorisation of the incident and the level of review required. The management of adverse events within NHS Orkney aligns with national frameworks for Scotland.

At the end of 2024/25, the revised *National Framework for Reviewing and Learning from Adverse Events in NHS Scotland* was published in February 2025, followed by the revised *Organisational Duty of Candour – Non-statutory Guidance* in March 2025. The timing of these publications provided NHS Orkney with an opportunity to review and strengthen local arrangements. As part of this work, internal guidance was reviewed and benchmarked against the revised national framework, with a self-assessment completed and submitted to Healthcare Improvement Scotland to provide assurance.

In parallel, NHS Orkney reviewed and revised its local processes to enhance existing systems and provide clearer guidance for staff. A key area of focus during the year has been ensuring that adverse events, across all categories, are reviewed and closed in a timely manner, supported by targeted training for reviewers.

In the last year NHS Orkney commissioned four SAER's, these are set out in the table below:

Significant Adverse Event Reviews (SAER) 2025-26	Q1 Apr-June 2025	Q2 July-Sept 2025	Q3 Oct-Dec 2025	Q4 Jan-Mar 2026
SAERs Commissioned	1	1	2	0
Report Completed in 90 working days	0	0	N/A	N/A
SAERs Closed	2	1	N/A	N/A

As part of the guidance, it is expected that the report for a SAER is completed within 90 working days, more time is then added for other aspect of these reviews. This year there has been four SAERs commissioned. None of these have been closed within the expected timeframe, with two expected to be completed very soon and the remaining two requiring more review. This is due to the complexity of the reviews and the number of different agencies involved. We are looking at what we need to try and make these reviews timelier.

Oversight of adverse events is provided through the clinical governance structure and includes a quarterly Safety, Quality and Experience report, which continued this year and is embedded across governance structures. These reports support the identification of themes and trends, highlight learning, and provide assurance regarding how adverse events are being managed.

NHS Orkney has also focused on reviewing all outstanding action plans arising from Serious Adverse Event Reviews (SAERs), with a significant proportion now completed and closed and the remainder being within expected timescales.

During 2026/27, further work will focus on strengthening training and progressing revisions to the Incident Information and Risk Management Patient Safety system (currently Datix), to ensure it continues to meet statutory requirements and supports organisational learning and improvement. We will also focus on reviewing the effectiveness of actions from SAERs.

Information Governance

During 2024/2025 NHS Orkney established a new Digital and Information Operations Group (DIOG) to act as the oversight group for both governance and development work across the information management and digital needs of the business. This group replaced the previous Information Governance Committee and Technology Enabled Care Board, the new group having a wider range of attendees and more regular meetings. This has greatly strengthened the Information Governance arrangements during 2025/26

DIOG is provided six monthly assurance reports from the Information Governance Team covering areas such as:

- Data Protection Incidents Report
- Information Governance Training Report
- Information Governance Assurance Report (DPIAs, Information Asset Register, ROPA)
- Subject Access Request Performance Report
- Freedom of Information Performance Report

The majority of the work undertaken by the Information Governance Team involves the processing of both Freedom of Information Requests and Subject Access Requests

During 2025/26 the team responded to a total of 865 Freedom of Information Requests, up from 817 the previous year. Against the 20-day target, 93% of FOI responses were issued within the required timescales.

A total of 317 Subject Access Requests were received in 2025/26, increasing from 259 the previous year. Against the 30-day target, 96% of SAR responses were issued within the required timescales.

Information Governance was part of the Internal Audit schedule for 2025/26 with a positive report presented to NHS Orkney in August 2025. From the six areas reviewed by the internal auditors, four were notes as ‘Green - No reportable weaknesses identified’ and two as yellow ‘Minor improvement required’.

As an operator of essential service, NHS Orkney is subject to the Network and Information Systems (NIS) regulations. An audit in year resulted in a 56% score, increasing from 50% the previous year. Several areas of improvement have been identified and are currently being taken forward through a short life working group and this remains a priority for improvement in 2026/27.

Whistleblowing

Throughout 2025/26, NHS Orkney maintained arrangements aligned with the National Whistleblowing Standards to support staff and those delivering NHS services to raise concerns.

During the year, executive leadership for whistleblowing transferred to the Medical Director, with day-to-day management continuing under the Head of Patient Safety, Quality and Risk and the Whistleblowing Champion providing independent oversight.

No formal whistleblowing concerns were raised by NHS Orkney staff during 2025/26, nor by independent contractors who provide services on behalf of the NHS. There were also no whistleblowing concerns escalated to the Independent National Whistleblowing Officer (INWO).

All actions arising from prior INWO escalated concerns from 2024/25 were completed, with no outstanding whistleblowing action plans carried forward into 2025/26.

While no matters met the threshold for whistleblowing, staff continued to access other speaking up routes for advice and early resolution. These included:

- Confidential Contacts
- The Whistleblowing Champion
- The Executive Lead for Whistleblowing
- The anonymous reporting form

Issues raised through these routes related primarily to workforce, behavioural or service matters and were assessed promptly and redirected to the correct organisational processes, such as line management, grievance, workforce support or service improvement routes. This application of the Standards supported proportionate handling, early advice seeking and resolution without escalation to formal whistleblowing.

During the year, the quarterly 'touchpoint' meetings commenced last year, were continued and embedded, involving the Whistleblowing Champion, Confidential Contacts, the Executive Lead for Whistleblowing and the Head of Patient Safety, Quality and Risk. These meetings provide a forum to reflect on concerns raised, how they have been managed, and to share organisational intelligence.

The priority during 2025/26 was strengthening awareness and understanding of whistleblowing and speaking up arrangements. Activity included:

- Promotion of the NHS Orkney Whistleblowing guidance via the staff wellbeing SharePoint site as well as presentations at internal forums, including clinical and professional advisory groups
- Engagement with independent contractors to support their enacting of the Standards and to support aligning processes across Orkney
- Participation in national 'Speak Up Week', with contributions from the Whistleblowing Champion, Executive Lead and Confidential Contacts
- Ongoing communications signposting staff to whistleblowing routes, confidential contacts and sources of advice

Whistleblowing e-learning remained available via Turas and while overall uptake was low, work progressed to embed whistleblowing training within the development programmes to strengthen clarity of roles and responsibilities for those likely to receive concerns.

Priorities identified for 2026/27 include:

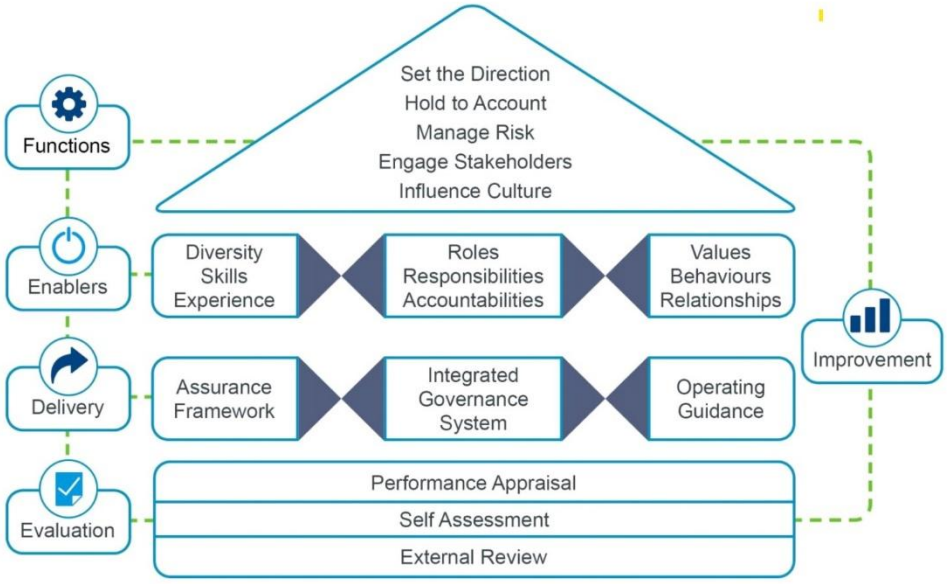
- Continuing to raise awareness of whistleblowing and speaking up routes, particularly in community and non-hospital settings
- Embedding whistleblowing expectations within leadership and management development programmes
- Strengthening and diversifying Confidential Contact provision
- Continuing engagement with independent contractors to support consistent understanding of the Standards
- Completing the planned review of whistleblowing guidance to enhance clarity, as well as expanding to incorporate more guidance around handling of concerns not managed through the whistleblowing route, to ensure that communication and support is clear, consistent and equitable.

Blueprint for Good Governance

The implementation of the NHS Scotland Blueprint for Good Governance 2nd Edition ('the Blueprint') has received significant focus in year, with a focus being on the operational arm of our

Governance system. The Board completed its action plan to meet the expectations of DL (2019)02.

Figure 1 – The Blueprint for Good Governance



Best Value

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

Review of Adequacy and Effectiveness

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

- The Executive Directors, who have a responsibility for development and maintenance of the internal control framework, and their subsidiary report on governance.
- The Board's membership has been refreshed. The Board has throughout the year refreshed its membership of Committees.
- The work of the internal auditors, who submit regular reports to the Audit and Risk Committee which include their independent and objective opinion on the adequacy and effectiveness of the organisation's system of control together with recommendations for improvement.
- Comments made by external auditors in their management letters and reports.
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees
- Statements of Assurance from the assurance Committees.
- Annual reports from assurance Committees.

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

- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee, with respect to the governance

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

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

Disclosures

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

2. Remuneration Report and Staff Report

The total remuneration disclosed on 52 - 57 includes all amounts paid or payable to the Executive Directors and Non-Executive members in 2025/26. This includes a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement.

The following areas of the remuneration report have been audited:

- Single total figure of remuneration
- Pension cash equivalent transfer value (CETV) disclosures
- Fair pay disclosures
- Exit Packages
- Analysis of staff numbers and costs

All other sections of the Remuneration Report have been checked for consistency with the rest of the financial statements.

Remuneration Report for Year Ended 31 March 2026

	Gross Salary (Bands of £5,000) £'000	Bonus Payments (Bands of £5,000)	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
Remuneration of:						
Executive Members						
Chief Executive Officer: Laura Skaife-Knight (1)	55-60	-	-	55-60	17	70-75
Interim Chief Executive Officer: James Goodyear (2)	80-85			80-85	21	100-105
Director of Nursing, Midwifery and AHP: Samantha Thomas	140-145	-	-	140-45	83	225-230
Interim Director of Finance: Damian Reid (3)	5-10			5-10	1	5-10
Director of People and Culture: Jarrard O'Brien (4)	65-70	-	-	65-70	9	75-80
Director of People and Culture: David Harris (5)	45-50			45-50	13	60-65
Medical Director: Anna Lamont	185-190	-	-	185-190	106	290-295
Director of Public Health: Dr Louise Wilson	160-165	-	-	160-165	56	215-220
Chief Officer of the Integration Joint Board: Stephen Brown	125-130	-	-	125-130	35	160-165
Director of Performance and Transformation: Tammy-Ann Sharp (6)	115-120			115-120	30	145-150
Interim Director of Finance: Melanie Barnes (7)	155-160	-	-	155-160	-	155-160
Interim Director of People and Culture: Linda McGowan (8)	20-25	-	-	20-25	-	20-25
Non Executive Members						
The Chair: Meghan McEwen (9)	15-20	-	-	15-20	-	15-20
Interim Chair: David Campbell (10)	30-35			30-35	-	30-35
Vice Chair: David Campbell (11)	5-10	-	-	5-10	-	5-10
Interim Vice Chair: Joanna Kenny (12)	5-10			5-10	-	5-10
Isobel Grieve	10-15	-	-	10-15	-	10-15
Jason Taylor	10-15	-	-	10-15	-	10-15
Joanna Kenny (13)	5-10	-	-	5-10	-	5-10
Fiona McKay (14)	5-10			5-10	-	5-10
Rona Gold	10-15	-	-	10-15	-	10-15
Jean Stevenson	10-15	-	-	10-15	-	10-15
Kirsty Cole	10-15	-	-	10-15	-	10-15
Ryan McLaughlin (15)	45-50	-	-	45-50	12	60-65

Note 1. Laura Skaife-Knight left 12/9/25. Full year equivalent gross salary would be in the range £125,000-£130,000.

Note 2. James Goodyear commenced 15/9/2025. Full year equivalent gross salary would be in the range £145,000-£150,000.

Note 3. Damian Reid commenced 16/3/2026. Full year equivalent gross salary would be in the range £120,000-£125,000.

Note 4. Jarrad O'Brien left 26/9/25. Full year equivalent gross salary would be in the range £135,000-£140,000.

Note 5. David Harris commenced 17/11/2025. Full year equivalent gross salary would be in the range £130,000-£135,000.

Note 6. Tammy-Ann Sharp commenced 12/5/2025. Full year equivalent gross salary would be in the range £130,000-£135,000

Note 7. Melanie Barnes commenced 28.01.25 as Interim Director of Finance, is seconded from Scottish Ambulance Service. Total charges are those invoiced.

Note 8. Linda McGowan Comm 31/8/2025 as Interim Director of People and Culture and left 30/11/2025, was seconded from NHS Forth Valley. Total charges are those invoiced.

Note 9. Meghan Mcewen left 15/8/2025. Full year equivalent gross salary would be in the range £50,000-£55.000.

Note 10. David Campbell commenced as Interim Chairman on 18/08/2025. Full year equivalent gross salary would be in the range £45,000-£50,000

Note 11. David Campbell changed posts wef 18/08/2025. Full year equivalent gross salary would be in the range £10,000-£10,000-£15,000

Note 12. Joanna Kenny commenced as Interim Vice Chair 04/09/25. Full year equivalent gross salary would be in the range .

£10,000-£15,000

Note 13. Joanna Kenny changed post wef 04/09/25. Full year equivalent gross salary would be in the range £10,000-£15,000.

Note 14. Fiona Mckay Commenced as Non Executive Director on 11/8/2025. Full year equivalent gross salary would be in the range £10,000-£15,000.

Note 15. Ryan McLaughlin, the remuneration disclosed comprises remuneration for their role as Employee Director and remuneration for substantive post as eHealth Facilitator, gross remuneration for role as Non Executive Director is £10,000-£15,000,

Remuneration Report for Year Ended 31 March 2025

	Gross Salary (Bands of £5,000) **£'000**	Bonus Payments (Bands of £5,000) £'000	Benefits in Kind **£'000**	Total Earnings in Year (Bands of £5,000) **£'000**	Pension Benefits **£'000**	Total Remuneration (Bands of £5,000) **£'000**
Remuneration of:						
Executive Members						
Chief Executive Officer: Laura Skaife-Knight	125-130	-	-	125-130	33	160-165
Director of Nursing, Midwifery and AHP: Samantha Thomas	135-140	-	-	135-140	46	180-185
Director of Finance: Mark Doyle (1)	45-50	-	-	45-50	5	50-55
Director of People and Culture: Jarrard O'Brien	125-130	-	-	125-130	32	155-160
Medical Director: Anna Lamont	175-180	-	-	175-180	306	480-485
Director of Public Health: Dr Louise Wilson	170-175	-	-	170-175	149	320-325
Chief Officer of the Integration Joint Board: Stephen Brown	120-125	-	-	115-120	32	150-155
Interim Director of Finance: Melanie Barnes (3)	25-30	-	-	25-30	-	25-30
Non Executive Members						
The Chair: Meghan McEwen	40-45	-	-	40-45	-	40-45
Vice Chair: David Campbell	10-15	-	-	10-15	-	10-15
Isobel Grieve	10-15	-	-	10-15	-	10-15
Jason Taylor	10-15	-	-	10-15	-	10-15
Joanna Kenny	10-15	-	-	10-15	-	10-15
Rona Gold	10-15	-	-	10-15	-	10-15
Jean Stevenson	10-15	-	-	10-15	-	10-15
Kirsty Cole (5)	10-15	-	-	10-15	-	10-15
Ryan McLaughlin (6)	40-45	-	-	40-45	11	50-55

Note 1: Mark Doyle left 30.06.24. Full year equivalent gross salary would be in the range £110,000-£115,000. PILON paid in year.

Note 2: Robert Steven commenced 16.09.24 left 28.01.25 - not superannuated. Full year equivalent gross salary would be in the range £225,000-£230,000

Note 3: Melanie Barnes commenced 23.01.25 as Interim Director of Finance seconded from the Scottish Ambulance Service. Total charges are those invoiced for the period 23.01.25 to 31.03.25.

Note 4: Des Creasey left 26.11.24. Full year equivalent gross salary would be in the range £10,000-£15,000.

Note 5: Kirsty Cole commenced 01.04.24

Note 6: Ryan McLaughlin – the remuneration disclosed comprises remuneration for their role as Employee Director and remuneration for substantive post as eHealth Facilitator, gross remuneration for role as Non-Executive Director is in the range £10,000-£15,000.

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2026

	Total accrued pension at pensionable age at 31 March 2026 (Bands of £5,000)	Real increase in pension at pensionable age (Bands of £2,500)	Accrued Lump Sum as at age 65 at 31 March 2026 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2026 £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2025 £'000	Real increase in CETV in year £'000
Chief Executive Officer: Laura Skaife-Knight (1)	5-10	0-2.5	-	-	76	59	8
Interim Chief Executive Officer: James Goodyear (2)	0-5	0-2.5	-	-	18	-	8
Director of Nursing, AHPs & Midwifery: Samantha Thomas	50-55	2.5-5	125-130	5-7.5	1120	984	82
Interim Director of Finance: Damien Reid (3)	0-5	0-2.5	-	-	2	-	1
Director of People and Culture: Jarrod O'Brien (4)	0-5	0-2.5	-	-	41	31	5
Director of People and Culture: David Harris (5)	0-5	0-2.5	-	-	14	-	8
Medical Director: Anna Lamont	125-130	5-7.5	75-80	0-2.5	2,133	1,929	107
Employee Director: Ryan Mclaughlin	5-10	0-2.5	-	-	77	66	6
Director of Public Health: Dr Louise Wilson	90-95	2.5-5	235-240	0-2.5	2,268	2,119	48
Chief Officer Integrated Joint Board: Stephen Brown	5-10	2.5-5	-	-	151	106	25
Director of Performance and Transformation: Tammy-Ann Sharp (6)	0-5	0-2.5	-	-	26	-	12
Interim Director of Finance: Melanie Barnes (7)	-	-	-	-	-	-	-
Interim Director of People and Culture : Linda McGowan (8)	-	-	-	-	-	-	-
						Total	**310**

Note 1 Laura Skaife-Knight left 12/9/25

Note 2 James Goodyear commenced 15/9/2025, excludes NHS England pension service

Note 3 Damian Reid commenced 16/3/2026

Note 4 Jarrad O'Brien left 26/9/25

Note 5 David Harris commenced 17/11/2025

Note 6 Tammy-Ann Sharp commenced 12/5/2025, excludes NHS England pension service

Note 7 Melanie Barnes employed as Interim Director of Finance, is seconded from the Scottish Ambulance Service and pension benefits will be disclosed by them. Total charges are those invoiced.

Note 8 Linda McGowan commenced 31/8/2025 and left 30/11/2025 as Interim People and Culture, was seconded from NHS Forth Valley and pension benefit will disclosed by them. Total charges are those invoiced.

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2025

	Total accrued pension at pensionable age at 31 March 2025	Real increase in pension at pensionable age	Accrued Lump Sum as at age 65 at 31 March 2025	Real Increase in Lump Sum at age 65	Cash Equivalent Transfer Value (CETV) at 31 March 2025	Cash Equivalent Transfer Value (CETV) at 31 March 2024 in year	Real increase in CETV in year
	(Bands of £5,000)	(Bands of £2,500)	(Bands of £5,000)	(Bands of £2,500)	£'000	£'000	£'000
Chief Executive Officer: Laura Skaife-Knight	0-5	0-2.5	-	-	58	28	30
Director of Nursing, AHPs & Midwifery: Samantha Thomas	45-50	2.5-5	115-120	0-2.5	984	921	63
Director of Finance: Mark Doyle (1)	40-45	0-2.5	110-115	(0)-(2.5)	1,026	1,018	8
Director of People and Culture: Jarrod O'Brien	0-5	0-2.5	-	-	31	2	29
Medical Director: Anna Lamont	110-115	15-17.5	80-85	0-2.5	1,832	1,552	280
Employee Director: Ryan Mclaughlin	5-10	0-2.5	-	-	66	58	8
Director of Public Health: Dr Louise Wilson	85-90	7.5-10	225-230	12.5 – 15	2,119	1,945	174
Interim Director of Finance: Brian Steven (2)	-	-	-	-	-	-	-
Interim Director of Finance: Melanie Barnes (3)	-	-	-	-	-	-	-
						Total	**592**

Note 1: Mark Doyle left 30.06.24.

Note 2: Brian Steven commenced 16.09.24 left 28.01.25 - not superannuated.

Note 3: Melanie Barnes commenced 23.01.25 as Interim Director of Finance, is seconded from the Scottish Ambulance Service and pension benefit will be disclosed by them. Total charges are those invoiced.

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

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

2025/26		2024/25		% Change
Range of staff remuneration (£000s)	0-300	Range of staff remuneration (£000s)	0-280	+6.41%
Highest Earning Director's Total Remuneration* (£000s)	185-190	Highest Earning Director's Total Remuneration* (£000s)	175-180	+5.63%
Median (Total pay & benefits)	£45,187	Median (Total pay & benefits)	£46,981	-3.82%
Median (salary only)	£41,483	Median (salary only)	£39,735	+4.40%
Ratio	4.11	Ratio	3.73	+10.19%
25th Percentile (Total pay & benefits)	£34,764	25th Percentile (Total pay & benefits)	£35,845	-3.02%
25th Percentile (salary only)	£30,274	25th Percentile (salary only)	£29,116	+3.98%
Ratio	5.34	Ratio	4.85	+10.10%
75th Percentile (Total pay & benefits)	£60,928	75th Percentile (Total pay & benefits)	£59,148	+3.01%
75th Percentile (salary only)	£50,935	75th Percentile (salary only)	£50,651	+0.74%
Ratio	3.05	Ratio	2.96	+3.04%
Commentary The median pay ratio increased in 2025/26 compared to 2024/25, with increases also observed across the 25th and 75th percentile ratios. The increase in pay ratios is primarily driven by changes in overall staffing levels and workforce composition. Headcount increased from 749 to 769 and whole-time equivalent staff from 670 to 697. The values above are based on full-time equivalent pay.				

Remuneration

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

Board Members' Contracts of Employment

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

Performance Appraisal

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

Staff Report

All elements of workforce activity sit within the governance remit of the Staff Governance Committee. The Committee, on an annual basis, agrees an action plan which details the programmes of work the Board will undertake under the 5 governance pillars and track progress on the delivery on a quarterly basis. The Chair of the Committee provides a risk and assurance update directly to the Board.

Each year, in compliance with our statutory requirements, the Board completes a Self-Assessment for the Scottish Government Workforce Division (SAAT) and receives feedback on performance, which includes activities to be included or progressed the following year.

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

In 2025/26, NHS Orkney employed 170 staff, comprising 103 permanent employees, 20 fixed-term staff, and 47 bank workers.

Recruitment activity throughout the year continued to prioritise filling permanent vacancies and reducing reliance on temporary staffing. There has been a continued reduction in the use of agency staffing across medical, nursing, and Allied Health Professional roles, supporting improved continuity of care, value for money, and workforce sustainability. NHS Orkney remains committed to working within the principles and guidance set out by the Scottish Government in relation to the use of agency workforce.

We will continue to deliver the agreement regarding agency costs and usage, which will support not only the acquisition of quality candidates but also establish a capped pricing structure. We are ensuring that we work within the guideline and principles as laid down by Scottish Government on the use of agency workforce. These changes were made in order to support patient safety, as required by the Health and Care (Staffing) (Scotland) Act 2019, and to address the value and sustainability relating to the use of flexible workforce provide a framework for Boards to operate within (and to report compliance on).

Staff Support and Wellbeing

Improving staff health and wellbeing remains one of the areas of focus for the organisation in 2025/26 in response to staff feedback.

In response to feedback and with support from the Orkney Health Board Endowment Fund, we implemented a staff health and wellbeing programme focused on improving physical, mental and financial health for Team Orkney. The programme includes:

- An Employee Assistance Programme (via Health Assured) - now funded by the Board for 5 years
- Women's health and menopause
- Physical and mental health
- National campaigns (for example, Healing Arts Scotland)
- Wellbeing events

Wellbeing initiatives continue to be promoted to staff as part of our staff communications.

The Occupational Health Service continues to provide ongoing support to the organisation as part of recruitment, management referrals, self-referrals, general enquiries, workstation assessments and general wellbeing. Occupational Health also supports small and medium-sized enterprises (SME's) as part of providing a wider service to the Community. We are currently accepting management referrals from Orkney Island Council.

Recognising that staff support requires a range of different approaches, we continue to promote access to Confidential Contacts for staff to raise concerns. We have also established a peer support network and this is gaining in visibility and reach.

Organisational Development

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

The response rate for the NHS Orkney questionnaire in 2025 was 69%. Managers across NHS Orkney continue to be engaged with iMatter Manager Development Sessions, and the feedback is positive and well-received. The first session was aimed at providing a detailed overview of the iMatter process, including the key dates of survey rollout. The second session was a training session to support managers in facilitating action planning sessions within their teams to create their department plans.

The final sessions aimed to facilitate action planning sessions with new or less experienced managers who requested support to enhance their team's planning process.

56 out of 86 teams completed their action plans throughout the year, resulting in a 66% completion rate, which is a 3% decrease compared to the 2025 position. Communications have been issued to managers and colleagues to emphasise the importance of individual teams discussing the results and developing meaningful action plans to improve the staff experience, and a communication and support plan is in place for this financial year.

Training and Education

Over the 2025/26 financial year, NHS Orkney continued to strengthen its approach to workforce development, statutory and mandatory compliance, and induction quality, with a clear focus on supporting staff to feel prepared, capable and confident in their roles. Our work has centred on improving the learner experience, strengthening system governance, and ensuring our learning offer aligns with both local priorities and national developments.

A major area of progress this year has been the successful transition to the national Once for Scotland statutory and mandatory modules. Working in partnership with NHS Education for Scotland and national boards, this transition represents a significant organisational achievement - reducing duplication, improving clarity for staff, and strengthening the overall quality and reliability of mandatory training.

Alongside this, we have enhanced our statutory and mandatory training compliance reporting by introducing improvements to the reporting dashboard, including clearer sub-department drill-down functionality, refined compliance categories, and remediation of data integrity issues. These updates have supported more accurate organisational oversight and a more flexible, faster approach to reviewing compliance trends.

In line with Protected Learning Time, we continue to make progress in mapping profession and role-specific training requirements and improving learner signposting to ensure staff can readily identify training aligned to their responsibilities and development needs.

Induction also remains an important area of focus, with survey data showing that 98% of new starters now agree or strongly agree that they feel welcomed and supported on their first day- a significant improvement since the 2023 Induction Refresh. Qualitative feedback reflects a warm and supportive environment, clear information and communication, relevant and

accessible training, engaged line managers and strong role clarity. We remain committed to continuously enhancing the induction experience to ensure it stays structured, supportive and responsive to the needs of all new colleagues.

Working in partnership with UHI Orkney, we also supported four Access to Nursing placement opportunities for local aspiring healthcare professionals. This collaboration strengthens the future pipeline of the health and social care workforce by creating accessible entry routes into nursing careers, supporting local recruitment and contributing to long-term workforce sustainability.

Staff Costs

The following table summarises total staff costs and numbers for 2025/26 and the prior year:

2024/25		2025/26						
Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	Total £'000
33,153	Salaries and wages	1,022	165	35,405	-	-	-	36,592
3,608	Taxation and Social security costs	144	17	4,673	-	-	-	4,833
6,405	NHS scheme employers' costs	216	-	6,815	-	-	-	7,031
568	Secondees	179	-	-	852		(76)	956
3,142	Agency staff	-	-	-	-	2,036		2,036
46,876		1,561	182	46,892	852	2,036	(76)	51,448
38	Compensation for loss of office or early retirement	-	-	30	-	-	-	30
46,914	**TOTAL**	**1,561**	**182**	**46,922**	**852**	**2,036**	**(76)**	**51,478**

There were no staff engaged directly on capital projects in 2025/26 (2024/25 nil).

The staff costs are included under Note 3a and Note 4 income.

Staff Numbers

2024/25 Total		Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2025/26 Total
670	**Whole Time Equivalent (WTE)**	**8**	**9**	**636**	**8**	**37**	**(2)**	**697**

Staff Composition

	As at 31 March 2026			As at 31 March 2025		
	Male	Female	Total	Male	Female	Total
Executive Directors	4	4	8	2	4	6
Non-Executive Directors and Employee Director	3	6	9	3	6	9
Senior Employees	22	30	52	29	39	68
Other	124	576	700	116	550	666
Total Head Count	**153**	**616**	**769**	**150**	**599**	**749**

Higher Paid Employees Remuneration

2024/25 Number		2025/26 Number
	Clinicians	
4	£90,001 to £100,000	4
5	£100,001 to £110,000	2
3	£110,001 to £120,000	3
1	£120,001 to £130,000	3
6	£130,001 to £140,000	3
2	£140,001 to £150,000	3
-	£150,001 to £160,000	1
1	£160,001 to £170,000	2
3	£170,001 to £180,000	-
-	£180,001 to £190,000	1
-	£190,001 to £200,000	-
2	£200,001 and above	3

	Other	
2	£90,001 to £100,000	2
1	£100,001 to £110,000	2
-	£110,000 to £120,000	1
3	£120,001 to £130,000	1
-	£130,001 to £140,000	-
-	£140,001 to £150,000	1

Sickness Absence Data

NHS Orkney has a dedicated confidential Occupational Health Service which provides proactive and reactive supports to keep staff well and in work and a dedicated Employee Assistance Programme (see Wellbeing section). As part of this programme, our colleagues can access a confidential 24/7/365 helpline that provides support services such as counselling and virtual sessions, as well as legal and information services if needed. Calls are answered by a counsellor who is a member of the British Association for Counselling and Psychotherapy and can conduct an immediate risk assessment while offering in-the-moment support.

NHS Orkney takes a proactive approach in managing the absence of staff due to sickness. Staff are provided with support and encouragement to return to work as soon as possible. If necessary, adjustment programs longer than four weeks can be implemented as part of a phased return to work agreed upon by both the staff member's manager and Occupational Health, when clinically justified. Support is also available in assisting colleagues to remain at work by undertaking self-referral to our occupational health team or physiotherapy team.

The annual sickness absence rate for this last year was 5.97% (2025/26 6.25%). Longer term sickness absence is 3.81% and short term is 2.16% for the same period. The greatest percentage of hours lost against short term absence was Cold, cough and flu at 8.23%.

For long term absence, Anxiety, Stress, Depression and Other Psychiatric illness remains the top reason with 27.77% of all hours lost. Work is ongoing to make improvements to absence reporting in relation to the reasons for absence, alongside improvements to attendance management processes and the ongoing wellbeing support across the organisation.

Employment of Disabled Persons

Staff policies applied during the financial year relating to the employment of disabled persons.

1. For giving full and fair consideration to applications for employment by the Board made by disabled persons, having regard to their particular aptitudes and abilities;

NHS Orkney maintains a Job Interview Guarantee (JIG), ensuring that any applicant with a disability who meets the minimum criteria specified in the person specification is assured of an interview. However, some disabled applicants prefer not to utilise this option, and accordingly, they can indicate their choice on our application form regarding whether they wish to participate in this scheme.

NHS Orkney has been awarded Disability Confident Leader status in 2025/26.

2. For continuing the employment of, and arranging appropriate training for, employees of the Board who have become disabled persons during their period when they were employed by the Board;

NHS Scotland's Capability Policy is used to support staff staying in employment if their health condition affects their ability to perform their current role.

Reasonable adjustments, where possible, are considered to support staff to maintain their employment, and this is reviewed on a regular basis by the Manager in conjunction with Occupational Health Services, the People and Culture team and other relevant support such as Access to Work and Ables Future.

In the event that a reasonable adjustment cannot be made, alternative suitable employment via the utilisation of NHS Orkney's Redeployment Policy may be considered to allow continuation of employment.

NHS Scotland partners with the Business Disability Forum. This provides all NHS Scotland employees with access to their specialist advice and resources. There are guides, toolkits, webinars and an advice line available to all employees.

3. Otherwise, for the training, career development and promotion of disabled persons employed by the Board;

All staff have a responsibility to foster an inclusive culture for themselves, colleagues, and patients/clients. As part of NHS Orkney's commitment to mainstreaming equalities, NHS Orkney works to ensure that employees with protected characteristics are not discriminated against and are treated with dignity, respect, and due regard for their needs as employees. Actions to promote inclusivity for the coming year include establishing several Staff Networks in connecting with neighboring boards and encouraging Equality training for the workforce.

Exit Packages

There was one exit package agreed in 2025/26 totalling £86,000. There were two exit packages agreed in 2024/25 totalling £117,000.

Exit Packages Exit Packages cost band	Number of compulsory	Number of other Departures	2025-26 Total number of exit packages by cost band
< £10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	-	-
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
> £200,000	-	-	-
Total number of exit Packages by type	-	1	1
Total Resource Cost (£'000)	-	86	86

Exit Packages Exit Packages cost band	Number of compulsory	Number of other Departures	2024-25 Total number of exit packages by cost band
< £10,000	-	-	-
£10,000 - £25,000	-	-	-
£25,000 - £50,000	-	1	1
£50,000 - £100,000	-	1	1
£100,000 - £150,000	-	-	-
£150,000 - £200,000	-	-	-
> £200,000	-	-	-
Total number of exit Packages by type	-	2	2
Total Resource Cost (£'000)	-	117	117

3. Parliamentary Accountability Report

Losses and Special Payments

On occasion the Board may be required to write off balances which are no longer recoverable. Losses and special payments over £250k require formal approval to regularise such transactions and their notation in the annual accounts of which none arose in 2025/26 or 2024/25.

There were no special payments written off during 2025/26 or 2024/25, however, the losses accounted for are as follows:

	2025/26		2024/25	
	No. of cases	£'000	No. of cases	£'000
Losses	45	14	21	9

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

Fees and Charges

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

There were no material amounts in 2025/26 or 2024/25.

Contingent Liabilities

Occasionally past events can place an obligation for future liabilities where payment of the liability is contingent an uncertain future event(s).

When such an event(s) occurs, the board are required to disclose these as a contingent liability, detail of contingent liabilities can be found in note 14 of the Annual Accounts.

Signed Date

James Goodyear
Interim Chief Executive

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

Reporting on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Orkney Health Board and its group for the year ended 31 March 2026 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, Consolidated Statement of Financial Position, the Statement of Consolidated Cash Flows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Government Financial Reporting Manual (the 2025/26 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the affairs of the board and its group as at 31 March 2026 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

These conclusions are not intended to, nor do they, provide assurance on the current or future financial sustainability of the board and its group. However, we report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our separate Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- using our understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among our audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skillfulness of the perpetrator, the frequency and extent of

manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

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

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or

- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Rashpal Khangura, (for and on behalf of KPMG LLP)
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

SECTION 3



ANNUAL ACCOUNTS

For

Year Ended 31 March 2026

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE
FOR THE YEAR ENDED 31 MARCH 2026

2024/25 £'000		Notes	2025/26 £'000
	Total income and expenditure		
46,963	Employee expenditure	3	51,554
	Other operating expenditure:		
6,956	Independent Primary Care Services	3	7,491
9,657	Drugs and medical supplies	3	9,918
77,266	Other health care expenditure	3	81,934
140,842	**Gross Expenditure for the year**		**150,897**
(48,472)	Less: Other Operating Income	4	(51,382)
(285)	Associates and joint ventures accounted for on an equity basis		(480)
92,085	**Net expenditure for the year**		**99,035**

OTHER COMPREHENSIVE NET EXPENDITURE

2024/25 £'000		2025/26 £'000
(2,361)	Net (gain)/loss on revaluation of Property Plant and Equipment	(3,582)
21	Net (gain)/loss on revaluation investments	(45)
(2,340)	Other Comprehensive Expenditure	(3,627)
89,745	**Comprehensive net expenditure**	**95,408**

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2026

31 March 2025				31 March 2026	
Consolidated £'000	Board £'000		Notes	Consolidated £'000	Board £'000
		Non-Current Assets:			
101,549	101,549	Property, plant and equipment	7c	103,369	103,369
112	112	Intangible assets	6	58	58
1,395	1,395	Right of Use assets	17a	1,457	1,457
		Financial assets:			
959	-	Investments	10	1,018	-
1,643	-	Investments in associates and joint ventures		2,123	-
12	12	Trade and other receivables	9	10	10
105,670	**103,068**	**Total non-current assets**		**108,035**	**104,894**
		Current Assets:			
880	880	Inventories	8	792	792
		Financial assets:			
1,779	1,779	Trade and other receivables	9	1,779	1,779
343	239	Cash and cash equivalents	11	176	89
-	-	Assets classified as held for sale	7b	174	174
3,002	**2,897**	**Total current assets**		**2,921**	**2,834**
108,672	**105,965**	**Total assets**		**110,956**	**107,728**
		Current liabilities			
(377)	(377)	Provisions	13	(483)	(483)
		Financial liabilities:			
(14,757)	(14,673)	Trade and other payables	12	(14,538)	(14,512)
(15,134)	**(15,050)**	**Total current liabilities**		**(15,021)**	**(14,995)**
93,538	**90,915**	**Non-current assets plus/less net current assets/liabilities**		**95,935**	**92,733**
		Non-current liabilities			
(1,232)	(1,232)	Provisions	13	(1,342)	(1,342)
(1,198)	(1,198)	Trade and other payables	12	(1,175)	(1,175)
(2,430)	**(2,430)**	**Total non-current liabilities**		**(2,517)**	**(2,517)**
91,108	**88,485**	**Assets less liabilities**		**93,418**	**90,216**
		Taxpayers' Equity			
56,932	56,932	General fund	SOCTE	55,703	55,703
31,553	31,553	Revaluation reserve	SOCTE	34,513	34,513
1,643	-	Other reserves – associates and joint ventures	SOCTE	2,123	-
980	-	Funds held on Trust	SOCTE	1,079	-
91,108	**88,485**	**Total taxpayers' equity**		**93,418**	**90,216**

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

The financial statements on pages 70 to 73 were approved by the board on 25 June 2026 and signed on their behalf by

.....Interim Director of Finance
Date:

.....Interim Chief Executive
Date:

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2026

2024/25 £'000		Notes	2025/26 £'000
	Cash flows from operating activities		
(92,085)	Net expenditure	SOCTE	(99,035)
2,877	Adjustments for non-cash transactions	2b	2,732
15	Add back: interest payable recognised in net operating expenditure	2b	49
3,301	Movements in working capital	2b	141
(85,892)	**Net cash outflow from operating activities**		**(96,113)**
	Cash flows from investing activities		
(2,981)	Purchase of property, plant and equipment	7a	(1,303)
(72)	Investment Additions	10	(51)
20	Proceeds of disposal of property, plant and equipment		28
-	Proceeds of disposal of intangible assets		-
117	Receipts from sale of investments		35
(2,916)	**Net cash outflow from investing activities**		**(1,291)**
	Cash flows from financing activities		
89,122	Funding	SOCTE	97,735
(356)	Movement in general fund working capital	SOCTE	(150)
88,766	Cash drawn down		97,585
(251)	Capital element of payments in respect of leases and on-balance sheet PFI and Hub contracts		(299)
-	Interest paid		-
(15)	Interest element of leases and on-balance sheet PFI/ PPP and Hub Contracts		(49)
88,500	**Net Financing**		**97,237**
(308)	**Net Increase in cash and cash equivalents in the period**		(167)
651	**Cash and cash equivalents at the beginning of the period**		343
343	**Cash and cash equivalents at the end of the period**		176
	Reconciliation of net cash flow to movement in net debt/cash		
(308)	Increase in cash in year		(167)
651	Net debt/cash at 1 April		343
343	**Net debt/cash at 31 March**		**176**

The Notes to the Accounts, numbered 1 to 24, form an integral part of these Accounts.

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2026

	Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2025		**56,932**	**31,553**	**1,643**	**980**	**91,108**
Changes in taxpayers' equity for 2025-26						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	-	3,582	-	-	3,582
Net gain/(loss) on revaluation of investments	10	-	-	-	45	45
Net gain/(loss) on revaluation of Right-of-Use assets		-	-	-	-	-
Impairment of property, plant and equipment		-	-	-	-	-
Revaluation and impairments taken to operating Costs	2b	-	(17)	-	-	(17)
Transfers between reserves		605	(605)	-	-	-
Net operating cost for the year	SOCNE	(99,569)	-	480	54	(99,035)
Total recognised income and expense for 2025-26		(98,964)	2,960	480	99	(95,425)
Funding:						
Drawn down		97,585	-	-	-	97,585
Movement in General Fund (Creditor) / Debtor	CFS	150	-	-	-	150
Balance at 31 March 2026	SoFP	**55,703**	**34,513**	**2,123**	1,079	**93,418**

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
Balance at 31 March 2024		**59,565**	**29,770**	**1,358**	**1,050**	**91,743**
Changes in taxpayers' equity for 2024-25						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	7a	-	2,361	-	-	2,361
Net gain/(loss) on revaluation of investments	10	-	-	-	(21)	(21)
Net gain/(loss) on revaluation of Right-of-Use assets		-	-	-	-	-
Impairment of property, plant and equipment		-	-	-	-	-
Revaluation and impairments taken to operating Costs	2b	-	(12)	-	-	(12)
Transfers between reserves		566	(566)	-	-	-
Net operating cost for the year	SOCNE	(92,321)	-	285	(49)	(92,085)
Total recognised income and expense for 2024-25		(91,755)	1,783	285	(70)	(89,757)
Funding:						
Drawn down		88,766	-	-	-	88,766
Movement in General Fund (Creditor) / Debtor	CFS	356	-	-	-	356
Balance at 31 March 2025	SoFP	56,932	**31,553**	**1,643**	**980**	**91,108**

The Notes to the Accounts, numbered 1 to 24, 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 (IFRS) as adopted by the United Kingdom, Interpretations issued by the IFRS Interpretations Committee (IFRIC) 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.

1. **Standards, amendments and interpretations effective in current year**:

   FRS 17 Insurance Contracts have been included within the FreM for 2025-26.

2. **Standards, amendments and interpretations effective in current year adopted early this year**:

   There are no new standards, amendments or interpretations early adopted in the 2025-26 financial year.

3. **Standards, amendments and interpretations issued but not adopted this yea**r:

   The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2025-26 financial year.

Standard	Current status
IFRS 18 Presentation and disclosure in financial statements	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.
IFRS 19 Subsidiaries without public accountability: disclosures	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.

2. Basis of Consolidation

Consolidation

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

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

members of the NHS Board. The Board members (who are also Trustees) are appointed by Scottish Ministers.

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

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

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

In line with statutory guidance issued by the Integrated Resources Advisory Group (IRAG) IJBs are deemed to be joint ventures. In accordance with IFRS 11 Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the Board's interest in IJBs using the equity method of accounting.

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

3. Retrospective Restatement

There are no prior year adjustments for 2024/25.

4. Going Concern

The accounts are prepared on the going concern basis, which provides that the NHS Board will continue in operational existence for the foreseeable future unless informed by Scottish Ministers of the intention for dissolution without transfer of services or functions to another entity.

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, and financial assets and liabilities (including derivative instruments) at fair value as determined by the relevant accounting standards and the FReM.

6. Funding

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

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

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

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

Non-discretionary funding out with the RRL is allocated to match actual expenditure incurred for the provision of specific Family Health Services (comprised of General

Pharmaceutical Services, General Medical Services, General Dental Services and General Ophthalmic Services as designated by the Scottish Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn..

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

2) 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

3) 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

4) 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 (including VAT where this is not recoverable), or where they are part of the initial costs of equipping a new development and total over £20,000 (including VAT where this is not recoverable)

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.

Thereafter, valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and are 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 (Red Book) insofar as these terms are consistent with the agreed requirements of Scottish Government.

In general, operational assets which are in use delivering front-line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following is accepted variations of the RICS Appraisal and Valuation Manual are adopted:

- Operational assets which are specialised in nature are valued on a replacement cost basis for a modern equivalent asset.

- Non-specialised equipment, installations and fittings are valued at fair value, using the most appropriate valuation methodology available. A depreciated historical cost basis is considered an appropriate proxy for fair value in respect of assets which have short useful lives or low values (or both).

All assets that are not held for their operational capacity (i.e. investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured subsequently at fair value.

Surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to brin the asset back into future use as an operational asset.

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.

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

Permanent decreases in asset values and impairments arising from a reduction in service potential or consumption of economic benefit are charged 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 arising from a change in market price are charged to the revaluation reserve where there is an available balance for the asset concerned and thereafter are charged to the Statement of Comprehensive Net Expenditure.

7.3 Depreciation

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

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

1) Freehold land is considered to have an infinite life and is not depreciated

2) Assets in the course of construction and residual interests in off- Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the Board, respectively.

3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification

4) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.

5) Equipment is depreciated over the estimated life of the asset.

6) Leased Property, plant and equipment held under leases are depreciated over the shorter of the lease term and the estimated useful life. Unless there is reasonable certainty the Board will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

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 – 60
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

Cost

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

Subsequently intangible assets are measured as per the cost model, carried at historic cost less accumulated amortisation and impairment losses.

The Financial Reporting Manual removes the requirement for public sector bodies to apply a revaluation model to intangible assets. Instead, entities must move to a cost model for subsequent measurement.

The transition is made using a retrospective approach in line with IAS 8, but practically implemented using the deemed cost exemption, meaning no recalculation of prior periods, no restatement of accumulated revaluation reserves, and existing balances simply become the opening position for the cost model going forward.

The carrying amount of each intangible asset held at 1 April 2025 becomes its deemed historic cost. No revaluation or indexation of intangible assets is permitted after this date. Subsequent expenditure is capitalised only where it enhances or extends the asset's operational capacity.

8.3 Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life
Software	5

9. Non-current assets held for sale

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

1. the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales

2. 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'
   - 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 Statement of Financial Position initially at the current full replacement cost of the asset. Donated assets are revalued, depreciated/ amortised and subject to impairment in the same way as other non-current assets in accordance with 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. Leases

Scope and classification

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The FReM expands the scope of IFRS 16 to include

arrangements with nil consideration. The standard is also applied to accommodation sharing arrangements with other government departments.

Contracts or parts of contract that are leases in substance are determined by evaluating whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use.

The following are excluded:

- Contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and

- Contracts with a term shorter than twelve months (comprising the non-cancellable period plus any extension options that are reasonably certain to be exercised and any termination options that are reasonably certain not to be exercised).

Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax, discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

Estimates and judgements

The Board determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the

underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable, the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under “peppercorn” leases to be measured at existing use value.

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

NHS Orkney participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

18. Clinical and Medical Negligence Costs

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

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

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

19. Related Party Transactions

Material related party transactions are disclosed in the Note 22 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

20. Value Added Tax

Most of the activities of the Board are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is

charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

21. NPD Schemes

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

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

22. Provisions

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

23. Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets but are disclosed in note 14 where an inflow of economic benefits is probable.

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

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

24. Corresponding Amounts

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

25. Financial Instruments

Financial assets

Business model

The Board's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

Classification

When the Board first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Board classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

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

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

A financial asset may be held at amortised cost where both of the following conditions are met:

i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

(c) Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

i. the financial asset is held within a business model where the objective is to collect contractual cash flows and sell the asset; and
ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Board recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Board where there has been a significant increase in credit risk since the asset's initial recognition. Where the Board does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

Recognition and measurement

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

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

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

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

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

(b) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income

Financial Liabilities

Classification

The Board classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Board classifies all financial liabilities as measured at amortised cost, unless:

i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
ii. they contain embedded derivatives; and/or
iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

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

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

(b) Financial liabilities held at amortised cost

Financial liabilities held at amortised cost are disclosed in current liabilities, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current liabilities. The NHS Board's financial liabilities held at amortised cost comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

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

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

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

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

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

(b) Amortised costs

Financial liabilities held at amortised cost 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 Note 5 in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing of the operating segments. This has been identified as the senior management of the Board.

Operating segments are unlikely to directly relate to the analysis of expenditure shown in note 3.

27. Cash and cash equivalents

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

28. Foreign exchange

The functional and presentational currencies of the Board are sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Board has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

• monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;

• non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and

• non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

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

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

29. Third party assets

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

30. Key sources of judgement and estimation uncertainty

The Board makes subjective and complex judgements in applying its accounting policies and relies on a range of estimation techniques and assumptions concerning uncertain future events. It is recognised that sources of estimation uncertainty are likely to vary from year to year and the resulting accounting estimates will, by definition, seldom equal the related actual results. As such, key judgements and estimates are continually reviewed, based on historical experience and other factors, including changes to past assumptions and expectations of future events that are believed to be reasonable under the circumstances.

The key judgements exercised in the application of the Board's accounting policies which have the most significant effect on the carrying amounts in the financial statements are summarised below:

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

Pension Provision: The pension provision is calculated using information received from the Scottish Public Pension Agency (SPPA) relating to former NHS Orkney employees for whom NHS Orkney have an ongoing pension liability. The liability is calculated using information obtained from SPPA and discount rates as per SGHSCD guidance.

Fair Value of Property, Plant and Equipment: Valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The full 5-year revaluation was undertaken at 31st March 2023. This was then adjusted at 31st March 2025 to take account of movement in prices.

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

Note 2: Memoranda To the Primary Statements

2a. Summary of Core Revenue Resource Outturn	Notes	2025/26 £'000
Net Expenditure	SOCNE	**99,035**
Total Non Core Expenditure (see below)		(3,604)
FHS Non Discretionary Allocation		(2,125)
Endowment Net Expenditure		54
Associates and joint ventures accounted for on an equity basis		480
Total Core Expenditure		**93,840**
Core Revenue Resource Limit		94,013
Saving/(excess) against Core Revenue Resource Limit		**173**

Summary of Non Core Revenue Resource Outturn	
Capital grants to/ (from) other bodies	-
Depreciation/Amortisation	1,686
Annually Managed Expenditure – Impairments	(16)
Annually Managed Expenditure – Provisions	199
Annually Managed Expenditure – depreciation of donated assets	1
Annually Managed Expenditure – Pension valuation	16
Additional Scottish Government non-core funding	148
Donated assets income	-
PFI & NPD Depreciation	1,570
Total Non Core Expenditure	**3,604**
Non Core Revenue Resource Limit	3,604
Saving/(excess) against Non Core Revenue Resource Limit	**-**

Summary Resource Outturn	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	94,013	93,840	173
Non Core	3,604	3,604	-
Total	**97,617**	**97,444**	**173**

2b. Notes to the cash flow statement

Consolidated adjustments for non-cash transactions

2024/25 £'000		2025/26 £'000	Notes
	Expenditure Not Paid In Cash		
2,863	Depreciation	2,890	7a
55	Amortisation	54	6
1	Depreciation on donated assets	1	7a
262	Depreciation on Right of Use (RoU) Assets	311	17a
-	Impairments on PPE charged to SoCNE	-	
(12)	Net revaluation on PPE charged to SoCNE	(17)	
-	Funding of Donated Assets	-	
-	Loss/(Profit) on disposal of intangible assets	-	
(7)	Loss/(Profit) on disposal of property, plant and equipment	(28)	
-	Impairments on intangible assets charged to SoCNE	-	6
(285)	Associates and joint ventures accounted for on an equity basis	(480)	SOCNE
-	Roundings	1	
2,877	**Total Expenditure Not Paid In Cash**	**2,732**	CFS

Interest payable recognised in operating expenditure

2025 £000			2026 £000
	Interest payable		
-	Interest on late payment of commercial debt		-
-	Bank and other interest payable		-
-	PFI lease charges allocated in the year	18b	-
15	Lease interest	17b	49
-	Provisions - Unwinding of discount		-
15	**Net interest payable**	CFS	**49**

Consolidated movements in working capital

2024/25		2025/26			
Net Movement £'000		**Opening Balances £'000**	**Closing Balances £'000**	**Net Movement £'000**	**Notes**
	INVENTORIES				
(66)	Inventories	880	792		8
(66)	**Net Decrease/(Increase)**	**880**	**792**	**88**	
	TRADE AND OTHER RECEIVABLES				
317	Due within one year	1,779	1,779		9
2	Due after more than one year	12	10		9
319	**Net Decrease/(Increase)**	**1,791**	**1,789**	**2**	

	TRADE AND OTHER PAYABLES				
2,752	Due within one year	14,757	14,538		12
1,070	Due after more than one year	1,198	1,175		
-	Less: Property, Plant & Equipment (Capital) included in above	-	-		
356	Less: General Fund Creditor included in above	(239)	(89)		
(1,077)	Less: lease and PFI creditors included in value	(1,410)	(1,483)		
3,101	**Net Increase/(Decrease)**	**14,306**	**14,141**	**(165)**	
	PROVISIONS				
(53)	Statement of Financial Position	1,609	1,825		13a
(53)	**Net Increase/(Decrease)**	**1,609**	**1,825**	**216**	
3,301	**NET MOVEMENT Increase/(Decrease)**			**141**	CFS

3. Operating expenses

3a. Staff costs

2024/25		**2025/26**		Notes
Consolidated £'000		**Board £'000**	**Consolidated £'000**	
10,807	Medical and Dental	12,282	12,282	
14,936	Nursing	16,203	16,203	
21,220	Other Staff	23,069	23,069	
46,963	**Total**	**51,554**	**51,554**	SOCNE

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

3b. Other operating expenditure

2024/25		**2025/26**		
Consolidated £'000		**Board £'000**	**Consolidated £'000**	**Notes**
	Independent Primary Care Services:			
4,724	General Medical Services	5,067	5,067	
907	Pharmaceutical Services	947	947	
1,009	General Dental Services	1,165	1,165	
316	General Ophthalmic Services	312	312	
6,956	**Total Independent Primary Care Services**	**7,491**	**7,491**	**SOCNE**
	Drugs and medical supplies:			
4,733	Prescribed drugs and appliances - Primary Care	4,744	4,744	
3,325	- Secondary Care	3,424	3,424	
-	PPE and Testing Kits	-	-	
1,599	Medical Supplies	1,750	1,750	
9,657	**Total Drugs and medical supplies**	**9,918**	**9,918**	**SOCNE**

	Other health care expenditure			
44,664	Contribution to Integration Joint Boards	48,978	48,978	
9,790	Goods and services from other NHS Scotland bodies	9,872	9,872	
129	Goods and services from other UK NHS bodies	47	47	
268	Goods and services from private providers	141	141	
231	Goods and services from voluntary organisations	170	170	
2256	Resource Transfer	3,008	3,008	
-	Loss on disposal of assets	-	-	
19,737	Other operating expenses	19,541	19,541	
106	Auditor's remuneration - statutory audit fee	103	103	
85	Endowment Fund expenditure	-	74	
77,266	**Total Other health care expenditure**	**81,860**	**81,934**	SOCNE
93,879	**Total**	**99,269**	**99,343**	

4. Operating Income

2024/25		2025/26		
Consolidated £'000		**Board £'000**	**Consolidated £'000**	**Notes**
1,922	Income from Scottish Government	-	-	
858	Income from other NHS Scotland bodies	1,560	1,560	
230	Income from NHS non-Scottish bodies	72	72	
44,093	Income for services commissioned by Integration Joint Board (IJB)	48,018	48,018	
282	Patient charges for primary care	375	375	
-	Donations	-	-	
7	Profit of disposal of assets	28	28	
-	Contribution in respect of clinical and medical negligence claims	30	30	
	Non NHS:			
101	Overseas patients (non-reciprocal)	111	111	
36	Endowment Fund Income	-	128	
943	Other	1,060	1,060	
48,472	**Total Income**	**51,254**	**51,382**	SOCNE

5. Segmental Information

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

	Nursing & Acute Services £'000	Medical Director £'000	Integration Joint Board £'000	Finance Directorate £'000	Estates, Facilities & NPD Contracts £'000	Chief Executive £'000	Public Health £'000	Director Of Human Resources £'000	Dental NCL £'000
2025/26 Net Operating Cost	21,520	18,612	34,494	1,171	9,686	4,381	1,090	1,250	867
2024/25 Net Operating Cost	20,445	17,449	30,963	1,153	10,260	5,506	997	2,246	766

	Ophthalmic NCL £'000	Dental & Pharmacy NCL-IJB £'000	Capital Grants £'000	Annually Managed Expenditure £'000	Performance & Transformation £'000	Capital Charges £'000	IJB Reserves £'000	Endowments £'000	Total £'000
2025/26 Net Operating Cost	312	947	-	348	1,635	3,256	(480)	(54)	**99,035**
2024/25 Net Operating Cost	316	907	(1,922)	56	-	3,179	(285)	49	**92,085**

6. Intangible Assets

Movements in 2025/26	Notes	Software Licences £'000	IT - Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2025		-	471	471
Impairment charges		-	-	-
Disposals		-	-	-
At 31st March 2026		**-**	**471**	**471**
Amortisation				
As at 1st April 2025		-	359	359
Provided during the year		-	54	54
Impairment charges		-	-	-
Disposals		-	-	-
At 31st March 2026		**-**	**413**	**413**
Net Book Value at 1st April 2025		**-**	**112**	**112**
Net Book Value at 31 March 2026	SoFP	**-**	**58**	**58**

Movements in 2024/25	Notes	Software Licences £'000	IT - Software £'000	Total £'000
Cost or Valuation:				
As at 1st April 2024		-	471	471
Impairment charges				
Disposals		-	-	-
At 31st March 2025		**-**	**471**	**471**
Amortisation				
As at 1st April 2024		-	304	304
Provided during the year		-	55	55
Impairment charges		-	-	-
Disposals		-	-	-
At 31st March 2025		**-**	**359**	**359**
Net Book Value at 1st April 2024		**-**	**167**	**167**
Net Book Value at 31 March 2025	SoFP	**-**	**112**	**112**

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

Movements in 2025/26	Notes	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2025		1,830	96,168	289	690	12,989	3,778	1,131	2,611	119,486
Additions – purchased		-	79	-	-	157	-	-	1,067	1,303
Additions – donated		-	-	-	-	-	-	-	-	-
Completions		-	2,012	-	-	134	294	86	(2,526)	-
Transfers (to)/ from non-current assets held for sale		(50)	(158)	-	-	(135)	-	(12)	-	(355)
Revaluation		-	3,903	-	-	-	-	-	-	3,903
Impairment charges		-	-	-	-	-	-	-	-	-
Disposals – purchased		-	-	-	(180)	(30)	-	-	-	(210)
Disposals – donated		-	-	-	-	-	-	-	-	-
At 31 March 2026		**1,780**	**102,004**	**289**	**510**	**13,115**	**4,072**	**1,205**	**1,152**	**124,127**
Depreciation										
At 1 April 2025		-	6,175	89	411	7,675	2,881	706	-	17,937
Provided during the year – purchased		-	1,902	19	71	589	220	89	-	2,890
Provided during the year – donated		-	1	-	-	-	-	-	-	1
Transfers (to)/ from non-current assets held for sale		-	(34)	-	-	(135)	-	(12)	-	(181)
Revaluation		-	321	-	-	-	-	-	-	321
Impairment charges		-	-	-	-	-	-	-	-	-
Disposals – purchased		-	-	-	(180)	(30)	-	-	-	(210)
Disposals – donated		-	-	-	-	-	-	-	-	-
At 31 March 2026		**-**	**8,365**	**108**	**302**	**8,099**	**3,101**	**783**	**-**	**20,758**
Net book value at 1 April 2025		**1,830**	**89,993**	**200**	**279**	**5,314**	**897**	**425**	**2,611**	**101,549**
Net book value at 31 March 2026	SoFP	**1,780**	**93,639**	**181**	**208**	**5,016**	971	**422**	**1,152**	**103,369**

Open Market Value of Land in Land and Dwellings Included Above	1,780		**181**

Asset financing:

Owned-purchased	1,780	10,276	181	208	5,016	971	422	1,152	20,006
Owned-donated	-	48	-	-	-	-	-	-	48
On-balance sheet NPD contracts	-	83,315	-	-	-	-	-	-	83,315
Net book value at 31 March 2025 SoFP	**1,780**	**93,639**	**181**	**208**	**5,016**	**971**	**422**	**1,152**	**103,369**

Prior year Purchased Assets

Movements in 2024/25	Notes	Land (including under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2024		1,830	91,524	289	690	12,178	3,402	1,046	3,048	114,007
Additions – purchased		-	60	-	-	184	46	7	2,684	2,981
Additions – donated		-	-	-	-	-	-	-	-	-
Completions		-	2,060	-	-	653	330	78	(3,121)	-
Transfers (to)/ from non-current assets held for sale		-	-	-	-	-	-	-	-	-
Revaluation		-	2,524	-	-	-	-	-	-	2,524
Impairment charges		-	-	-	-	-	-	-	-	-
Disposals – purchased		-	-	-	-	(26)	-	-	-	(26)
Disposals – donated		-	-	-	-	-	-	-	-	-
At 31 March 2025		**1,830**	**96,168**	**289**	**690**	**12,989**	**3,778**	**1,131**	**2,611**	**119,486**
Depreciation										
At 1 April 2024		-	4,255	70	339	7,134	2,502	623	-	14,923
Provided during the year – purchased		-	1,756	19	72	554	379	83	-	2,863
Provided during the year – donated		-	1	-	-	-	-	-	-	1
Revaluation		-	163	-	-	-	-	-	-	163
Impairment charges		-	-	-	-	-	-	-	-	-
Disposals – purchased		-	-	-	-	(13)	-	-	-	(13)
Disposals – donated		-	-	-	-	-	-	-	-	-
At 31 March 2025		**-**	**6,175**	**89**	**411**	**7,675**	**2,881**	**706**	**-**	**17,937**
Net book value at 1 April 2024		**1,830**	**87,269**	**219**	**351**	**5,044**	**900**	**423**	**3,048**	**99,084**
Net book value at 31 March 2025	SoFP	**1,830**	**89,993**	**200**	**279**	**5,314**	**897**	**425**	**2,611**	**101,549**

Open Market Value of Land in Land and Dwellings Included Above	1,830	200

Asset financing:

Owned-purchased	1,830	**5,088**	200	279	5,314	897	425	2,602	16,635
Owned- donated	-	49	-	-	-	-	-	-	50
On-balance sheet NPD contracts	-	84,856	-	-	-	-	-	9	84,865
Net book value at 31 March 2024 SoFP	**1,830**	**89,993**	**200**	**279**	**5,314**	**897**	**425**	**2,611**	**101,549**

7(b). Assets Held for Sale

Movements in 2025/26	Notes	Property, Plant & Equipment £'000
At 1 April 2025		**-**
Transfers from property, plant and equipment		174
Disposals of non-current assets held for sale		-
As at 31 March 2026	SoFP	**174**

Movements in 2024/25	Notes	Property, Plant & Equipment £'000
At 1 April 2024		**-**
Transfers from property, plant and equipment		-
Disposals of non-current assets held for sale		-
As at 31 March 2025	SoFP	**-**

The asset held for sale is the King Street premises, formerly used as a dental practice.

The old Balfour site remains part of our non-current assets at 31/03/26, the Board is considering options for the future of the site.

7(c). Property, Plant and Equipment Disclosures

2024/25 £'000		2025/26 £'000	Notes
	Net book value of property, plant and equipment at 31 March		
101,500	Purchased	103,321	
49	Donated	48	
101,549	**Total**	**103,369**	SoFP

1,830	Net book value related to land valued at open market value at 31 March	1,780
200	Net book value related to buildings valued at open market value at 31 March	181
84,865	Total value of assets held under NPD contract	83,315
1,527	Total depreciation charged in respect of assets held under NPD contract	1,570

All land and buildings were revalued by an independent valuer, the Gerald Eve LLP, at 31/03/2023 on the basis of fair value (market value or depreciated replacement costs where appropriate), as part of the Boards five year full valuation cycle. The values for 2025/26 have been adjusted for movements in prices since the 31/03/2023, informed by Gerald Eve LLP. The valuations are computed in accordance with the Royal Institute of Chartered Surveyors Statement of Asset Valuation Practice and Guidance notes, subject to the special accounting practices of the NHS.

7(d). Analysis of Capital Expenditure

2024/25 £'000		2025/26 £'000	Notes
	EXPENDITURE		
-	Acquisition of Intangible Assets	-	6
2,981	Acquisition of Property, plant and equipment	1,303	7a
-	Donated asset additions	-	
1,340	Right of Use Additions	392	17a
4,321	**Gross Capital Expenditure**	**1,695**	
	INCOME		
13	Net book value of disposal of Property, plant and equipment	-	7a
-	Net book value of disposal of Non-Current Assets held for sale	-	
12	Right of Use Disposals	19	17a
25	**Capital Income**	**19**	
4,296	**Net Capital Expenditure**	**1,676**	
	SUMMARY OF CAPITAL RESOURCE OUTTURN		
4,296	Core capital expenditure included above	1,676	
4,336	Core Capital Resource Limit	1,833	
40	**Saving/(excess) against Core Capital Resource Limit**	**157**	
-	Non-core capital expenditure included above (including financial transactions)	-	
-	Non-core Capital Resource Limit (including financial transactions)	-	
-	**Saving/ (excess) against Non Core Capital Resource Limit**	**-**	
4,296	Total Capital Expenditure	1,676	
4,336	Total Capital Resource Limit	1,833	
40	**Saving/(excess) against Total Capital Resource Limit**	**157**	

8. Inventories

2024/25 £'000		Notes	2025/26 £'000
880	Raw Materials and Consumables		792
880	**Total Inventories**	SoFP	**792**

9. Trade and Other Receivables

Consolidated 2024/25 £'000	Board 2024/25 £'000		Consolidated 2025/26 £'000	Board 2025/26 £'000	Notes
		Receivables due within one year			
		NHS Scotland			
-	-	Scottish Government Health & Social Care Directorate	-	-	
708	708	Boards	1,015	1,015	
708	**708**	**Total NHS Scotland Receivables**	**1,015**	**1,015**	
237	237	NHS Non-Scottish Bodies	32	32	
118	118	VAT recoverable	139	139	
373	373	Prepayments	417	417	
176	176	Accrued income	14	14	
15	15	Other receivables	15	15	
-	-	Reimbursement of provisions	30	30	
151	151	Other Public Sector Bodies	117	117	
1	-	Endowments consolidation	-	-	
1,779	**1,778**	**Total Receivables due within one year**	**1,779**	**1,779**	SoFP
		Receivables due after more than one year			
		NHS Scotland			
12	12	Accrued income	10	10	
12	**12**	**Total Receivables due after more than one year**	**10**	**10**	SoFP
1,791	**1,790**	**TOTAL RECEIVABLES**	**1,789**	**1,789**	
168	168	The total receivables figure above includes a provision for impairments of :	184	184	
		WGA Classification			
708	708	NHS Scotland	1,015	1,015	
-	-	Central Government Bodies	-	-	
152	152	Whole of Government Bodies	117	117	
237	237	Balances with NHS Bodies in England and Wales	32	32	
694	694	Balances with bodies external to Government	625	625	
1,791	**1,790**	**Total**	**1,789**	**1,789**	

2024/25 £'000	2024/25 £'000	Movements on the provision for impairment of receivables are as follows:	2025/26 £'000	2025/26 £'000
3	3	At 1 April	168	168
165	165	Provision for impairment	56	56
-	-	Receivables written off during the year as uncollectible	(7)	(7)
-	-	Unused amounts reversed	(33)	(33)
168	**168**	At 31 March	**184**	**184**

As of 31 March 2026, receivables with a carrying value of £184k (2024/25: £168k) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2024/25 £'000		Consolidated 2025/26 £'000
-	3 to 6 months past due	-
168	Over 6 months past due	184
168		**184**

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2026, receivables with a carrying value of £1.605m (2024/25: £1.623m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2024/25 £'000	Board 2024/25 £'000		Consolidated 2025/26 £'000	Board 2025/26 £'000
1,530	1,529	Up to 3 months past due	1,587	1,587
52	52	3 to 6 months past due	18	18
41	41	Over 6 months past due	-	-
1,623	**1,622**		**1,605**	**1,605**

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

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

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

10. Investments

Consolidated 2024/25 £'000		Consolidated 2025/26 £'000	Notes
62	Government securities	74	
897	Other	944	
959	**TOTAL**	**1,018**	SoFP
1,025	At 1 April	959	
72	Additions	51	CFS
(118)	Disposals	(37)	
(20)	Revaluation surplus/(deficit) transferred to equity	45	SOCTE
959	At 31 March	**1,018**	
959	Non-current	1,018	SoFP
959	At 31 March	**1,018**	
-	The carrying value includes an impairment provision of	**-**	

All the transactions relate to Orkney Health Board Endowment Funds.

11. Cash and Cash Equivalents

Consolidated 2024/25 £'000		Consolidated 2025/26 £'000	Notes
651	Balance at 1 April	343	
(308)	Net change in cash and cash equivalent balances	(167)	CFS
343	**Balance at 31 March**	**176**	SoFP
343	**Total Cash – Cash Flow Statement**	**176**	

209	Government Banking Service	51
30	Commercial banks and cash in hand	38
104	Endowment cash	87
343	**Balance at 31 March**	**176**

12. Trade and Other Payables

Consolidated 2024/25 £'000	Board 2024/25 £'000		Consolidated 2025/26 £'000	Board 2025/26 £'000	Notes
		Payables due within one year			
		NHS Scotland			
5	5	SGHSCD	-	-	
3,431	3,431	Boards	2,196	2,196	
3,436	**3,436**	**Total NHS Scotland Payables**	**2,196**	**2,196**	
109	109	NHS Non-Scottish Bodies	56	56	
239	239	Amounts Payable to General Fund	89	89	
617	617	FHS Practitioners	566	566	
53	53	Trade Payables	782	782	
4,076	4,076	Accruals	3,091	3,091	
50	50	Deferred income	12	12	
212	212	Net obligations under leases	308	308	17b
1,031	1,031	Income tax and social security	1,170	1,170	
778	778	Superannuation	892	892	
352	352	Holiday Pay Accrual	331	331	
3,720	3,720	Other Public Sector Bodies	5,019	5,019	
-	-	Other payables	-	-	
84	-	Endowments Consolidation	26	-	
14,757	**14,673**	**Total Payables due within one year**	**14,538**	**14,512**	SoFP
		Payables due after more than one year			
220	220	Net obligations under leases due within 2 years	254	254	17b
462	462	Net obligations under leases due after 2 years but within 5 years	538	538	17b
516	516	Net obligations under leases due after 5 years	383	383	
1,198	**1,198**	**Total payables due more than one year**	**1,175**	**1,175**	
15,955	**15,871**	**TOTAL PAYABLES**	**15,713**	**15,687**	

WGA Classification

3,431	3,431	NHS Scotland	2,196	2,196	
5	5	Central Government Bodies	-	-	
3,720	3,720	Whole of Government Bodies	5,019	5,019	
109	109	Balances with NHS Bodies in England and Wales	56	56	
8,690	8,606	Balances with bodies external to Government	8,442	8,416	
15,955	**15,871**	**Total**	**15,713**	**15,687**	

Consolidated 2024/25 £'000	Board 2024/25 £'000	Borrowings included above comprise:	Consolidated 2025/26 £'000	Board 2025/26 £'000
-	-	Bank overdrafts	-	-
1,410	1,410	Leases	1,483	1,483
-	-	PFI contracts	-	-
1,410	**1,410**		**1,483**	**1,483**

Consolidated 2024/25 £'000	Board 2024/25 £'000	The carrying amount and fair value of the non-current borrowings are as follows	Consolidated 2025/26 £'000	Board 2025/26 £'000
		Carrying amount		
1,198	1,198	Leases	1,175	1,175
-	-	PFI contracts	-	-
1,198	**1,198**		**1,175**	**1,175**

All carrying amounts of payables are denominated in pounds sterling.

13. Provisions

Movements in 2025/26	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2025	**239**	**-**	**1,363**	**7**	**1,609**
Arising during the year	20	65	195	-	280
Utilised during the year	(29)	-	(31)	-	(60)
Unwinding of Discount	-	-	-	-	-
Reversed unutilised	(4)	-	-	-	(4)
At 31 March 2026	**226**	**65**	**1,527**	**7**	**1,825**

Analysis of expected timing of discounted flows to 31 March 2026

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Notes
Payable in one year	29	65	382	7	483	SoFP
Payable between 2 - 5 years	116	-	929	-	1,045	
Payable between 6 - 10 years	81	-	79	-	160	
Thereafter	-	-	137	-	137	
At 31 March 2026	**226**	**65**	**1,527**	**7**	**1,825**	

Movements in 2024/25	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
At 1 April 2024	**242**	**90**	**1,323**	**7**	**1,662**
Arising during the year	32	-	128	-	160
Utilised during the year	(29)	(73)	(88)	-	(190)
Unwinding of Discount	-	-	-	-	-
Reversed unutilised	(6)	(17)	-	-	(23)
At 31 March 2025	**239**	**-**	**1,363**	**7**	**1,609**

Analysis of expected timing of discounted flows to 31 March 2025

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	Notes
Payable in one year	29	-	341	7	377	SoFP
Payable between 2 - 5 years	116	-	829	-	945	
Payable between 6 - 10 years	94	-	71	-	165	
Thereafter	-	-	122	-	122	
At 31 March 2025	**239**	**-**	**1,363**	**7**	**1,609**	

Pensions and similar Obligations

The board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 2.95% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 14 years.

Clinical and Medical Legal Claims against NHS Board

The Board holds a provision to meet costs of outstanding clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The impact of the provision is offset by an associated receivable disclosed in note 9, recognising the expected reimbursement of settlement costs, through the Board's participation in the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS).

Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2024/25 £'000		2025/26 £'000	Notes
-	Provision recognising individual claims against the NHS Board as at 31 March	65	13
-	Associated CNORIS receivable at 31 March	(30)	9
1,363	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,527	13
1,363	**Net Total Provision relating to CNORIS at 31 March**	**1,562**	

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value of less than this are met directly from NHS Orkneys' own budget. Participants pool each financial year at a pre-agreed contribution rate based on the risks

associated with each NHS board. If a claim is settled, the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

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

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

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 the reader's understanding of CNORIS.

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

14. Contingent Liabilities

There were no contingent liabilities as at 31 March 2026.

In 2024/25, a contingent liability was disclosed in respect of Agenda for Change pay grade reviews for eligible Band 5 nurses. During 2025/26, the relevant reviews were progressed and there is no remaining contingent liability in respect of these cases at 31 March 2026.

15. Events After the Reporting Period

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

16. Capital Commitments

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

2024/25		2025/26
Property, plant and equipment: £'000		Property, plant and equipment: £'000
	Contracted	
-	Building Works	-
-	Medical Equipment	-
-	**Total**	-

17. Leases

17a. Right of Use Assets (RoU)

CONSOLIDATED & BOARD

		Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
		£000	£000	£000	£000
Cost or valuation					
At 1 April 2025		555	-	1,142	1,697
Additions		66	326	-	392
Revaluations		-	-	-	-
Disposals		(22)	-	-	(22)
At 31 March 2026		**599**	**326**	**1,142**	**2,067**
Depreciation					
At 1 April 2025		270	-	32	302
Provided during the year - (include new dilapidation provisions)		115	61	135	311
Impairment reversals-peppercorn leases		(3)	-	-	(3)
At 31 March 2026		**382**	**61**	**167**	**610**
Balance at 1 April 2025		**285**	**-**	**1,110**	**1,395**
Balance at 31 March 2026	SoFP	**217**	**265**	**975**	**1,457**

CONSOLIDATED & BOARD – PRIOR YEAR

		Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
		£000	£000	£000	£000
Cost or valuation					
At 1 April 2024		581	141	135	857
Additions		198	-	1,142	1,340
Revaluations		-	-	-	-
Disposals		(224)	(141)	(135)	(500)
At 31 March 2025		**555**	**-**	**1,142**	**1,697**
Depreciation					
At 1 April 2024		302	106	120	528
Provided during the year - (include new dilapidation provisions)		180	36	46	262
Impairment reversals-peppercorn leases		(212)	(142)	(134)	(488)
At 31 March 2025		**270**	**-**	**32**	**302**
Balance at 1 April 2024		**279**	**35**	**15**	**329**
Balance at 31 March 2025	SoFP	**285**	**-**	**1,110**	**1,395**

17b. Lease Liabilities

CONSOLIDATED & BOARD	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
	£0	£0	£0	£0
Amounts falling due:				
Not later than one year	113	79	116	308
Later than one year, not later than 2 years	52	83	119	254
Later than two year, not later than five years	67	88	383	538
Later than five years	-	-	383	383
Less: Unaccrued interest	-	-	-	-
Balance at 31 March 2026	**232**	**250**	**1,001**	**1,483**
Current	113	79	116	308
Non Current	119	171	885	1,175
	232	**250**	**1,001**	**1,483**

CONSOLIDATED & BOARD – PRIOR YEAR	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
	£0	£0	£0	£0
Amounts falling due:				
Not later than one year	99	-	113	212
Later than one year, not later than 2 years	104	-	116	220
Later than two year, not later than five years	92	-	370	462
Later than five years	-	-	516	516
Less: Unaccrued interest	-	-	-	0
Balance at 31 March 2025	**295**	**-**	**1,115**	**1,410**
Current	99	-	113	212
Non Current	196	-	1,002	1,198
	295	**-**	**1,115**	**1,410**

Amounts recognised in the Statement of Comprehensive Net Expenditure

2024-25		2025-26	
Consolidated		Consolidated	Board
£000		£000	£000
262	Depreciation	311	311
15	Interest Expense	49	49
3	Non Recoverable VAT on lease payments	2	2
-	Low value and short term leases	-	-
-	Remeasurement of ROU assets - (gain)/loss charged to SOCNE	-	-
280	**Total**	**362**	**362**

Amounts recognised in the Statement of Cash Flows

2024-25		2025-26	
Consolidated		Consolidated	Board
£000		£000	£000
15	Interest Expense	49	49
251	Repayments of Principal of leases	299	299
266	**Total**	**348**	**348**

18. Commitments under NPD contracts

The accounting treatment reflects the nature of the contract, which is a Non Profit Distribution (NPD) scheme with a funding variant. As agreed in the business case this asset is on the public sector Balance Sheet as a Fixed Asset. During 2019/20 the New Hospital and Healthcare Facility was recognised on Statement of Financial Position at Fair Value. NHS Orkney will make Annual Service Payments over the 25 year period of the contract which will be charged to the Statement of Comprehensive Net Expenditure as they are incurred. Ownership of the New Hospital and Healthcare Facility will pass to NHS Orkney at the end of the 25 year period. The Annual Service Payments made in 2025/26 totalled £2.223m (2024/25 £2.167m).

19. Pension Costs

2024/25 £'000		2025/26 £'000
6,814	Pension cost charge for the year	7,522
-	Additional Costs arising from early retirement	(7)
239	Provisions/Liabilities/Pre-payments included in the Balance Sheet	226

a) NHS Orkney participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a four-yearly funding valuation undertaken by the scheme actuary. The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 April 2024 have been paid within a range of 5.7% to 12.7% and have been anticipated to deliver a yield of 9.8%.

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

c) 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

d)

(i) The scheme is an unfunded multi-employer defined benefit scheme.

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

(iii) The employer contribution rate for the period from 1 April 2025 is 22.5% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.8% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, work on the cost control element of that valuation was suspended by the UK Government following the Court of Appeal judgments in the McCloud (Judiciary scheme) and Sargeant (Firefighters' scheme) cases, which found that the transitional protections introduced as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and the introduction of statutory measures to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. In parallel, the Government Actuary was asked to review whether, and to what extent, the employer cost cap mechanism continues to meet its original policy objectives. The findings of that review were taken into account in the completion of the 2020 actuarial valuations, which were substantially delayed as a result of the McCloud remedy and wider economic changes. Employer contribution rates were implemented from 1 April 2024 following the completion of the 2020 valuations and will remain in force pending the outcome of the current 2024 valuation cycle, which is now underway.

(v) NHS Orkney's level of participation in the scheme is 0.42% based on the proportion of employer contributions paid in 2024-25.

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2025-26 members paid tiered contribution rates ranging from 5.7% to 12.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

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

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

National Employment Savings Trust (NEST)

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

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,270, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This has been increased in stages to meet levels set by government, as set out in the table below.

Date	Employee Contribution*	Employer Contribution	Total Contribution
2025/26	5%	3%	8%

*worker 4% and tax relief 1%

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

NEST Pension members can currently take money out of NEST at any time from age 55; this will increase to age 57 in April 2028. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally, members can transfer their NEST retirement fund to another scheme.

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

20. Financial Instruments

20(a) Financial Instruments by Category

Financial Assets	Consolidated			Board	
2025/26	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
At 31 March 2026 Assets per Consolidated Statement of Financial Position					
Investments	-	1,018	1,018	-	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	188	-	188	188	9
Cash and cash equivalents	176	-	176	89	11
	364	**1,018**	**1,382**	**277**	

2024/25	Consolidated Loans and Receivables £'000	Consolidated Financial Assets £'000	Consolidated Total £'000	Board Loans and Receivables £'000	Notes
At 31 March 2025					
Assets per Consolidated Statement of Financial Position					
Investments	-	959	959	-	10
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	592	-	592	591	9
Cash and cash equivalents	343	-	343	239	11
	935	**959**	**1,894**	**830**	

Financial Liabilities				
2025/26	Consolidated Other financial liabilities £'000	Board Other financial liabilities £'000	Notes
At 31 March 2026			
Liabilities per Consolidated Statement of Financial Position			
Lease liabilities	1,483	1,483	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	9,540	9,514	12
	11,023	**10,997**	

2024/25	Consolidated Other financial liabilities £'000	Board Other financial liabilities £'000	Notes
At 31 March 2025			
Liabilities per Consolidated Statement of Financial Position			
Lease liabilities	1,410	1,410	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	9,250	9,166	12
	10,660	**10,576**	

20(b) Financial Instruments – Financial Risk Factor

Exposure to Risk

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

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

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

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

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

a) **Credit risk**

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

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

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

The utilisation of credit limits is regularly monitored.

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

b) **Liquidity risk**

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

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

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As At 31 March 2026	**£000**	**£000**	**£000**	**£000**
Lease liabilities	308	254	538	383
Trade and other payables excluding statutory liabilities	9,540	-	-	-
Total	**9,848**	**254**	**538**	**383**

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As At 31 March 2025	**£000**	**£000**	**£000**	**£000**
Lease liabilities	212	220	462	516
Trade and other payables excluding statutory liabilities	9,250	-	-	-
Total	**9,462**	**220**	**462**	**516**

c) **Market risk**

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

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

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

21. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.

22. Related Party Transactions

David Campbell is a director of Orkney Taxis and Private Hire Limited. During the year expenditure totalling £53,725.65 (2024/25: £49,148) was incurred with Orkney Taxis and Private Hire Limited.

David Campbell was also a director of Licenced to Clean Limited. During the year expenditure totalling £nil (2024/25: £288) was incurred with Licenced to Clean Limited.

The Directors of the Board are also Trustees of Orkney Health Board Endowment funds. At 31 March 2026 there were £17,435.49 (2024/25: £74,866) outstanding debts due to NHS Orkney and nil (2024/25: nil) due by NHS Orkney. During the year Income totalling £53,905 was charged to the Endowment fund (2024/25: £74,866) there was no expenditure incurred from the Endowment Fund (2024/25: £nil).

Kirsty Cole is a General Practitioner at Skerryvore GP Practice. During the year expenditure totalling £1.865m (2024/25: £1.733m) and income totalling £0.020m (2024/25: £0.033m) was incurred with Skerryvore GP Practice. As at 31 March 2026 there was outstanding debts to NHS Orkney totalling £0.001m (2024/25: £0.001m) and due by NHS Orkney totalling £0.011m (2024/25: £0.004m).

NHS Orkney's financial recovery plan included contracting external consultants Viridian Associates, as part of this contract Paul Corlass and Phil Tydeman undertook the roles of Recovery Director and Director of Improvement as well as Paul acting as Director of Finance between April 2024 and September 2024. The contract with Viridian continued until May 2026. These roles have been noted in the remuneration report however it is not possible to separate individual remuneration costs from the total contract charges and therefore no remuneration value has been noted. During the year expenditure totalling £0.057m (2024/25: £0.779m) was incurred with Viridian Associates. As at 31 March 2026 there was outstanding debts due from NHS Orkney totalling £nil (2024/25: £0.088m).

CY executive resourcing has management in common with Viridian Associates. Brian Steven, Interim Director of Finance during 2024/25 was recruited via CY executive resourcing. During the year expenditure totalling £nil (2024/25: £21,677) was incurred with CY executive resourcing.

The Integration Joint Board expenditure is 2025/26 was £48.018m (2024/25: £44.093m). £4.246m (2024/25: £3.318m) is due as a creditor to the IJB at 31 March 2026.

23. Third Party Assets

There were no Patients' Private Fund Accounts held in 2025/26 or 2024/25.

24(a). Consolidated Statement of Comprehensive Net Expenditure

2024/25			2025/26			
Group		Notes	Board	IJB	Endowments	Consolidated
£'000			£'000	£'000	£'000	£'000
	Total income and expenditure					
46,963	Staff costs	N3	51,554	-	-	51,554
	Other operating expenditure:	N3				
6,956	Independent Primary Care Services		7,491	-	-	7,491
9,657	Drugs and medical supplies		9,918	-	-	9,918
77,266	Other health care expenditure		81.860	-	74	81,934
140,842	**Gross Expenditure for the year**		150,823	-	74	150,897
(48,472)	Less: Other Operating Income	N4	(51,254)	-	(128)	(51,382)
(285)	Associates and joint ventures accounted for on an equity basis	N4	-	(480)	-	(480)
92,085	**Net Operating Costs**		**99,569**	**(480)**	**(54)**	**99,035**

24(b). Consolidated Statement of Financial Position

2024/25			2025/26			
Consolidated			Board	IJB	Endowment	Consolidated
£'000		Notes	£'000	£'000	£'000	£'000
	Non-current assets:					
101,549	Property, plant and equipment	SoFP	103,369	-	-	103,369
112	Intangible assets	SoFP	58	-	-	58
1,395	Right of Use assets	SoFP	1,457	-	-	1,457
	Financial assets:					
959	Investments	SoFP	-	-	1,018	1,018
1,643	Associates and joint ventures accounted for on an equity basis	26a	-	2,123	-	2,123
12	Trade and other receivables	SoFP	10	-	-	10
105,670	**Total non-current assets**		**104,894**	**2,123**	**1,018**	**108,035**
	Current Assets:					
880	Inventories	SoFP	792	-	-	792
	Financial assets:					
1,779	Trade and other receivables	SoFP	1,779	-	-	1,779
343	Cash and cash equivalents	SoFP	89	-	87	176
-	Assets classified as held for sale	SoFP	174	-	-	174
3,002	**Total current assets**		**2,834**	**-**	**87**	**2,921**
108,672	**Total assets**		**107,728**	**2,123**	**1,105**	**110,956**
(377)	Provisions	SoFP	(483)	-	-	(483)
	Financial liabilities:					
(14,757)	Trade and other payables	SoFP	(14,512)	-	(26)	(14,538)
(15,134)	**Total current liabilities**		**(14,995)**	**-**	**(26)**	**(15,021)**
93,538	**Non-current assets plus/less net current assets/liabilities**		**92,733**	**2,123**	**1,079**	**95,935**
	Non-current liabilities					
(1,232)	Provisions	SoFP	(1,342)	-	-	(1,342)
(1,198)	Trade and other payables		(1,175)	-	-	(1,175)
(2,430)	**Total non-current liabilities**		**(2,517)**	**-**	**-**	**(2,517)**
91,108	**Assets less liabilities**		**90,216**	**2,123**	**1,079**	**93,418**
	Taxpayers' Equity					
56,932	General fund	SoFP	55,703	-	-	55,703
31,553	Revaluation reserve	SoFP	34,513	-	-	34,513
1,643	Other reserves – associates and joint ventures	SoFP	-	2,123	-	2,123
980	*Funds Held on Trust*	SoFP	-	-	1,079	1,079
91,108	**Total taxpayers' equity**		**90,216**	**2,123**	**1,079**	**93,418**

24(c). Consolidated Statement of Cash Flows

2024/25		2025/26			
Consolidated £'000		Board £'000	Endowment £'000	Integration £'000	Group £'000
	Cash flows from operating activities				
(92,085)	Net operating cost	(99,569)	54	480	(99,035)
2,877	Adjustments for non-cash transactions	3,209	3	(480)	2,732
15	Add back: interest payable recognised in net operating expenditure	49	-	-	49
3,301	Movements in working capital	199	(58)	-	141
(85,892)	**Net cash outflow from operating activities**	**(96,112)**	**(1)**	**-**	**(96,113)**
	Cash flows from investing activities				
(2,981)	Purchase of property, plant and equipment	(1,303)	-	-	(1,303)
-	Purchase of intangible assets	-	-	-	-
(72)	Investment Additions	-	(51)	-	(51)
20	Proceeds of disposal of property, plant and equipment	28	-	-	28
117	Receipts from sale of investments	-	35	-	35
(2,916)	**Net cash outflow from investing activities**	**(1,275)**	**(16)**	**-**	**(1,291)**
	Cash flows from financing activities				
89,122	Funding	97,735	-	-	97,735
(356)	Movement in general fund working capital	(150)	-	-	(150)
88,766	Cash drawn down	97,585	-	-	97,585
(251)	Capital element of payments in respect of leases and on-balance sheet PFI and Hub contracts	(299)	-	-	(299)
-	Interest paid	-	-	-	-
(15)	Interest element of leases and on balance sheet PFI/ PPP and Hub contracts	(49)	-	-	(49)
88,500	**Net Financing**	**97,237**	**-**	**-**	**97,237**
(308)	**Net Increase / (decrease) in cash and cash equivalents in the period**	(150)	(17)	-	(167)
651	**Cash and cash equivalents at the beginning of the period**	239	104	-	343
343	**Cash and cash equivalents at the end of the period**	**89**	**87**	**-**	**176**
	Reconciliation of net cash flow to movement in net debt/cash				
(308)	Increase/(decrease) in cash in year	(150)	(17)	-	(167)
651	Net debt/cash at 1 April	239	104	-	343
343	**Net debt/cash at 31 March**	**89**	**87**	**-**	**176**

Orkney Health Board

DIRECTIONS BY THE SCOTTISH MINISTERS

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

1. NHS Orkney must prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual which is applicable for the financial year for which the statement of accounts is prepared.

2. In preparing a statement of accounts in accordance with paragraph 1, NHS Orkney must use the NHS Orkney Annual Accounts template which is applicable for the financial year for which the statement of accounts is prepared.

3. In preparing a statement of accounts in accordance with paragraph 1, NHS Orkney must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –

   (a) The NHS Scotland Capital Accounting Manual,

   (b) The Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns, and

   (c) The Scottish Public Finance Manual.

4. A statement of accounts prepared by NHS Orkney in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.

5. NHS Orkney must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.

6. In these Directions –

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

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

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

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

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

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

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

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

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.

8. This Direction will come into force on the day after the day on which it is signed.

9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978.



Signed by the authority of the Scottish Ministers

Dated 21 March 2022