



# **ANNUAL REPORT AND ACCOUNTS**

**For**

**Year Ended 31 March 2024**

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## SECTION 1

### Performance Report

The Performance Report provides sufficient information to understand the purpose of NHS Orkney, the key risks to the achievement of our objectives and how we have performed during the year 2023.

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](http://www.ohb.scot.nhs.uk).

#### 1. Statement from the Chair and Chief Executive

2023/24 has been a year of significant transition, change and progress for NHS Orkney.

This started with the arrival of a new substantive Chief Executive, which marked the start of a new improvement journey, and with this the commencement of putting in place many of the foundations that are necessary to stabilise the organisation and ensure NHS Orkney has a sustainable and exciting future.

Whilst a year of much change, we would like to recognise the determination and commitment from Team Orkney to strive to deliver excellent care and services for our community.

Notwithstanding our many challenges and the fact that we are only just starting our improvement journey, which we describe in more detail below, we have come a long way in 12-months, with demonstrable progress in many areas to report which we should be proud of and recognise, including:

- Reconnecting with people (the title of the Chief Executive's 100-Day Report published in August 2023) which set out the need to invest time and energy meaningfully reconnecting with our patients, community, partners and staff
- Stable leadership – with a fully substantive Executive Team now in post
- A strong focus on improving staff experience, engagement and listening to and acting on staff feedback, valuing and supporting and investing in staff
- Improvements to appraisal, statutory and mandatory training and sickness absence rates; all of which are important measures of how people feel about working here
- Many of the basics are now in place – including:
  - Improved Corporate Risk Register
  - Bringing more policies in-date
  - Improved resilience in a number of areas, including major incident preparedness
  - New integrated performance reporting
  - A strengthened governance system, and with this more transparent of decision-making and clinically-driven decisions

While being formally escalated for our deteriorating financial performance by the Scottish Government has understandably dominated much of our focus since November 2023, it has been an enabler that has supported the acceleration of much-

needed wider changes at NHS Orkney, including introducing an integrated approach to improvement at NHS Orkney – with quality and safety, operational and financial performance and digital improvement now being under one umbrella.

In 2023/24, we set five clear organisational priorities in response to staff feedback, which is a different approach to that taken previously. We will continue to focus on these areas (detailed below) into 2024/25 as well as use this as an opportunity work with Team Orkney and staff side colleagues to ask ourselves what we need to do differently moving forward to further improve the experience of those who work here and make NHS Orkney a better place to work recognising that our 2023 iMatter (staff survey) results showed that NHS Orkney was an outlier nationally in a number of areas, which was cause for concern. The five areas of focus in response to staff feedback over the last year have been:

1. Staff health and wellbeing
2. Valuing and recognising staff
3. Involving staff in decision-making
4. Listening to and responding on staff feedback
5. Leading with kindness and living our values

We aligned these priorities to our five strategic priorities to ensure we retained our focus on improvement throughout the year. Below we summarise our progress and challenges in 2023/24 against each of our five strategic priorities for the year:

## **Workforce**

We now have a substantive Executive Team in place – bringing much needed stability to the organisation after a period of transition, uncertainty, and change which had previously hampered progress.

Thanks to support from the Endowment Fund, we've launched a new Value and Recognition Programme in response to staff feedback to us – including our new Team Orkney Awards, which included working in partnership with The Orcadian newspaper on our People's Choice Awards. With more than 100 staff and teams nominated for awards, this was an important step forward, and further evidence that we are listening to and responding to staff feedback. We are finalising plans to further strengthen our Value and Recognition Programme further in 2024/25 including introducing Long Service Awards and a way of recognising retirements.

We have a much-improved induction for new starters so that we really focus on first impressions and ensure new members of Team Orkney receive a warm welcome so that people's time at NHS Orkney gets off to the best possible start.

We've commissioned and started an Executive and Board Development Programme (funded by Scottish Government) – so there is a 'golden thread' of development.

We completed an initial establishment review and identified a gap between funded establishment and actual establishment, and we are now ensuring that establishment and budgets are better aligned to support managers across the organisation, recognising this is a source of frustration (there is more work to do here which will continue into 2024/25).

We were proud to be presented with the Gold Award for the Defence Employee Recognition Scheme in recognition of the commitment to the Armed Forces. NHS Orkney, along with other Boards as part of the North Collaboration, successfully achieved an International Recruitment Pastoral Care Quality Award. This was awarded in recognition of the Board's commitment to providing high-quality pastoral care to internationally recruited staff during the recruitment processes and their employment.

Our statutory and mandatory training rates are now at the highest ever, with compliance rates between 70-90% for every subject and our appraisal rates improved month-on-month in 2023/24 reaching >30% compliance by the end of 2023/24. This important area will remain a key priority going into 2024/25.

Sickness absence remains lower than the 6.17% NHS Scotland average at the end of 2023/24, at 5.91%, however remains a key focus in the year ahead also.

### **Culture**

We introduced a new Senior Leadership Team in response to staff feedback so that we have clinically-led, transparent and faster decision-making in the organisation and we share a summary of every meeting with all staff and welcome any member of staff to attend Senior Leadership Team, including as a development opportunity for Team Orkney. We also have a new Extended Senior Leadership Team forum which meets at least once a quarter to discuss a range of strategic issues – providing a forum where our circa 40 most senior leaders at NHS Orkney can come together to share views, thoughts and to maximise engagement as well as to consider strategic items of importance for the organisation. We also have Board-Extended SLT meetings twice yearly to further strengthen relationships between our Board and senior leadership community.

We have completed over 20 Board walkarounds (visits to services and teams from Board members – an Executive Director and Non-Executive) since launching in May 2023 in response to staff feedback about the importance of more visible leadership from senior leaders and Board members.

We've introduced a strengthened rhythm and frequency of communications with Team Orkney and ways of listening to and responding to staff feedback throughout the year.

Much work is underway to create a culture where staff feel safe speaking up and raising concerns. Early 2024, we completed training for our three Confidential Contacts (members of Team Orkney who support staff by signposting them to the help and support you may need – including the whistleblowing process) and we have relaunched the ways in which you can speak up and feel heard.

Through our new Team Orkney Improving Together Programme, we introduced a new staff ideas scheme to support our ambition to become a continuously-improving organisation – called our Bright Ideas scheme – so that staff feel empowered to share and lead improvements locally recognising you know your service and areas for improvement better than anyone else.

## Quality and Safety

We've recruited a new Head of Patient Safety, Quality and Risk and substantive Medical Director to lead this agenda day-to-day and take forward strategic improvements to Clinical Governance and Risk Management. We've refreshed our Corporate Risk Register as part of our ongoing work to strengthen our approach to risk and risk management and mitigation across the organisation (this remains a priority going into 2024/25 with further work to do to ensure risk management is understood and owned at every level of the organisation).

We have improvement projects underway in several services, led by patients and staff – including in Pain Services, Endoscopy and Physiotherapy – and our new Team Orkney: Improving Together Programme which puts patient safety, quality and experience at its centre so that we continuously improve care and services for our patients and community.

We have done a 'stock-take' of all our Service Level Agreements (SLAs) with other Boards - both clinical and non-clinical – we now know where we start from and the work that needs to take place to improve our governance arrangements re: SLAs. We have agreed new arrangements to tighten up in this area recognising we are reliant on others to ensure our patients receive timely care when this is needed away from Orkney and so we stay on top of these important contracts. This remains a priority going into 2024/25.

We've contributed to a local fragile services review (looking at the picture in the North of Scotland and nationally) and colleagues at NHS Orkney are contributing to this sustainability work nationally to ensure we have a strong voice in this space.

## Systems and Governance

Our new Integrated Performance Report (IPR) continues to go from strength to strength, with our full IPR going monthly to Board and Senior Leadership Team and relevant chapters of the IPR going to each Board Committee for oversight, scrutiny and assurance. The IPR includes important benchmarking information and enables Board members and senior and service managers to have better line of sight of performance trends and improvements needed.

We're learning from our shortcomings to ensure we improve – including (1) an external review of Data Quality completed by Public Health Scotland and (2) Annual Accounts learning following late submission of this vital document – both have improvement plans that are being overseen via our Audit and Risk Committee. Ensuring we take steps which support NHS Orkney becoming a listening and learning organisation will remain a focus in the year to come recognising there is much more for us to do in this space for this to become embedded in our culture.

We've invested in strengthening relationships with our range of external stakeholders and partners – with new informal Executive-to-Executive Team meetings between Orkney Islands Council and NHS Orkney, as well as Health Board to full Council meetings and meetings with local media and politicians so that we can be open and transparent and build stronger relationships, based on trust.

## Sustainability

In response to being formally escalated by the Scottish Government as part of the NHS Scotland Support and Intervention Framework as a result of our deteriorating financial position we have seen this as an opportunity to accelerate improvements already underway and to embrace external support and expertise. This includes a new Recovery Director, a new Improvement Programme (and 12 key workstreams in place) as part of our 2024/25 efficiency programme and a new Quality Impact Assessment process wrapped around this to ensure any decisions we make don't adversely impact on patient safety, quality or staff.

With regard to our financial performance, we ended the 2023/24 financial year with a £5.1 million overspend, £2 million above our original 2023/24 Financial Plan, although an improved position from the £6.2 million overspend which we were forecasting at the end of October 2023. We returned the best possible results last year and made some progress thanks to the focus and hard work of staff across the organisation. We achieved £3.8 million savings against our £3.7 million target in 2023/24, however, only £0.9 million (24%) were recurrent savings, which stores up problems for future years, and for this reason our 2024/25 financial plan will shift the dial so that we aim for circa three quarters of our savings to be recurrent moving forward.

Our 2023/24 Annual Delivery Plan (ADP) which set out our priorities for 2023/24 - aligned to our Plan on a Page - was approved by the Scottish Government and our Board and our 2024/25 ADP has been submitted to Scottish Government after Board approval.

When it comes to our operational performance over the last year, it has been a mixed picture and as such improving our operational and financial performance remains a priority and focus going into 2024/25 recognising, we are falling short in a number of areas and our community deserves better. Our emergency access performance has remained strong all year, with NHS Orkney being a top three performer nationally against the national 95% standard.

However, when it comes to planned care, our performance is below where we want it to be currently. While the number of inpatients waiting for treatment has reduced over the year, we still ended the year with 176 patients waiting over 12-week Treatment Time Guarantee.

Our outpatient waiting list has grown considerably, with over 800 patients now waiting above 12-weeks, and performance remaining <50% against the national standard which isn't acceptable. Waits for tests and scans (diagnostic waits) are also increasing with broadly the same number of patients waiting over 6-weeks at the end of the year compared to the start. We continue to face challenges with delayed transfers of care and patients occupying beds at The Balfour who no longer need hospital (acute) care and our cancelled operation rates are higher than are acceptable. As such planned care remains a strong focus going into 2024/25 so that we can develop a comprehensive improvement plan to ensure our patients receive more timely care and with this greater transparency of our waiting times by speciality so there is a greater level of transparency for our community.

## Looking ahead

January to March 2024 we listened 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.

We listened really carefully to the many powerful stories and feedback we have received and in April 2024 we launched our new strategy which sets out how we will work together to look after our community and provide excellent care.

The strategy focuses on five key areas:

1. People
2. Patient safety, quality, and experience
3. Performance
4. Potential
5. Place

As we begin 2024/25, we will focus on delivering year one of our new strategy, called: 'Delivering what matters to our community: 2024-2028'. We will report our progress on a quarterly basis.

We will develop a new culture and leadership development programme to support managers to create a learning and continuous improvement culture at NHS Orkney, to invest in upskilling Team Orkney, to reduce sickness absence rates and to further improve statutory and mandatory training and appraisal rates in the year to come. We will develop new behavioural standards, which will underpin our new values: openness and honesty, respect and kindness. Visible and compassionate leadership will remain a key focus across our senior leadership community, recognising the positive difference this makes.

We will further strengthen our Corporate Teams (including HR, Finance and Digital Teams) which are key to maximising support for our clinical functions and ensure consistency when it comes to applying fairness to our processes, including recruitment processes.

We will further improve our waiting times – spanning cancer care and planned care (outpatients, inpatients, and diagnostics) recognising our inconsistent performance in these areas.

And finally – we will continue to invest in building connections and relationships with our patients and community, our partners and staff – so that we consistently stay in tune with what's important and what matters to our community and staff. In other words, we will put people first in all we do.

We look forward to working with you as one Team Orkney to deliver against our year one priorities and building on the progress we have seen over the last 12-months.

For now though, let's celebrate our many achievements and recognise how far we've come in 2023/24. NHS Orkney is going from strength to strength, and we are really looking forward to the year ahead and seeing us progress again so that we further improve safety, care and services for our patients and community and Team Orkney's experience of working here.



Our future is bright.

**Laura Skaife-Knight, Chief Executive**

**Meghan McEwen, Board Chair**

## 2. About NHS Orkney

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. We employ circa 800 staff and provide a range of primary, community-based and acute hospital services.

NHS Orkney is experiencing the same service pressures as the rest of the NHS in Scotland, including long waits and backlogs in planned care, following the pandemic. We also have some unique challenges, including an ageing population and our geography. On the flip side, Orkney also has the longest healthy lifespan of anywhere in Scotland, and some of the lowest rates of cardiovascular disease. It is important to build on our community's strengths whilst we strive for our own improvements.

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

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 such as Finance, People and Culture, Estates and Facilities, Digital and Communications.

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.

The Integration Joint Board 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 provide 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 (called The Orkney Partnership), including the Chief Executive, Board Chair, Director of Public Health and Chief Officer for the Integration Joint Board. 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.

## 3. Structure and governance arrangements

2023/24 has been a year of stabilisation for NHS Orkney and at the heart of this was the need to prioritise people and find ways to meaningfully reconnect with our patients, local community, our partners and our staff.

We have focussed on navigating through various challenges, bringing much-needed stability to the organisation coming through a period of transition, uncertainty and change, and recognising the need to listen carefully to the feedback of our community, partners and staff and act on what we hear.

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. The addition of a new Senior Leadership Team to our operational Governance structure has been critical to moving us forward, and ensuring clinical, workforce, planning and financial input to all decisions.

Strengthened governance arrangements have been implemented by removing Executive Directors from Governance Committee voting membership from 1 April 2023, to allow for a clearer distinction of roles. With Executive leads providing the expert advice and Non-Executives providing effective scrutiny and challenge.

Extended Senior Leadership Team is also in place and is meeting at least quarterly, bringing together the organisation's circa 40 most senior leaders to discuss matters of strategic importance.

The first Board-Extended Senior Leadership Team meetings have taken place 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 in annual and strategic planning.

A new Chair's Assurance Report structure is providing 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, Board Committees and Senior Leadership Team.

Board and SLT agendas are aligned with the strategic objectives. This will be expanded to Board Committees in the year to come.

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.

#### **4. Priorities, approach, and objectives for 2023/24**

The Board is committed to working with our staff and partners to further improve the health of the residents of Orkney. A new Corporate Strategy was officially launched in April 2024, following extensive community, patient, partner and staff engagement, which includes a new "Promise" (vision) and new Priorities. A review and refresh of the Clinical Strategy will follow to align with the Corporate Strategy over the coming year. The strategic priorities for the organisation in 2023/24 were as follows:

- Workforce
- Culture
- Quality and Safety
- Systems and Governance
- Sustainability

These priorities are further defined in NHS Orkney's Plan on a Page and in the Chair and CEO introduction on pages 3 – 9.

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

- Achieving leadership stability
- Operational and financial grip and sustainability
- Recruitment and retention
- And setting a clear vision for our future by developing a new Corporate strategy

These priorities were described in full in the Chief Executive's 100-Day Report, which was published in Summary 2023. [This Report](#) is available on our public website.

## **5. Principal risks to delivery of our strategy and Annual Delivery Plan**

### **Escalation**

NHS Orkney commenced the 2023/24 financial period with a planned full year deficit of £3.0 million, which was submitted to Scottish Government in April 2023. The Board reported an adverse position against this plan each month from the first reporting period of the year and as such were, at the end of October 2023, forecasting a revised full-year deficit of £6.2 million, £3.2 million higher than the original plan.

It is at this point that NHS Orkney was placed on level three of the NHS Scotland Support and Intervention Framework for Finance, the first formal escalation stage. NHS Orkney have required repayable brokerage from the Scottish Government for the first time in 2023/24. A significant amount of work has been undertaken since this time, through the Board's newly-established 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**

The Annual Delivery Plan (ADP) commission in 2023/24 was more prescriptive than in previous years, focusing on the "recovery and renewal" phase of the [Remobilisation, Recovery and Redesign Framework](#) for NHS Scotland. NHS Orkney's 2023/24 Annual Delivery Plan was developed in collaboration with

Executive Leads and Heads of Service, capturing the work already underway and planned which addresses the areas outlined in the Delivery Plan Guidance.

The 10 Drivers for Recovery outlined in the 2023/24 ADP were mapped against our locally agreed Strategic Priorities as set out in the NHS Orkney 2023/24 Plan on a Page. (see previous page).

Performance against each of the Drivers for Recovery have been given a RAG (Red, Amber, Green) rating by the Executive Lead indicating if progress against the action has improved (Green), stayed the same (Amber) or worsened (Red).

Performance at the end of 2023/24 was as follows:

Recovery Driver		Executive Lead	Quarter 4 Status
1.	Improved access to primary and community care to enable earlier intervention. and more care to be delivered in the community	Chief Officer - IJB	Amber
2.	Urgent and Unscheduled Care (UUC) – Provide the Right Care, in the Right Place, at the right time through early consultation, advice, and access to alternative pathways, protecting inpatient capacity for those in greatest need.	Director of Nursing, Midwifery, AHP's and Chief Officer Acute	Amber
3.	Improve the delivery of mental health support and services.	Chief Officer - IJB	Amber
4.	Recovering and improving the delivery of Planned Care	Medical Director	Amber
5.	Delivering the National Cancer Action Plan	Medical Director	Amber
6.	Enhance planning and delivery of the approach to health inequalities.	Director of Public Health	Green
7.	Fast track the national adoption of proven innovations which could have a transformative impact on efficiency and patient outcomes.	Medical Director	Amber
8.	Implementation of the Workforce Strategy	Director of People and Culture	Amber
9.	Optimise use of digital and data technologies in the design and delivery of health and care service for improved patient access.	Chief Executive	Amber
10	Climate Emergency and Environment	Director of Finance	Amber

Performance of our ADP is managed through the Senior Leadership Team (SLT), Finance and Performance Committee and the Board via quarterly progress reports.

This aligns with the reporting rhythm for monitoring and measuring progress against our strategic priorities.

To ensure scrutiny and assurance of our planning arrangements, Executive Leads submit to the Improvement Hub regular updates on delivery. Scottish Government officials discuss progress against the Delivery Plan and variations from plan through twice-a-year joint Executive Team (Sponsorship) meetings.

Effective planning and management of our performance supports the organisation to deliver services which are fit for purpose and offer quality and patient centred care to those who need it most.

Where actions have not been achieved these have been carried forward and included in the 2024/25 ADP, for which we await feedback from Scottish Government.

The launch of the new Corporate Strategy, will signal a more streamlined scorecard approach to reporting and a single report for the Corporate Strategy and Annual Delivery Plan, commencing Quarter one of 2024/25.

### **6. 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 2023/24 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.

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>).

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>

NHS Orkney performance is regularly monitored through:

- Senior Leadership Team
- Finance and Performance Committee
- Joint Clinical and Care Governance Committee
- Staff Governance Committee
- NHS Orkney Board

We have worked hard to ensure there is alignment between our Plan on a Page for 2023/24, Annual Delivery Plan, Medium-Term Plan, the emerging long-term Corporate Strategy, as well as the Board's Clinical Strategy and wider supporting workplans.

Strategic Priority		Executive Lead	Qtr. 4 Red	Qtr. 3 Red	Qtr. 4 Amber	Qtr. 3 Amber	Qtr. 4 Green	Qtr. 3 Green
1.	Workforce	Director of People and Culture	0	0	2	4	5	3
2.	Culture	Chief Executive	0	0	2	2	2	2
3.	Quality & Safety	Medical Director	1	1	2	3	3	3
4.	Systems and Governance	Chief Executive	0	0	2	4	4	0
5.	Sustainability	Director of Finance	1	1	0	0	2	2

Progress against actions is monitored on a quarterly basis by the Senior Leadership Team and the Board. Table 1 above is the fourth and final quarterly update for 2023/24.

The launch of the new Corporate Strategy will signal a more streamlined scorecard approach to reporting and a single report for the Corporate Strategy and Annual Delivery Plan.

## Areas for Improvement

### Quality/Patient Care

Quality and Safety is critical to ensure we are delivering the best for those who need our care. Focusing on the experience of our patients and the outcomes they achieve will build confidence that we are delivering the highest quality care for our local community, there are six actions which align to quality and safety within the NHS Orkney strategic priorities for 2023/24.

The actions relating to using latest guidance to ensure meaningful patient feedback mechanisms are in place which demonstrates that we listen, act, and learn has consistently been rated as red in each quarter.

### Areas for improvement

- To date, there has been a limited structured programme for promoting patient and service user feedback. This will form part of our Improvement programme for 2024/25.
- Outpatient and Inpatient waiting lists continue to grow with the longest waits for Ophthalmology, Ear, Nose and Throat and Trauma and Orthopaedics. A deep dive is being undertaken across all waiting lists to improvement out waiting times position in areas in which we are under-performing.

### 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. There are eleven actions for Workforce and Culture within the NHS Orkney strategic priorities for 2023/24. Workforce is at the heart of NHS Orkney and our local community. We must also work harder and think more innovatively when it comes to attracting the best people to join us.

Improving our 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 embed and raise awareness of our leadership development programme. This work will be overseen by the Staff Governance Committee in partnership with the Area Partnership Forum
- Recruitment remains a challenge, our Improvement Programme has a dedicated Workforce workstream, recruitment and retention are a priority for the programme.

## Financial

The Board reported a financial overspend of £5.1m, excluding the £5.2m of brokerage received from Scottish Government, in 2023/24, whilst this position was an improvement relative to the £6.3m deficit reported in the October forecast, this was still £2.2m adverse to the Boards original financial plan for 2023/24.

The adverse financial position was largely driven by increased workforce constraints and higher inflationary cost pressures.

## Areas for improvement

- Workforce improvement, particularly in relation to recruitment and retention and workforce controls.
- Improved budget holder engagement to enable effective performance management and accountability.
- Review of establishments and budgets, relative to demand and activity.
- Support delivery of the Boards improvement programme to collectively drive efficiency and cost reduction.
- Integration of financial reporting.

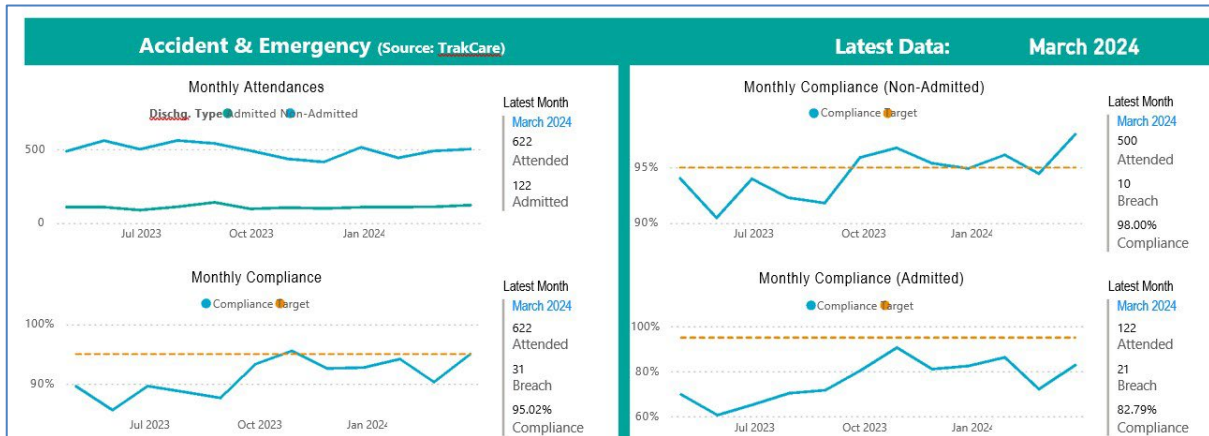
## Systems and Governance

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.



## 7. Performance against the key national clinical treatment targets

### Accident and Emergency



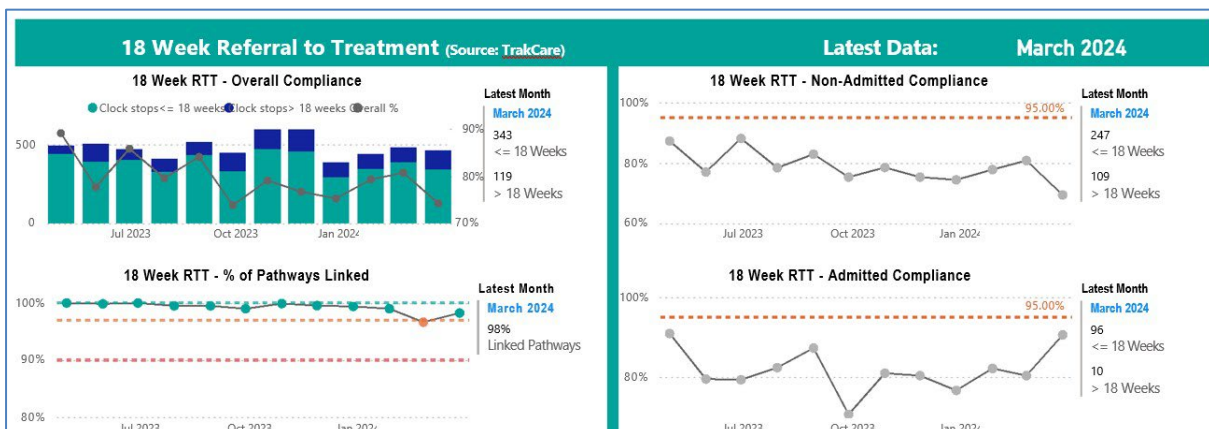
### Four-hour emergency access standard

Monthly attendances at the Emergency Department (ED) have stayed consistent throughout the year. Our four-hour emergency access standard performance improved at the end of March 2024 to 95.02% against the national 95% standard (compared to 90% for NHS Orkney at the end of February 2023). NHS Orkney is a top three performing Health Board in Scotland for our four-hour emergency access national standard, this is an important indicator of quality and experience.

### 18-week Referral to Treatment standard

Our performance against the 18-week Referral to Treatment standard in March 2024 was 74% (against the 90% national standard) compared to 80.7% in February 2024. There are specialties where improvements are required, these include pain management (22.2%), Trauma and Orthopaedics (54.1%) and Cardiology (75%).

The longest waits (those over 52-weeks) are within Cardiology, Ophthalmology Restorative Dentistry, Trauma and Orthopaedics, Ear Nose and Throat, Oral Surgery and Pain Management. Discussions continue to take place in relation to those Service Level Agreements which support activity, to ensure they are fit for purpose and sufficient to meet the long waits and the ongoing demand. Those services which reported 100% of patients treated/discharged within 18-weeks of referral at the end March 2024 included Rheumatology and Endocrinology. General Medicine currently reports 95% compliance against the standard.



## Completed RTT patient journeys each month, percentage within 18 weeks and proportion that could be fully measured from referral to treatment.

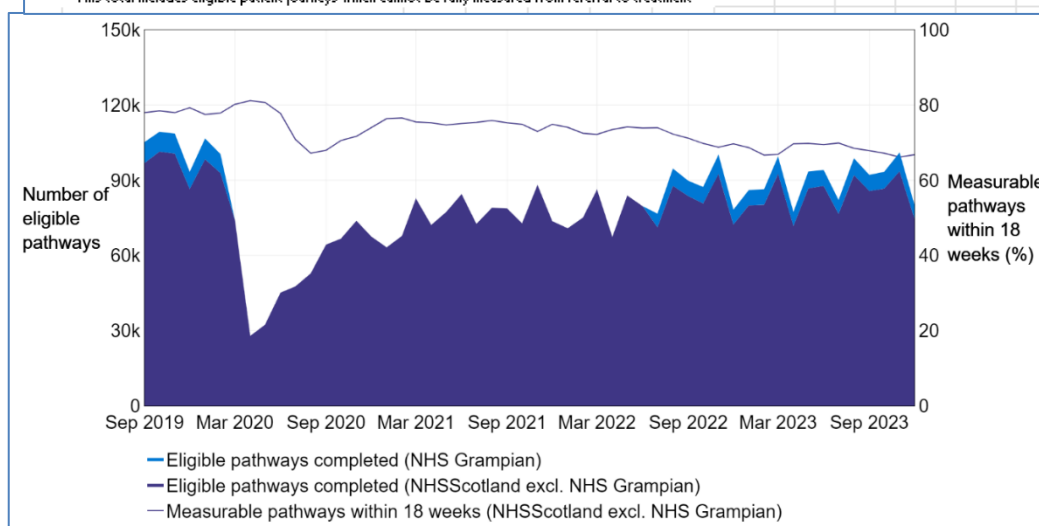
Mar-23					
	Patient journeys within 18	Number of patient journeys	Number of patient journeys over	Patient journeys that could be	Total completed patient journeys
<b>NHS Board of Treatment</b>					
NHSScotland	67.1	56,812	27,830	85.1	89,511
NHSScotland excl. NHS Grampian and NHS Tayside	66.9	46,335	23,181	82.8	84,675
NHS Ayrshire & Arran	60.6	3,733	2,427	96.7	6,373
NHS Borders	64.8	1,682	315	96.3	2,696
NHS Dumfries & Galloway	69.7	1,270	551	95.5	1,906
NHS Fife	60.1	3,731	2,475	95.0	6,535
NHS Forth Valley	64.0	3,362	1,889	100.0	5,251
NHS Grampian	69.4	4,588	2,021	95.5	6,319
NHS Greater Glasgow & Clyde	71.2	12,402	5,016	63.4	27,476
NHS Highland	65.1	4,027	2,158	78.3	7,902
NHS Lanarkshire	62.8	6,805	4,035	100.0	10,840
NHS Lothian	70.7	8,281	3,430	85.4	13,707
<b>NHS Orkney</b>	<b>85.2</b>	<b>780</b>	<b>136</b>	<b>93.7</b>	<b>978</b>
NHS Shetland	87.2	287	42	100.0	329
NHS Tayside	66.8	5,289	2,628	100.0	7,917
NHS Western Isles	82.8	442	32	100.0	534
Golden Jubilee University National Hospital	89.9	133	15	100.0	148

March 2024 position				
Patient journeys within 18 weeks	Number of patient journeys within	Number of patient journeys over 18	Patient journeys that could be fully	Total completed patient journeys
74.2	343	119	97.3	462

Source: PHS 18 weeks RTT database

.. Indicates data not available  
 \* This total includes eligible patient journeys which cannot be fully measured from referral to treatment



## Diagnostic tests or investigations completed on Island

A total of 365 patients were waiting for diagnostic tests or investigations at the end of March 2024 (compared to 205 patients in March 2023). Eighty-nine patients have been waiting over six weeks compared to 95 patients in March 2023. There are no patients waiting over 52-weeks for diagnostic tests or investigations at the end of March 2024 (compared to 16 in March 2023).

A total of 366 patients were waiting for diagnostic tests/scans at the end of April 2024 (compared to 378 patients in March 2024). 108 patients have been waiting over six weeks, compared to 89 patients in March 2024. The number of patients waiting for Computer Tomography (CT) decreased from 49 to 35 and Non-Obstetric Ultrasound decreased from 191 to 144 in April 2024.

## Radiology

Radiology has seen an increase of more than twice the number of referrals in 2024 compared to 2023. 85% of referrals are seen within 6-weeks or less. There are no patients waiting over 52-weeks for radiology diagnostics.

## Endoscopy

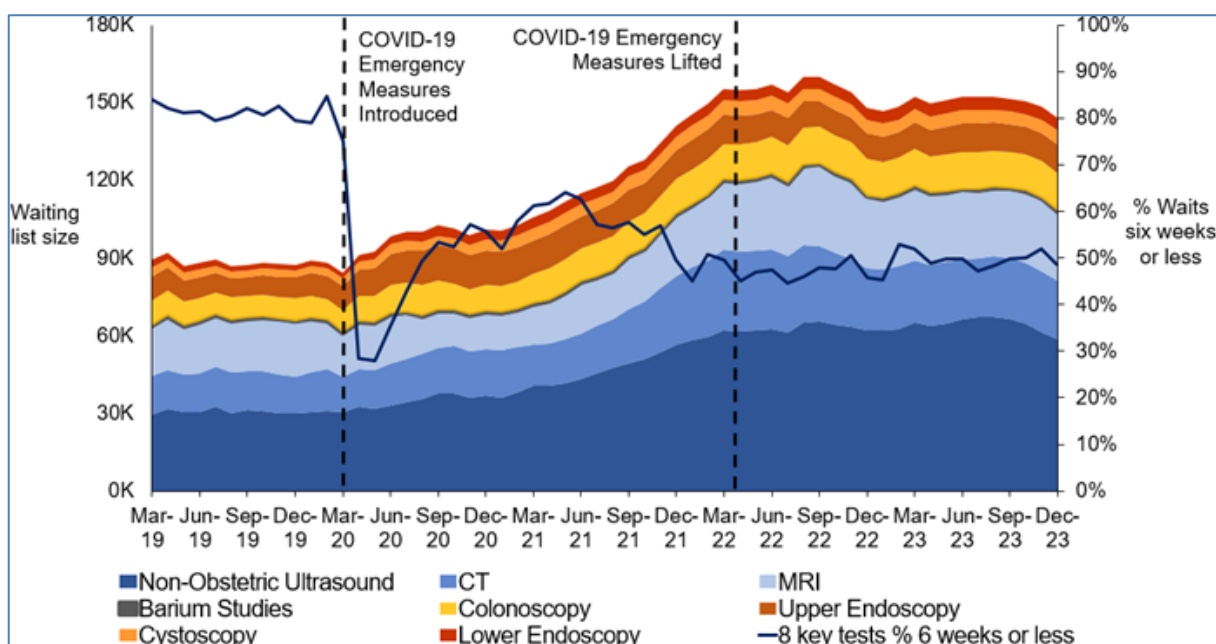
There has been an increase in endoscopy referrals of approx. 20% with 58% of referrals seen for consultation within 6-weeks in 2024 compared to 35% in 2023 almost doubling the number of patients seen within 6 weeks in 2024. There are no patients waiting over 52-weeks in 2024 compared to 15% in 2023. To note NHS Orkney do not undertake barium studies. Upper and lower inpatient waiting lists have been limited in the early part of the calendar year by consultant availability, and failure to recruit when last advertised. NHSO however still has access to endoscopy for cancer pathways through the Grampian SLA. Improved provision of surveillance colonoscopy is expected to improve in Q2 through contracting a specialist consultant resident in Shetland, and introduction of upper GI sponge capsule endoscopy clinics.

## 8 Key Diagnostic Tests & Investigations

Diagnostic Test & Investigation	Indicator	31-Mar-23	31-Mar-24
<b>8 Key Diagnostic Tests or Investigations</b>	<b>Waiting list size</b>	<b>205</b>	<b>365</b>
	Of which: ongoing waits <= 6 weeks	111	276
	% Waits 6 weeks or less	54.1%	75.6%
	Of which: ongoing waits > 6 weeks	94	89
	% Waits > 6 weeks	45.9%	24.4%
	Of which: ongoing waits > 13 weeks	76	21
	% Waits > 13 weeks	37.1%	5.8%
	Of which: ongoing waits > 26 weeks	48	7
	% Waits > 26 weeks	23.4%	1.9%
	Of which: ongoing waits >52 weeks	16	0
	% Waits > 52 weeks	7.8%	0.0%
<b>All Endoscopy Tests</b>	<b>Waiting list size</b>	<b>107</b>	<b>123</b>
	Of which: ongoing waits <= 6 weeks	37	71
	% Waits 6 weeks or less	34.6%	57.7%
	Of which: ongoing waits > 6 weeks	70	32
	% Waits > 6 weeks	65.4%	26.0%
	Of which: ongoing waits > 13 weeks	62	20
	% Waits > 13 weeks	57.9%	16.3%
	Of which: ongoing waits > 26 weeks	40	6
	% Waits > 26 weeks	37.4%	4.9%
	Of which: ongoing waits >52 weeks	16	0
	% Waits > 52 weeks	15.0%	0.0%
Diagnostic Test & Investigation	Indicator	31-Mar-23	31-Mar-24
<b>All Radiology Tests (MRI, CT, and non- obstetric ultrasound)</b>	<b>Waiting list size</b>	<b>98</b>	<b>242</b>
	Of which: ongoing waits <= 6 weeks	74	205
	% Waits 6 weeks or less	75.5%	84.7%
	Of which: ongoing waits > 6 weeks	24	36
	% Waits > 6 weeks	24.5%	14.9%
	Of which: ongoing waits > 13 weeks	14	1
	% Waits > 13 weeks	14.3%	0.4%
	Of which: ongoing waits > 26 weeks	8	1
	% Waits > 26 weeks	8.2%	0.0%
	Of which: ongoing waits >52 weeks	0	0
	% Waits > 52 weeks	0.0%	0.0%

We recognise work is required to improve our waiting times performance. In December 2023 Public Health Scotland (PHS) undertook a review into our compliance against waiting times guidance and an improvement plan is in place to implement the recommendations is work ongoing. A 'deep dive' into waiting times is also underway to ensure we have a rounded picture across our Health and Social Care System. This deep dive will cover acute and community services by specialty of waits and trends, with a clear focus on our performance versus national standards (benchmarking where possible). Most importantly it will focus on recovery, improvement plans and trajectories showing clear alignment to our risk register, corporate and clinical strategies, and our Improvement Programme.

## Theatre utilisation



Significant improvements have been achieved in 2023/24 in relation to theatre utilisation with a focus on understanding the reasons for cancellations and the implementation of the Green Theatres Programme.

Of the 3182 procedures scheduled in the 12-month period 406 were cancelled (15.58%). Procedures can be cancelled for a number of reasons including staff and post operative bed availability, weather/travel related issues and patients not being fit for the procedure. January 2024 had the highest rate of cancellations due to the adverse weather affecting staff travel with June 2023, July 2023 and March 2024 seeing the lowest number of cancellations. We acknowledge that the rate of cancellations is high and are working to address this through the Theatre efficiencies programme.

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-23	294	24	5	3	7	9
Mar-24	190	17	3	3	4	7

## 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 £1.2 million of services to other Health Boards in 2023/24 and received £12.6 million of services.

Four provider SLA's will be reviewed and completed for quarter three 2024/25 and will include the national waiting times centre (the Golden Jubilee); NHS National Services Scotland, Highland Health Board and Grampian Health Board (including e-payroll).

### 31-day cancer standard

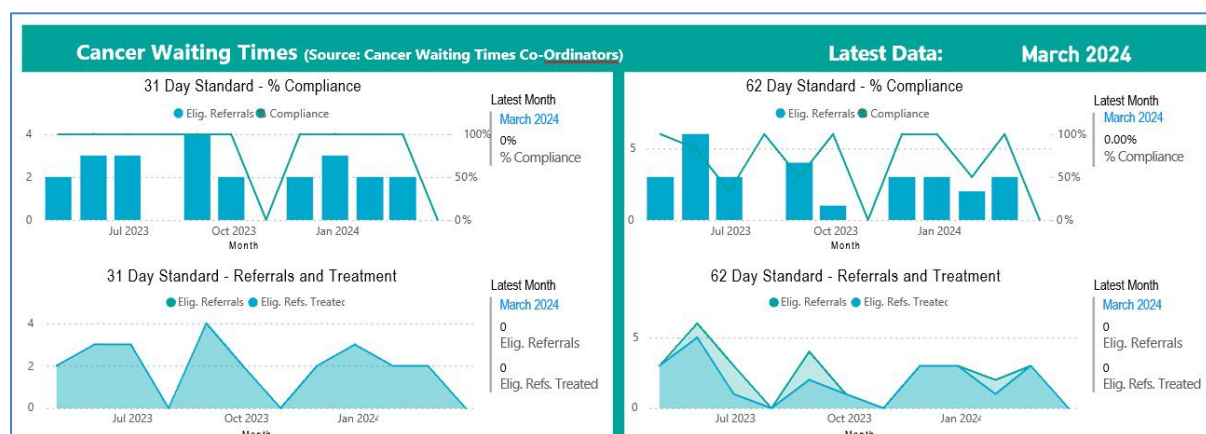
Our performance remains consistently above the national 31-day cancer standard, remaining at 100% (versus the 95% standard).

Year	Waiting Time Standard	Orkney %	Scotland %
2022-23	31-day	100%	95%
2023-24	31-day	100%	95%

### 62-day cancer standard

Our performance against the 62-day cancer standard has improved to 76% in March 2024 compared to 61% in March 2023. (which is three eligible referrals for context).

Year	Waiting Time Standard	Orkney %	Scotland %
2022-23	62-day	61%	73%
2023-24	62-day	76%	72%



## Child and Adolescent Mental Health Service (CAMHS)

Our CAMHS services has exceeded the referral to treatment time target. In March 2023, there were 51 patients on the CAMHS waiting list with 75% being seen within 18-weeks compared to 23 patients in 2024 who were all seen within 18-weeks.

For patients who started treatment in 2023 over 80% were see within 18-weeks compared to 100% in 2024.

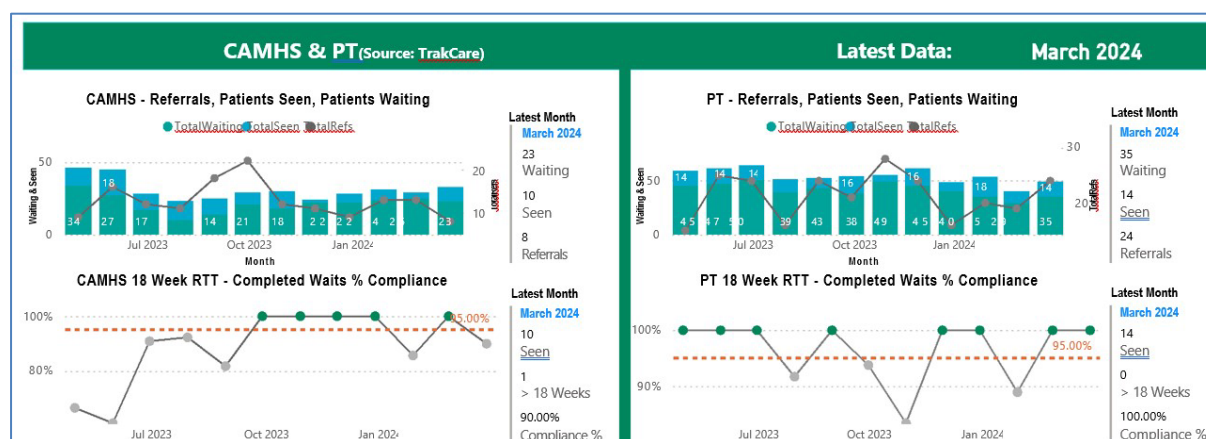
Status	Indicator	31-Mar-23	31-Mar-24
		% n=51	% n=23
Waiting	0-18 weeks	75%	100%
Waiting	19-35 weeks	14%	
Waiting	36-52 weeks	8%	
Waiting	53 or more weeks	4%	
		% n=6	% n=9
Started treatment	0-18 weeks	83%	100%
Started treatment	19-35 weeks	17%	

That said, this service remains incredibly pressured with the expectations of the service expanding and fundamental gaps in capacity in the service, meaning fresh thinking is needed regarding pathways and models of care which will remain a focus in 2024/25.

## Psychological Therapies Services

All patients accessing the psychological therapies service were seen and started treatment within 18-weeks in both 2023 and 2024. However, numbers have reduced in 2024 by just over 20%.

Status	Indicator	31-Mar-23	31-Mar-24
		% n=43	% n=34
Waiting	0-18 weeks	100%	100%
		% n=19	% n=14
Started treatment	0-18 weeks	100%	100%



Performance across our CAMHS and psychological therapies services have remained relatively strong in 2023/24, even with the pressures the team are facing and experiencing on a daily basis (as above).

## 8. 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 finished the year with a core revenue limit of £82.7 million for the 2023/24 financial period which included £5.2m of agreed brokerage support in this core revenue limit. The Board reported an overall underspend of £0.008m against this limit. The Board commenced the financial year with a planned full year deficit against allocation of £3.0 million, the reported overspend before brokerage support was £2.2 million higher than the original plan.

As outlined in section 1 above, it is due to this that NHS Orkney was placed on level three of the NHS Scotland Support and Intervention Framework for Finance.

The key drivers behind the overspend are primarily linked to:

- Ongoing reliance on temporary staffing due to workforce constraints,
- Geographical challenges of island healthcare, and,
- Inflationary pressures across pay and non-pay areas.

The Board has received £5.2m of repayable brokerage from Scottish Government to support the overspend during 2023/24 and as such will therefore report a balanced position within the Accounts. This brokerage will be repayable to Scottish Government at the point at which the Board return to financial balance.

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	82,694	82,686	8
Non-Core Revenue Resource Limit	1,157	1,130	27
Core Capital Resource Limit	3,099	3,060	39
Non-Core Capital Resource Limit	0	0	0
Cash Requirement	87,621	87,621	0

		£000
<b>Memorandum of In Year Outturn</b>	Core Revenue Resource Variance (Deficit)/ Surplus in 2022/23	8
	Financial Flexibility: Funding Banked with Scottish Government	(5,156)
	<b>Underlying (Deficit)/ Surplus against Core Revenue Resource Limit</b>	<b>(5,148)</b>

The Health Board was required to deliver £3.8m of efficiency savings during 2023/24 to achieve the £3.0m deficit plan.

Total savings of £3.8m have been recorded during the year, which is positive, however only £0.9m (24%) of these savings were delivered recurrently, with £2.9m (76%) delivered non-recurrently, creating a pressure into 2024/25.

Savings delivery is a key focus heading into 2024/25, led through the Board's Team Orkney Improving Together Programme, with improved 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. Work is ongoing across the organisation to return the best possible results in 2024/25 with extensive work underway to improve the future financial performance and sustainability.

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

## Payment Policy

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

Measure of Better Payment	2023/24	2022/23
Paid by value – in 10 days	66%	58%
In 30 days	89%	83%
Credit taken	20 days	20 days
Paid by volume – in 10 days	74%	64%
In 30 days	87%	84%

*\*Payment performance remains an area under review and scrutiny, mechanisms are being put in place to further strengthen performance recognising we are still not where we need to be.*

## 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 £1.050m in 2023/24, represented by £0.946m of unrestricted funds and £0.104m restricted funds (2022/23: £0.989m, with £0.878m unrestricted and £0.111m restricted). The in-year financial position was a surplus of £0.061m on charitable activities (2022/23 £0.135m deficit). This was driven by a net gain on investments of £0.103m during the period (2022/23 £0.074m loss).

Total income for the year was £0.036m (2022/23 £0.044m), £0.010m (2022/23: £0.016m) relating to donations and legacies and £0.026m relating to dividends and interest on investments (2022/23 £0.028m).

Total reported expenditure for the year was £0.078m (2022/23 £0.105m).

### **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 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 £42.336m (2022/23 £37.568m - note 3) and income of £42.144m (2022/23 £40.723m – 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 release of reserves in 2022/23 on a non-recurring basis. Of the £42.336m expenditure in year £0.558m (2022/23 £1.145m) 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 £0.139m carried forward to 2024/25.

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

There were earmarked funding allocations received in-year which were unutilised at year-end, and therefore have been carried forward to the following financial year, £2.716m of earmarked funding will be carried forward to 2023/24.

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 £1.358m.

	2022/23			2023/24		
	Budget	Actual	Variance	Budget	Actual	Variance
	£000	£000	£000	£000	£000	£000
IJB	27,204	27,204	0	31,274	31,274	0
Set Aside	10,364	10,364	0	11,062	11,062	0
<b>Total</b>	<b>37,568</b>	<b>37,568</b>	<b>0</b>	<b>42,336</b>	<b>42,336</b>	<b>0</b>

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

There is a draft three-year medium-term financial plan which was approved by the IJB in June 2022. This plan outlines the financial challenges and opportunities the Orkney Integration Joint Board (IJB) and the associated delivery of services through the Orkney Health and Social Care Partnership (OHAC) faces over the next three-years and provides a framework which will support OHAC to remain financially sustainable. It also complements the Strategic Plan, highlighting how the partnership's financial planning principles will support the delivery of OHAC's strategic objectives and priorities for the years 2022-2025. During the year, the IJB was set a savings target of £2.4m of which there were no recurrent savings delivered in 2023/24.

Although no additional recurrent savings targets have been set for the IJB in 2024/25, the IJB is expected to deliver, as a minimum, £2.4 million of the unachieved recurring savings for NHS Orkney commissioned services over the next five- years, commencing in 2024/25.

The Orkney Health and Care Team is working with NHS Orkney's Improvement Team to develop and deliver the savings over the next few years. This work will identify key dates for delivery of the savings plans and is focused on areas such as models of care, pharmacy and primary care provision.

## Efficiency savings target

The Board commenced the 2023/24 financial year requiring £6.9m of savings to be delivered to achieve financial balance. This gap is partly a consequence of the Board's inability to deliver sufficient recurrent savings from previous financial periods. The financial plan submitted to Scottish Government for the year included a £3.8m savings requirement which, if delivered, would result in an overall overspend against allocation of just over £3m.

The Board delivered £3.8m of savings during the 2023/24 financial year, in line with plan. However, it is important to note that only 24% (£0.9m) of the savings delivered during the year were recurrent.

The majority of the savings delivered during the year were linked to vacancies, procurement and other non-recurrent financial adjustments.

As highlighted above, the Board's inability to deliver recurrent financial savings is one of the key reasons the Board was escalated to level three under the Scottish Government Intervention Framework. A significant amount of work has been undertaken during the final quarter of the 2023/24 financial period and the Board is now in a strong place to deliver the required level of recurrent savings moving forward and has clear and credible plans to do so.

## Looking to 2024/25

For 2024/25, we move forward with a financial efficiency target of £4million, aligned to the national requirement to deliver a minimum 3% cost reduction target. The Team Orkney Improving Together Programme has been launched with a strong focus on engaging clinical and operational teams across NHS Orkney to identify initiatives to reduce cost whilst maintaining or improving patient experience, quality of care and staff health and well-being.

Our plan will be finalised through Quarter one of 2024/25 as we look to deliver a minimum of £2.9m (72%) recurrent savings with the balance of £1.1m (28%) to be non-recurrent savings.

Workstream (SG Template)	Recurrent (£)	Non-Recurrent (£)	Total (£)
Workforce - Nursing	243,000	115,000	358,000
Workforce - Medical	975,000	200,000	1,175,000
Workforce - Other	150,000	-	150,000
Procurement	350,000	-	350,000
Prescribing - Switches	125,000	-	125,000
Estates & Infrastructure	360,000	-	360,000
Integrated Joint Board	518,000	500,000	1,018,000
Non-Pay (Other)	164,000	300,000	464,000
<b>Total</b>	<b>2,885,000</b>	<b>1,115,000</b>	<b>4,000,000</b>
Recurrent/Non-Recurrent %	72%	28%	100%

As we build our 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.

## 9. 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.

## 10. Social Matters

### Equality, Diversity and Inclusion (EDI)

NHS Orkney actively seeks to adopt best 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 has also embraced the requirements of the Equality Act (Specific Duties) (Scotland) Regulations 2012 and published reports in 2023/24 including the following key updates on progress:

- NHS Orkney Equality and Diversity Mainstreaming Report 2023
- NHS Orkney Equality Outcomes Update Report 2021-2025
- NHS Orkney Gender Pay Gap Report 2023
- NHS Orkney Equality and Diversity Workforce Monitoring Report 2022/23

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

- 283 individuals completed the Equality, Diversity and Human Rights module
- 231 individuals completed the Violence and Aggression module
- 109 individuals completing Violence and Aggression face-to-face training
- 377 individuals completed the Adult Support and Protection module
- 393 individuals completed the Child Protection Level 1

### Workforce and the Integrated Workforce Plan

NHS Orkney has 741 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 improve organisational culture, we established a Staff Engagement and Experience Programme where actions were progressed as part of Staff Governance and this work is ongoing.

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. We issued our survey across the Health and Social Care functions in 2023/24 to ensure inclusivity for all colleagues (regardless of where employed).

Last year (2023) our percentage of staff completing the survey increased by 1%, with a 59% response rate, however, the number of staff completing the survey had risen to 1,023 respondents from 951 respondents in 2022. Our Engagement Index Score held at 74 in 2023, the same score from the previous year (2022) and across all the domains our scores increased (improved) in 2023 from 2022.

In 2022, we had three areas highlighted to Monitor to further improve and one Improve to Monitor. In 2023 we had four areas in Monitor to further improve and zero areas in the Improve to Monitor range. The areas in monitor to further improve are:

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

Across our Staff Governance Standards Strand Scores, aligned to the five pillars of Staff Governance our weighted index valued increase in all areas by 1 to 2 points in 2023 when compared to the results in 2022.

There were seven core areas where NHS Orkney had the lowest scores among Territorial Health Boards. These were:

- Employee Engagement Index (74 for NHS Orkney versus 77 national average)
- Overall Staff Engagement Score (6.4 for NHS Orkney versus 7 national average)
- I would recommend NHS Orkney as a good place to work (NHS Orkney score 70 – national average 75)
- I would recommend my team as a good one to be part of (NHS Orkney score 81 – national average 85)
- I would be happy for a friend/relative to access our services within my organisation (NHS Orkney score 72 – national average 78)
- I am confident I can safely raise concerns/issues (NHS Orkney score 75 – national average 79)
- I am confident that concerns will be followed-up/responded to (NHS Orkney score 65 – national average 74)

In response to staff feedback, five organisational priorities were identified which included:

- A focus on staff health and well-being, which saw investment in our new employee assistance service which included mental health first aid and psychological support as well as legal and financial support for our staff.

- Introduction of value and recognition schemes: work has been undertaken this year to launch the team Orkney awards, which were held in March 2024, recognising the dedication of staff to patients and their community.
- Involving staff in decision-making, with a greater clinical input into our new senior leadership team and extended leadership team this supports voices being front and centre of our organisation.
- Listening and acting on feedback: a 12-month programme was launched on how we listen to and act on feedback and improve communications whilst providing listening forums with the CEO and Executive Team.
- Leading with kindness and living our values, this year there has been a focus on values, behaviours and 'how' things are done whilst recognising how we treat others.

In preparation for our 2024 iMatter survey, we have engaged with staff and managers across our organisation. We already have a communication campaign planned to promote and enable the successful delivery of iMatter. The results of the 2024 iMatter survey will be progressed via the Staff Governance Action Plan which is overseen by the Staff Governance Committee.

Sustainable workforce planning and development requires us to identify and cultivate new talent pools, and to think about not only the 'what' we need to deliver as services but how we can deliver those services and the use of digital solutions to support this.

NHS Orkney published its three-year Workforce Plan in 2022 following the publication of the Scottish Government's National Health and Social Care Workforce Strategy under the five pillars: Plan, Attract, Train, Employ, and Nurture. The plan detailed activities to be taken forward to meet both short-term recovery and medium-term growth.

We continue to support our volunteers, including 19 Breastfeeding Supporters who are all valuable members of our team. As part of our commitment to supporting the young workforce, we promote modern apprenticeships and currently have two colleagues enrolled in this program. Additionally, we are supporting 14 college students who are undertaking placements in social services and healthcare for their Foundation Apprenticeship (FA) and National Qualification (NQ) in health and social care (access to nursing). We are also supporting our internal colleagues in their academic endeavours through seven graduate apprenticeships.

We have strengthened our relationship with Developing the Young Workforce (DYW) and provided several work experience opportunities across the organisation, including physiotherapy, outpatients, radiology, and ophthalmology.

We have also collaborated with DYW and the maternity department to develop a Maternity insight program. Furthermore, our team has organised several engagement sessions, including participation in school career talks, job centre engagement, and community learning and development job hub events. Our efforts have resulted in over 200 engagements with people within schools and colleges, as well as local employability partnership engagement sessions.

In line with the direction and support of the Government, we have successfully recruited five international nurses from other countries to work in our organisation. To ensure that these colleagues have the necessary skills to pass their Objective Structures Clinical Examination (OSCE) test and apply for their PIN from the Nursing

and Midwifery Council, they undergo a training course delivered by our partners, NHS Grampian.

As part of the Workforce Monitoring Report (presented as a standing agenda item to Area Partnership Forum and Staff Governance Committee) we will continue to review activity in relation to compliance of statutory and mandatory training, appraisal and induction, attendance, use of supplementary staffing, contract variations, employee relations and equality, diversity and inclusion. Development and improvements in these areas will be part of Staff Governance Committee oversight.

### **11. Sustainability and the Environment**

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

All designated Major Players (of which NHS Orkney is one) are required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act and the Amendment order. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource: <https://sustainablesotlandnetwork.org/reports>

We are proud of our strong reputation in this field and the fact that The Balfour Hospital and healthcare facility was the first net zero hospital in Scotland. The Balfour is fully electric with air-to-water heat pumps generating all hot water and heating and has solar panels to reduce reliance on the grid. A dual process air to water/water to water heat pump solution works in conjunction with a back-up high efficiency oil boiler for resilience in the event of the loss of a heat pump system. Recognition of the low carbon technology for the air-to-water heat pumps at The Balfour resulted in a successful application of the Renewable Heat Incentive from the Government. This provides NHS Orkney with annual financial incentives for a 20-year period. NHS Orkney received the prestigious Energy Excellence Award from NHS Scotland Assure for its greener approach to providing renewable heat and supplies at The Balfour.

To reduce the amount of waste that Orkney produces and sends off-island we applied for a grant of £536,400 to the Scottish Government to purchase our own Clinical Waste Treatment Unit. This enables us to compact and sterilise our clinical waste and has reduced our carbon footprint for waste by around 80% as well as financial savings and increased resilience.

We have developed an unused area of greenspace into an area for three large polytunnels. These are for patients, staff and the wider Orkney community. The polytunnels are made of recycled materials and solar powered with natural rainwater collection and are fully wheelchair accessible. Funding of £58,280 was received from

NHS Orkney Endowment Fund and £50,000 from the Green Exercise Partnership – totalling £108,280 for the build of the polytunnels. An additional £40,000 funding was received from the Scottish Government’s Realistic Medicine Value Improvement Fund.

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.

We have also recently been successful in a bid for funding of just under £3,986,750 awarded by the Scottish Government to decarbonise the rest of its estate. This will allow the Board to expand this work to NHS buildings out with The Balfour. In line with Government policy, we will remove fossil fuels and install alternative renewable energy systems, such as heat pumps, solar panels, and wind turbines. Phase 2 of the project is underway and subject to a funding gap being closed (which is under discussion at NHS Orkney and with Scottish Government), we are on track to deliver by March 2025.

Whilst upgrading the estate to minimise our carbon footprint this has also given us the opportunity to increase the existing biodiversity across the estate. All but two of the NHS Orkney GP surgeries will incorporate small solar meadows. The meadows will be surrounded by landscaping incorporating a specific Orkney meadow mix, thus ensuring an increase in biodiversity. The Orkney wildflower meadow will require minimum maintenance and provide a much-needed food source and sheltered nesting for the bird population.

After a trial of electric bikes we were successful in applying for funding to purchase our own fleet of 7 E-Bikes and 1 E-Trike. Active Travel is promoted widely, the cycle to work scheme is encouraged and regular free Dr Bike sessions are held for staff. We are currently going through the process of applying for a Walk at Work Award.

In our Catering Team we have joined the local authority contract to procure local food wherever possible, we have stopped buying in sandwiches and make all our own rolls/sandwiches fresh to order to reduce packaging and food waste. We are introducing a patient plated meal service from this year to reduce our food waste. Furthermore, we are working in collaboration with Scottish Water and Heriot-Watt University to explore engineering solutions for sustainably disposing of the food waste we produce.

NHS Orkney’s climate change action plan is led by the Sustainability Steering Group, the action plan sets out clear targets in line with Scottish Government policy.

**Laura Skaife-Knight**  
**Chief Executive**



## 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 2024.

#### 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 27 June 2024.

#### 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 Rashpal Khangura, Audit Director, 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	
David Campbell	Vice Chair	
Non-Executive Directors		
Des Creasey	Non-Executive Board member	
Isobel Grieve	Non-Executive Board member	
Steven Johnston	Area Clinical Forum Chair	Until 6 February 2024

Steven Heddle	Local Authority Representative	Until 7 September 2023
Joanna Kenny	Non-Executive Board member	
Rona Gold	Non-Executive Board member	
Ryan McLaughlin	Employee Director	
Jean Stevenson	Local Authority Representative	From 1 December 2023
Jason Taylor	Non-Executive Board member	
<b>Executive Directors</b>		
Laura Skaife-Knight	Chief Executive	From 3 April 2023
Mark Doyle	Director of Finance	
Mark Henry	Medical Director	Until 6 September 2023
Anna Lamont	Medical Director	From 22 January 2024
Samantha Thomas	Director of Nursing, Midwifery and Allied Health Professions and Acute Services	
Dr Louise Wilson	Director of Public Health	

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

Due to a number of Executive Director vacancies and long-term absences in 2023/24, a number of interim cover arrangements were made to ensure that portfolios were managed and engagement and attendance at essential meetings, including Board and Governance Committees, maintained. These included Sara Lewis, Acting Director of Public Health; Linda McGovern, Interim Director of People and Culture, Monique Sterrenburg, Interim Deputy Medical Director (first part of the year) and Malcolm Metcalfe, Interim Medical Director (second part of the year until our substantive Medical Director joined the organisation).

## Statement of Board Members Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2024 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' and Senior Managers' 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 \(scot.nhs.uk\)](https://www.scot.nhs.uk/nhs/orkney/register-of-interests). 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](http://www.ohb.scot.nhs.uk)) all payments in excess of £25,000 in compliance with Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010.

### **Personal Data Related Incidents**

NHS Orkney formally reported personal data related incidents to the Information Commissioners Office (ICO) on ten occasions during 2023/24 (2022/23 eighteen). During 2023/24 none of the incidents reported to the ICO resulted in any recommendations or required any further actions. No enforcement actions or penalties were applied by the ICO in relation to incidents report by NHS Orkney.

While the number of incidents meeting the threshold for reporting to the ICO has fallen, the overall number of incidents reported to the Information Governance Department has remained very constant from 2022/23 to 2023/24.

## Statement of Accountable Officer's Responsibilities

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

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

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

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

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

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

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

## 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 via the following link:

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

NHS Orkney was escalated to level three of the NHS Scotland Support and Intervention Framework for Finance, the first formal escalation stage in October 2023 as such the Board have required repayable brokerage from the Scottish Government for the first time in 2023/24.

It is clear 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 2023/24 were insufficient to prevent a serious and significant deterioration in the Board's financial position and to pick up some workforce and HR-related issues which have been discussed in Board Committees throughout the year. This includes arrangements for reviewing aspects of best value and payments, as detailed in the 2023/24 Annual Report for the Audit and Risk Committee.

As Accountable Officer I can confirm that in responses to these weaknesses in organisation-wide governance and control arrangements which includes gaps in controls relating to our finances and HR systems, that we have responded both appropriately and proportionately to address the gaps that have been identified. This has included additional controls in the form of a new integrated improvement function spanning operational and financial performance, digital and quality and safety, a Grip and Control Board (which was replaced in April 2024 with a new Improvement Board and a new Senior Leadership Team meeting.

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.

In addition, we have embraced external support from a Recovery Director and external team of experts who are supporting our in-house 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.

Finally, we have completed a root and branch external review of our Finance Function, the outputs of which have been shared with Finance and Performance Committee and the Board, and an external review of our People and Culture function will be commissioned in quarter one of 2024/25 to ensure we have appropriate controls in place and Corporate Services that are fit for the future.

## 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 partners. Executive and Non-executive members of Orkney Health Board are appointed, to represent the Board, as voting members on the IJB. The voting membership, and therefore 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 Corporate Services Manager maintains a list of managers to whom the Code of Corporate Governance has been issued. Managers are responsible for ensuring staff understand their own responsibilities.

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

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

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

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 Finance and Performance Committee is responsible for reviewing the financial and non-financial targets of NHS Orkney:

**Membership:** Des Creasey (Chair from 1 April 2023 to November 2023), M McEwen (Chair from November 2023), David Campbell (Vice-Chair), Steven Johnston (until October 2023), Jean Stevenson (from January 2024)

The Committee met 9 times in 2023/2024.

## **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), Meghan McEwen and Ryan McLaughlin.

The Committee met 13 times in 2023/2024.

## **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:** Stephen Johnston (Chair until 31 December 2023) Rona Gold (Chair from 1 January 2024), Jean Stevenson (Vice Chair) (Elected OIC Council member), Issy Grieve (from February 2024), David Campbell (until February 2024), Rachael King (until May 2023), Morven Brooks (Third Sector Representative), H Woodbridge (Elected OIC member) and Ivan Taylor (Elected OIC member).

The Committee met 6 times in 2023-2024.

## 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) Des Creasey, Jason Taylor, Nickie Milne (Partnership Representative), Karen Spence (Staff Representative).

The Committee met 4 times in 2023/2024.

## 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), Issy Grieve (Vice Chair until February 2024) Des Creasey (Vice Chair from February 2024), Ryan McLaughlin, Rona Gold (until February 2024), Jean Stevenson (from March 2024).

The Committee met 7 times in 2023/2024.

## Operation of the Board

NHS Orkney's Governance Framework operates under a Code of Corporate Governance which was revised through out 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 an 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 in place to ensure everyone understands their role 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. This has included a substantive Director of People and Culture and Medical Director. 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 also accountable to the Board for the effective management of risk.

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

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

NHS Orkney's Risk Management Strategy and Policy encompasses the articulation and management of risk through a tiered register structure. This framework ensures that risk management is well embedded at the corporate level and provides clear routes for the escalation and de-escalation of risks, ensuring that risk considerations

are integral to decision-making processes across the organisation. The strategy and policy are currently under review, building on the effective review developed for the corporate risk register through 2023-24. For the coming year, improvements in risk management at local and operational levels will be a primary focus, to enhance structure and awareness across the organisation.

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. For 2024/25 there is a comprehensive and organisation wide review underway of our risk management approach and ongoing development of the risk management arrangements at an operational level.

At present, there is one very high risk on the Board's corporate risk register relating to finance 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 have prioritised reducing this risk through appointment of a Director of Recovery (December 2023 and April 2024) and a Director of Improvement (April 2024) which is supported by the Scottish Government as part of our response to financial escalation.

A unified programme of improvement was established in Quarter four of 23/24 that brings together quality, digital, clinical and financial improvement projects to drive rapid change with clear executive leadership and governance. The Board have submitted a pragmatic efficiency programme for 2024/25 and are further assessing what actions would be required to move beyond the current savings to achieve financial balance.

The improvement programme is underpinned by 12 recovery workstreams all of which have a designated Senior Responsible Officer and are developing their programmes which are subject to Quality Impact Assessment. There is an integrated revised planning process scheduled for Quarter three 2024/25 which will inform the medium to longer-term financial sustainability programme.

High risks for the Board include recognition of the fragility of services and attrition of skilled and experienced personnel who are crucial for achieving operational and strategic objectives. A comprehensive recruitment and retention strategy has been identified as a critical priority for 2024/25, running alongside the improvement programme to reduce reliance on agency and locum staff. Linked to achieving financial balance, NHS Orkney aims to transition to sustainable core staff models. Other high risks also link to staffing with the requirements of implementing the Health and Care (Staffing)(Scotland) Act 2019, and limited capacity and capability of Senior Leadership in the organisation that reflects the ambitions and pace of change for NHS Orkney.

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.

## Complaints

The 2023/24 complaints data provide a comprehensive overview of the volume, nature, and outcomes of complaints handled by NHS Orkney. This analysis considers the significance of variations where small numbers are reported and acknowledges the lack of accounting for seasonal patterns, which will be addressed in future improvement plans by comparing with previous years' data.

Patient and service user experience is a top priority for NHS Orkney. We actively seek feedback to look at how our services are meeting the needs of the community that we serve and to so this there is a dedicated email account for patient / service user feedback, this can be found on our website alongside a telephone number which is also available.

We collect and collate information on several areas within the organisation and not just the expected complaints and compliments. The table below shows the feedback we have received this year other than complaints. Concerns are when people want to tell us about something but may not want to make a formal complaint. Compliments is an area that we don't always receive centrally as the vast majority of compliments go straight to the service area and therefore don't always come to the team that records them (they are often thank you cards).

Patient enquiries are when someone phones and asks about upcoming appointments or wants to change the date, for example. Work related requests are from people asking for work experience or a practice placement. General enquiries cover a large array of areas, but generally when people notice something such as a raised paving slab, or cigarette butts on the Balfour site. We are looking at ways we can record compliments centrally to get a more accurate picture of the compliments that we receive as this will enable the organisation to recognise the achievements of teams across the organisation.

NHS Orkney Feedback 2023-2024					
Quarter	Concerns	Compliments	Patient Enquiry	Work Related Requests	General Enquiries
Q1 April-June	29	20	53	10	33
Q2 July-September	14	14	63	14	40
Q3 October-December	25	11	26	10	33
Q4 January-March	29	9	46	13	28
<b>Total</b>	<b>97</b>	<b>54</b>	<b>188</b>	<b>47</b>	<b>134</b>

To support services in improving we run surveys periodically within different teams to identify areas for improvement or recognise where we do well. As an organisation we have used Care Opinion which is a website dedicated to service users' stories and feedback, but we have not been actively using it.

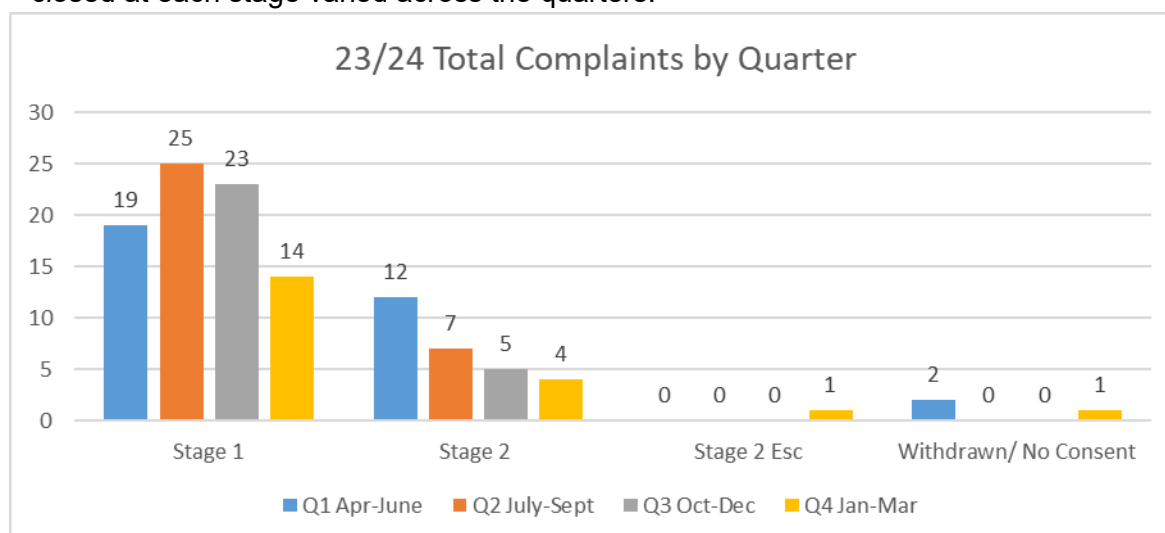
In the coming year we plan to fully implement this into the organisation to give service users other ways to feedback to us. This service allows for web response, telephone response and paper response, to ensure that we are not disadvantaging people in being able to feedback. As an organisation we want to make the 'patient voice' the centre of the things that we do, and this move to including Care Opinion supports us with this.

## Number of complaints

Stage 1 Closed Complaints	81
Stage 2 Closed Complaints	28
Stage 2 Closed Escalated Complaints	1

The total number of complaints

closed at each stage varied across the quarters:



- Stage 1 complaints:** The number peaked in Quarter 2 with 25 complaints and dipped in Quarter 4 with 14 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 seasonal influences.
- Stage 2 non-escalated complaints:** These complaints peaked in Quarter 1 with 12 and reduced to 4 in Quarter 4. The small absolute numbers mean percentage changes can appear more dramatic, underscoring the need for context provided by historical data.
- Stage 2 escalated complaints:** Only one such complaint was recorded, in Quarter 4. The rarity of escalated complaints makes any change statistically significant but also indicates that these cases are exceptional and might require distinct analysis.

## Outcomes of complaints

- Stage 1 outcomes:**
  - The highest percentage of upheld complaints was in Quarter three (48%), indicating a period of higher satisfaction with resolutions. Quarter one (31.5%) and Quarter four (36%) had lower rates. The variation in partially upheld complaints, especially the drop to 28% in Quarter four, such variation may reflect differing satisfaction levels or differences in complaint nature.
  - The percentage of not upheld complaints varied less dramatically but still showed significant change over the year with the drop in Quarter three to 17%.
- Stage 2 non-escalated outcomes:**
  - The proportion of upheld complaints was highest in Quarter two (57%) and Quarter three (80%), showing fluctuations that, due to the small numbers, suggest variability in case complexity or resolution effectiveness rather than systemic issues.
  - Partially upheld complaints peaked in Quarter one (58%), indicating a significant portion of complaints received partial resolutions early in the year.

- **Stage 2 escalated outcomes:**
  - Only one complaint in Quarter four, not upheld, emphasises the need for careful interpretation of such small datasets and highlights the need considering data over a longer timeframe for meaningful analysis.

## Response times

The consistency of response times across the year is generally positive but shows areas for improvement:

- **Stage 1 complaints:** The average response time remained consistent around 5 days, with a notable reduction to 3 days in Quarter three. While these numbers suggest efficiency, small variations could disproportionately impact perceived performance.
- **Stage 2 non-escalated complaints:** Response times improved from 27 days in Quarter one to 18 days in Quarter four, indicating enhanced processes. However, the small sample size necessitates cautious interpretation of these improvements.
- **Stage 2 escalated complaints:** The stable response time around 19-20 days reflects consistent handling of these rare cases.

## Timeliness

The percentage of complaints closed within designated timescales indicates mixed performance:

- **Stage 1:** Quarter three had the highest compliance at 87%, while Quarter one's 47% suggests potential initial challenges. The variation emphasises the need to investigate seasonal patterns that could influence these figures.
- **Stage 2 non-escalated:** The highest compliance in Quarter two (71%) and Quarter three (80%) contrasts with the drop to 50% in Quarter four. These fluctuations, given the small numbers, again highlight the need for a broader dataset to determine true performance trends.
- **Stage 2 escalated:** Only one complaint was resolved within the 20-day target

The analysis of 2023/24 complaints data underscores the importance of context when interpreting small datasets and highlights the need for incorporating seasonal patterns in future analyses. While there have been notable improvements in handling times, especially for Stage 2 non-escalated complaints, variations in outcomes and timeliness are evident. These variations could be influenced by numerous factors, including seasonal patterns not accounted for in this analysis. Future data reporting is planned to include comparisons with previous years to provide a more comprehensive understanding of trends and areas for improvement. This approach will help to ensure a more accurate and actionable analysis, guiding strategies for enhancing complaint handling and resolution processes.

<b>Complaint Outcomes</b>	Complaint Upheld	Complaint Partially Upheld	Complaint Not Upheld
Stage 1	32	26	23
Stage 2	11	11	6
Stage 2 Esc	0	0	1

<b>Average Response Times / Extensions Authorised</b>	<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
Average no of days to respond to Closed Stage 1 Complaints	<b>4 days</b>	<b>7 days</b>	<b>3 days</b>	<b>5 days</b>

Average No of days to respond to Closed Stage 2 Complaints (incl ESC)	27 days	21 days	17 days	18 days
<b>Closed within Timescales</b>				
Number of Complaints closed in full at Stage 1	19	25	23	14
% closed within timescale of 5 working days	(9) 47%	(15) 60%	(20) 87%	(11) 79%
Number of Complaints closed in full at Stage 2	12	7	5	4
% closed within timescale of 20 working days	(4) 33%	(5) 71%	(4) 80%	(2) 50%
<b>Escalated Complaints</b>				
Number of Escalated complaints closed	0	0	0	1
% closed within timescales of 20 working days	n/a	n/a	n/a	(1) 100%

Response Times	Less than 5 days	Less than 20 days	Average Response time
Stage 1	55	n/a	5 days
Stage 2	n/a	15	21 days
Stage 2 Esc	n/a	1	19 days

The table below shows the number of complaints over the last 4 years.

<b>NHS Orkney Number of Stage 1 Complaints</b>				
Quarter	2020-2021	2021-2022	2022-2023	2023-2024
Q1 April-June	15	28	28	20
Q2 July-September	31	29	24	25
Q3 October-December	27	28	32	23
Q4 January-March	36	26	18	15
<b>Total</b>	<b>109</b>	<b>111</b>	<b>102</b>	<b>83</b>
<b>NHS Orkney Number of Stage 2 Complaints</b>				
Quarter	2020-2021	2021-2022	2022-2023	2023-2024
Q1 April-June	4	5	12	13
Q2 July-September	11	8	6	7
Q3 October-December	5	9	22	5
Q4 January-March	8	10	9	5
<b>Total</b>	<b>28</b>	<b>32</b>	<b>49</b>	<b>30</b>

## 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.

All incidents are looked at to see if there was any harm to service users or staff. Where harm has been identified and meets the threshold as set out in the *Learning from adverse events through reporting and review, a national framework for Scotland*, a Serious Adverse Event Review (SAER) is commissioned. This review is more in depth and includes the service user and where they wish, their family, so that their voice can be heard in the review and any questions they have about the incident can be answered.

In the last year NHS Orkney commissioned six SAER’s. These are set out in the table below:

Significant Adverse Event Reviews (SAER) 2023-24	Q1 April-June 2023	Q2 July-September 2023	Q3 October-December 2023	Q4 January-March 2024
<b>SAERs Commissioned</b>	1	6	0	0
<b>Report Completed in 90 working days</b>	0	0	N/A	N/A
<b>Causation Code</b>	Outcome Code 3 – Minor System of Care Issues	3x Outcome Code 4 – Major System of Care Issues	N/A	N/A
<b>Category</b>	Medication/Drug Shortage, Error or Misuse	1x Failure to Plan/Manage Care  1x Failure to Process or Pass on Clinical Info  1x Pressure Ulcer	N/A	N/A
<b>IHI Harm Scale</b>	TBC	1x E. Continued to/resulted in temporary harm to patient. & required intervention  2x G. Continued to/resulted in permanent harm to patient.	N/A	N/A
<b>Closed</b>	1	3	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 six SAERs commissioned. Of these four of them have now been closed, with the other two nearing completion. Due to the complexity of the reviews this year we haven’t met the timeframe for completion on the SAERs. In the year to come we are reviewing our processes around how we carry out SAERs to try and shorten the time it takes us to complete these.

As a learning organisation the learning from incidents and SAERs is shared across the organisation through the clinical governance groups, as well as communicated through area meetings and internal communications. One of the areas that we have learnt and improved the service we provide is around tissue viability. Work has been

carried out around the documentation we use to help us identify people at risk of developing pressure ulcers as well as improving the support to staff to put plans in place and care for people who have pressure ulcers, this includes working with other NHS Boards to share knowledge and resources.

Another area we have started working on and are continuing to work on is discharges between other NHS Boards and NHS Orkney, this involves a short life working group with another NHS Board to look at and revise the current process to ensure that it meets the needs of the service user, but also each of the services, the discharging service, and the receiving service as well. This work is vital to ensure a seamless transition for service users. We have also looked at our own processes around induction for people joining the organisation and revised this, to make sure that it clearly inducts each new team member into the area that they work and the processes that they need to know.

For the coming year we are reviewing and revising our processes around incident and SAER management. This work will include strengthening the support we provide to investigators on incidents and SAERs, but also completing investigations and reviews in a timely manner.

### **Information Governance**

Responsibility for oversight of information governance within NHS Orkney falls on the Information Governance Committee, reporting to Audit and Risk Committee. During 2023/2024 the Committee met on a two monthly schedule and was Chaired by the Senior Information Risk Owner (SIRO) (who is the Chief Executive at NHS Orkney) who also represents Information Governance and Information Security at Board level. The composition of membership ensures that Information Governance, information security and data protection matters are considered from diverse organisational viewpoints. 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 38% score, well out of line of the other NHS Scotland Boards. 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 as detailed in the Potential strategic objective in our new Corporate Strategy for 2024/25..

As we move into 2024/2025 NHS Orkney has taken steps to improve around governance in respect of Information and Digital, and a new Digital and Improvement Operational Group chaired by the new Head of Improvement, has been created to act as a focal point for improving cyber security, resilience and NIS compliance across NHS Orkney. Reporting into the Finance and Performance Committee with cross committee reporting to the Audit and Risk Committee, this is an area of strengthened governance in our system.

### **Whistleblowing**

The Chief Executive is now the Lead for Whistleblowing in NHS Orkney and is responsible for overseeing progress, ensuring timelines and communications are maintained and that follow-up actions and learnings are progressed appropriately. This responsibility transferred from the Medical Director's portfolio to the Chief Executive when the new Chief Executive came into post in April 2024.

The role of Whistleblowing Champion is held by a Non-Executive member. The purpose of this role is to monitor and support the effective delivery of the NHS



Orkney whistleblowing policy and is predominantly an assurance role which helps the NHS Board comply with their responsibilities in relation to Whistleblowing. The Whistleblowing Champion is expected to raise any matters of concern with the Board as appropriate, either in relation to the implementation of the Standards, patterns in reporting of concerns or in relation to specific cases.

NHS Orkney now has three Confidential Contacts (one clinical and two non-clinical). These colleagues have had training led by the Whistleblowing Champion from NHS Fife in quarter four of 2023/24 and annual refresher training is now in place which is a welcome development.

Speak Up Week ran from 2 to 6 October 2023 and provides Boards with opportunities to share learning, awareness of the whistleblowing process and the benefits of a supportive speak up culture. Locally this was led by NHS Orkney's Chief Executive and Whistleblowing Champion (see below for further details).

The areas of focus in 2023/24 for NHS Orkney have been:

- Strengthened leadership (a focus on listening and visible and compassionate leadership)
- Listening and closing the loop when people raise concerns to improve trust and confidence in our processes and leadership
- Much improved communications re: the culture we want to create and the ways in which we listen
- New Board walkabouts and improved visibility
- Training for Confidential Contacts
- Clarity to staff about the various 'ways we listen' at NHS Orkney so that staff are more confident about where and who to go and turn to when they have concerns to raise, including safety concerns, and require someone to listen signpost or support

Throughout 2023/24 there has been much-improved communication with staff on the work underway to create a Speak Up culture at NHS Orkney and one where staff feel safe speaking up knowing that they will feel safe and confident knowing their concerns will be listened to and acted upon.

Although there has been no formal whistleblowing referrals at NHS Orkney in 2023/24, it is regarded as a positive that speak up concerns are being raised via different routes, including via the Chief Executive and being followed through more quickly with the loop being closed. There is a sense that this change of approach is building more confidence in our systems and processes, knowing that staff feedback is being listened to and acted on more quickly. This will remain a continued focus in the year to come as this is now about consistency across the Senior Leadership Team.

Learning from whistleblowing and all staff feedback is essential to shape our culture, services and uphold our values of being caring, safe and respectful.

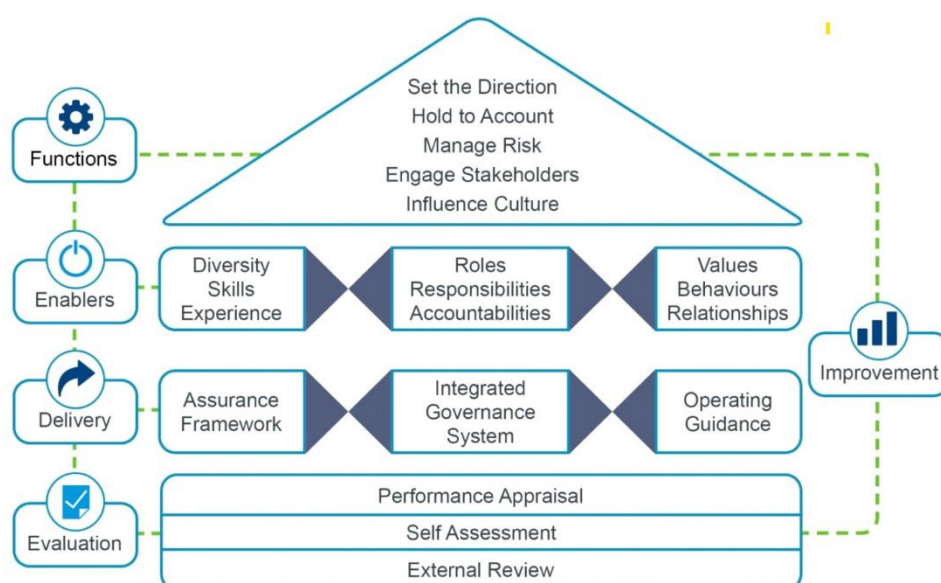
Looking to 2024/25, a number of priorities have been identified so that we build further on the good work that has taken place over the last 12-months, notably:

- Introducing a Whistleblowing Oversight Group – with the Chief Executive, Whistleblowing Champion, Medical Director and Head of Patient Safety, Quality and Risk in the membership
- We will proactively promote, in our communications, that we will consider other Board support/independent person to consider cases, on a case-by-case basis – recognising the challenges of being a small Board can bring when it comes to whistleblowing concerns
- We need to log Confidential Contact and whistleblowing concerns centrally – via our Head of Patient Safety, Quality and Risk (whilst giving careful thought in terms of what we want to record and maintaining confidentiality)
- We will improve resilience when our Chief Executive and Whistleblowing Champion are on leave via our Medical Director and Head of Patient Safety, Quality and Risk.
- We have introduced quarterly touch-point meetings for Confidential Contacts, with the Chief Executive and Whistleblowing Champion
- We will introduce annual refresher training for our Confidential Contacts
- We will ensure our Confidential Contacts are linked into the national Confidential Contact network for wider peer support
- Reporting against the Whistleblowing Standards will continue to be via the Joint Clinical and Care Governance Committee and speak up concerns will become part of wider integrated dashboard (featuring many indicators) that will go to Staff Governance Committee on a quarterly basis as part of how we measure the impact of our new culture programme

## Blueprint for Good Governance

The implementation of the NHS Scotland Blueprint for Good Governance 2<sup>nd</sup> 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 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 2023/2024. This includes a separate assessment of the estimated increase in the cumulative pension benefit that will be payable following retirement. These disclosures have been subject to audit.

### Remuneration Report for Year Ended 31 March 2024

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
<b>Remuneration of:</b>					
<b>Executive Members</b>					
Chief Executive Officer: Laura Skaife-Knight (1)	140-145	0	140-145	32	170-175
Director of Nursing, Midwifery and AHP: Samantha Thomas	125-130	0	125-130	262	390-395
Director of Finance: Mark Doyle	120-125	0	120-125	10	130-135
Interim Director of Human Resources: Lorraine Hall (2)	40-45	0	40-45	0	40-45
Interim Director of People and Culture: Linda McGovern (3)	75-80	0	75-80	0	75-80
Director of People and Culture: Jarrard O'Brien (4)	5-10	0	5-10	2	10-15
Medical Director: Mark Henry (5)	50-55	0	50-55	14	65-70
Interim Medical Director: Malcolm Metcalfe (6)	95-100	0	95-100	0	95-100
Acting Medical Director: Monique Sterrenburg (7)	130-135	0	130-135	33	160-165
Medical Director: Anna Lamont (8)	30-35	0	30-35	72	40-45
Director of Public Health: Dr Louise Wilson	155-160	0	155-160	(9)	150-155
<b>Other Senior Employees</b>					
Interim Director of Public Health: Sara Lewis (9)	110-115	0	110-115	0	110-115
<b>Non Executive Members</b>					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
Vice Chair: David Campbell	5-10	0	5-10	0	5-10
Isobel Grieve	5-10	0	5-10	0	5-10
Jason Taylor	5-10	0	5-10	0	5-10
Joanna Kenny	5-10	0	5-10	0	5-10
Des Creasey	5-10	0	5-10	0	5-10
Rona Gold	5-10	0	5-10	0	5-10
Ryan McLaughlin	40-45	0	40-45	11	55-60
Jean Stevenson (10)	0-5	0	0-5	0	0-5
Steven Johnston (11)	90-95	0	90-95	13	105-110
Steven Heddle (12)	0-5	0	0-5	0	0-5

Note 1: Laura Skaife-Knight – commenced as Chief Executive Officer on 03/04/2023.

Note 2: Lorraine Hall – Interim Director of Human Resources until 30/09/2023 on a secondment from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.

- Note 3: Linda McGovern – Interim Director of Human Resources from 01/10/2023 until 29/03/2024 on a secondment from NHS Forth Valley and pension benefits will be disclosed by them. Total charges are those invoiced.
- Note 4: Jarrard O'Brien – commenced as Director of People and Culture on 04/03/2024,
- Note 5: Mark Henry – commenced as Medical Director on 01/04/2023 until 06/09/2023 when he left post.
- Note 6: Malcolm Metcalfe – commenced as interim Medical Director 11/09/2023 until 18/01/2024 on a secondment from NHS Grampian and pension benefits will be disclosed by them. Total charges are those invoiced.
- Note 7: Monique Sterrenburg – commenced acting Medical Director between 06/09/2023 and 10/09/2023.
- Note 8: Anna Lamont – commenced as Medical Director on 22/01/2024.
- Note 9: Sara Lewis – Interim Director of Public Health until 31/03/2024 to cover absence in year, attended Board meetings and Executive Management Team meetings in year, in NEST pension scheme, no pension benefits to disclose.
- Note 10: Jean Stevenson – commenced as Local Authority Representative 01/12/2023.
- Note 11: Steven Johnston – Left with effect from 06/02/2024.
- Note 12: Steven Heddle – left with effect from 07/09/2023.

## Remuneration Report for Year Ended 31 March 2023

	Gross Salary (Bands of £5,000) £'000	Benefits in Kind £'000	Total Earnings in Year (Bands of £5,000) £'000	Pension Benefits £'000	Total Remuneration (Bands of £5,000) £'000
<b>Remuneration of:</b>					
<b>Executive Members</b>					
Interim Chief Executive: Michael Dickson (1)	95-100	0	95-100	0	95-100
Director of Nursing, Midwifery and AHP: Samantha Thomas (2)	25-30	0	25-30	27	50-55
Director of Finance: Mark Doyle	110-115	0	110-115	96	205-210
Interim Director of Human Resources: Lorraine Hall (3)	80-85	0	80-85	0	80-85
Medical Director: Mark Henry	100-105	0	100-105	36	135-140
Director of Public Health: Dr Louise Wilson	145-150	0	145-150	0	145-150
<b>Other Senior Employees</b>					
Interim Director of Nursing: Mary Moore (4)	60-65	0	60-65	0	60-65
Interim Director of Public Health: Sara Lewis (5)	100-105	0	100-105	0	100-105
Interim Deputy Medical Director: Monique Sterrenburg (14)	100-105	0	100-105	26	125-130
<b>Non Executive Members</b>					
The Chair: Meghan McEwen	30-35	0	30-35	0	30-35
Caroline Evans (6)	0-5	0	0-5	0	0-5
James Stockan (7)	0-5	0	0-5	0	0-5
Isobel Grieve	5-10	0	5-10	0	5-10
David Campbell	5-10	0	5-10	0	5-10
Jason Taylor (8)	10-15	0	10-15	0	10-15
Joanna Kenny	5-10	0	5-10	0	5-10
Des Creasey	5-10	0	5-10	0	5-10
Steven Heddle (9)	5-10	0	5-10	0	5-10
Rona Gold (10)	5-10	0	5-10	0	5-10
Steven Johnston (11)	105-110	0	105-110	19	125-130
Martha Gill (12)	25-30	0	25-30	8	35-40
Ryan McLaughlin (13)	30-35	0	30-35	4	35-40

- Note 1: Michael Dickson - commenced as Interim Chief Executive with effect from 01/07/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.
- Note 2: Samantha Thomas – commenced 09/01/2023. Gross salary would be in the range £110,000-£115,000
- Note 3: Lorraine Hall – commenced as Interim Director of Human Resources with effect from 01/10/2020, is seconded from NHS Shetland and pension benefits will be disclosed by them. Total charges are those invoiced.
- Note 4: Mary Moore – commenced 01/04/2022, left 31/12/2022, not in pension scheme, total salary would have been in the range £110,000-£115,000
- Note 5: Sara Lewis – Interim Director of Public Health to cover absence in year, attended Board meetings and Executive Management Team meetings in year, in NEST pension scheme, no pension benefits to disclose

- Note 6: Caroline Evans – left 31/08/2022
- Note 7: James Stockan – left 30/04/2022
- Note 8: Jason Taylor – 2022/23 gross pay includes arrears for 2021/22 £681.34
- Note 9: Steven Heddle – commenced 19/05/2022
- Note 10: Rona Gold – commenced 01/09/2022
- Note 11: Steven Johnston - The remuneration disclosed comprises remuneration for his role as Chair of Area Clinical Forum and his remuneration for his substantive post as a Dentist. The gross remuneration for his role as Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 12: Martha Gill - the remuneration disclosed comprises remuneration for her role as Employee Director and her remuneration for her substantive post as a nurse. Left substantive post 23/01/2023, commenced Non Exec post 02/04/2022, left 05/01/2023. The gross remuneration for her role as a Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 13: Ryan McLaughlin - the remuneration disclosed comprises remuneration for his role as Employee Director and his remuneration for his substantive post as a eHealth Facilitator. Commenced Non Exec post 01/02/2023. The gross remuneration for his role as a Non Executive Director would be in the annual range of £5,000 - £10,000.
- Note 14: Monique Sterrenburg – Interim Deputy Medical Director to cover absence in year, attended Board meetings and Executive Management Team meetings in year

**PENSION TABLE**

**FOR THE YEAR ENDED 31 MARCH 2024**

	Total accrued pension at pensionable age at 31 March 2024  (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 2024 (Bands of £5,000)	Real Increase/(Decrease) in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2024  £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2023 *  £'000	Real increase/(decrease) in CETV in year  £'000
Interim Chief Executive Officer: Laura Skaife-Knight (1)	0-5	0-2.5	0-5	0-2.5	28	0	28
Director of Nursing, AHPs & Midwifery: Samantha Thomas	40-45	10-12.5	110-115	27.5-30	905	601	264
Director of Finance: Mark Doyle	40-45	0-2.5	105-110	(-5.0) – (-7.5)	1,001	931	8
Interim Director of Human Resources: Lorraine Hall (2)							
Interim Director of Human Resources: Linda McGovern (3)							
Director of People and Culture: Jarrod O'Brien (4)	0-5	0-2.5	0-5	0-2.5	2	0	2
Medical Director: Mark Henry (5)	0-5	0-2.5	0-5	0-2.5	54	36	16
Interim Medical Director: Malcolm Metcalfe (6)							
Acting Medical Director: Monique Sterrenburg (7)	0-5	2.5-5	0-5	0-2.5	60	25	34
Medical Director: Anna Lamont (8)	100-105	2.5-5	75-80	(-0)-(-2.5)	1,668	1,489	79
Employee Director: Ryan McLaughlin	5-10	0-2.5	0-5	0-2.5	57	46	8
Non Executive Director: Steven Johnston	25-30	0-2.5	0-5	0-2.5	341	303	17
Director of Public Health: Dr Louise Wilson	75-80	0-2.5	210-215	(-5.0) – (-7.5)	1,912	1,798	(6)
						<b>Total</b>	<b>450</b>

\* Values are different from prior year closing due to update workings received from SPPA.26

Note 1: Laura Skaife-Knight – commenced as Chief Executive Officer on 03/04/2023

Note 2: Lorraine Hall – Interim Director of Human Resources until 30/09/2023 on a secondment from NHS Shetland and pension benefits will be disclosed by them.

Note 3: Linda McGovern – Interim Director of Human Resources from 01/10/2023 until 29/03/2024 on a secondment from NHS Forth Valley and pension benefits will be disclosed by them.

Note 4: Jarrod O'Brien commenced as Director of People and Culture on 04/03/2024.

Note 5: Mark Henry commenced as Medical Director on 01/04/2023 until 06/09/2023.

Note 6: Malcolm Metcalfe – commenced as interim Medical Director 11/09/2023 until 18/01/2023 on a secondment from NHS Grampian and pension benefits will be disclosed by them.

Note 7: Monique Sterrenburg - Interim Deputy Medical Director to cover absence in year, attended Board meetings and Executive Management Team meetings in year

Note 8: Anna Lamont – commenced as Medical Director on 22/01/2024.

PENSION TABLE

FOR THE YEAR ENDED 31 MARCH 2023

	Total accrued pension at pensionable age at 31 March 2023  (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 2023 (Bands of £5,000)	Real Increase in Lump Sum at age 65 (Bands of £2,500)	Cash Equivalent Transfer Value (CETV) at 31 March 2023  £'000	Cash Equivalent Transfer Value (CETV) at 31 March 2022  £'000	Real increase in CETV in year  £'000
Interim Chief Executive: Michael Dickson (1)							
Director of Nursing, AHPs & Midwifery: Samantha Thomas (2)	30-35	0-2.5	75-80	0-2.5	521	556	-35
Director of Finance: Mark Doyle	40-45	5-7.5	80-85	7.5-10	832	717	115
Interim Director of Human Resources: Lorraine Hall (3)							
Medical Director: Mark Henry	0-5	2.5-5	0-5	0	44	12	32
Director of Public Health: Dr Louise Wilson	70-75	0	200-205	0	1,702	1,756	-54
Non Executive Director: Steven Johnston	25-30	0-2.5	0-5	0	239	221	18
Non Executive Director: Martha Gill (4)	0-5	0-2.5	0-5	0	31	26	5
Non Executive Director: Ryan McLaughlin (5)	5-10	0-2.5	0-5	0	55	52	3
Other Senior Employee: Sara Lewis (6)	0	0	0	0	0	0	0
Other Senior Employee: Monique Sterrenburg (7)	0-5	0-2.5	0-5	0	22	0	22
Other Senior Employee: Mary Moore (8)	0	0	0	0	0	0	0
						<b>Total</b>	<b>106</b>

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

Note 2: Samantha Thomas commenced as Director of Nursing, AHPs & Midwifery 09/01/2023

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

Note 4: Martha Gill commenced as Employee Director on 02/04/2022 and left 05/01/2023

Note 5: Ryan McLaughlin commenced as Employee Director on 01/02/2023

Note 6: Sara Lewis – Interim Director of Public Health to cover absence in year, attended Board meetings and Executive Management Team meetings in year, in NEST pension scheme only

Note 7: Monique Sterrenburg - Interim Deputy Medical Director to cover absence in year, attended Board meetings and Executive Management Team meetings in year



## 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.

2023/24		2022/23		% Change
Range of staff remuneration (£000s)	0-225	Range of staff remuneration (£000s)	10-175	+28.6%
Highest Earning Director's Total Remuneration* (£000s)	155-160	Highest Earning Director's Total Remuneration* (£000s)	140-145	+6.8%
Median (salary only)	£39,838	Median (salary only)	£37,496	+6.2%
Ratio	3.89	Ratio	3.82	+0.07
25 <sup>th</sup> Percentile (salary only)	£31,523	25 <sup>th</sup> Percentile (salary only)	£29,599	+£1,924
Ratio	4.92	Ratio	5	-0.08
75 <sup>th</sup> Percentile (salary only)	£54,949	75 <sup>th</sup> Percentile (salary only)	£51,918	£3,031
Ratio	2.82	Ratio	2.76	0.06
<b>Commentary</b> The values above are based on salaries for 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.

## 3. Staff Report

All elements of workforce activity sit within the governance remit of the Staff Governance Committee. The Committee, on an annual basis, agree 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 2023/24, 195 people were employed - 78 internal, 117 are external applicants which included 100 permanent contracts, 34 fixed-terms and secondments and 61 bank contracts.

Throughout the year the use of agency medical, nursing and Allied Health Professional staffing has reduced, with 452 shifts being covered per month at the start of the financial year, now showing 67 shifts to cover critical roles. We have been working with key clinical colleagues to determine the roles for the future and to look at innovative ways to recruit.

We have signed an agreement around locum costs and usage that will support not only gaining quality candidates but capping the price structure. 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 which are being 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 was one of the five areas of focus for the organisation in 2023/24 in response to staff feedback.

In response to feedback and with support from the Orkney Health Board Endowment Fund, we have a new staff health and wellbeing programme and a new Wellbeing Officer to lead this work which is focused in improving physical, mental and financial health for Team Orkney.

The Staff Support and Wellbeing Group meet on a bimonthly basis to discuss ideas to improve staff wellbeing and support. The group are focused on the following key areas

- Employee Assistance Programme – launched in 2023/24
- Womens health and menopause
- Physical and mental health
- National campaigns
- Wellbeing events
- Annual stress survey

Wellbeing initiatives continue to be promoted to staff on a weekly basis as part of our staff communications.

Following feedback from the 2023 wellbeing event, future collaborations with Scottish Ballet are to continue with further 'Health at Hand' sessions being planned, which means this collaboration can grow further.

Understanding that health and wellbeing can be impacted by matters outside the workplace and in the current socio-economic climate, the Occupational Health Nurse Manager continues to refer staff who are in need directly to the Foodbank. There is an emergency food parcel on-site for any working staff who may struggle to get to the foodbank for initial parcel due to shift patterns. We are also able to support staff who are struggling with heating costs and working in partnership with Trade Union colleagues. We are looking at further ways to support staff which will be articulated in the future work of the group.

This year we engaged Warmworks who is the managing agent for the Heat and Energy Efficient Scotland Scheme in Orkney. They were available to colleagues across the organisation to discuss the service they could provide, as well as discuss eligibility for grant schemes.

Occupational Health continue 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.

In 2023, the organisation conducted its first Staff Stress Audit from November to December. The survey aimed to provide a baseline figure to measure future results against. The results were collated and published in early 2024. The survey showed some positive stress figures, with 5 out of the 7 Management Standards in the 3rd Quartile, which is considered "good but there is still room for improvement".

The survey received responses from 277 out of a possible 1079 staff (26%). Although this response rate is not very high, it does provide a snapshot of how staff perceive stress within the organisation. Given the pressures on staff, the response rate was deemed satisfactory.

At an organisational level, the results indicated that the highest priority Management Standard was 'Change', followed closely by 'Demands' as the second-highest priority. Both of these Standards are in the second quartile, which means there is a "clear need for improvement". However, they are both close to moving up to the next quartile.

This important feedback from staff will inform future changes that are needed to further improve staff experience and how staff feel about working at NHS Orkney.

### **Organisational Development**

As described on page 29, NHS Orkney participates in iMatter, NHS Scotland's Staff Experience continuous improvement tool.

The response rate for the NHS Orkney questionnaire in 2023 was 59%. Managers across NHS Orkney were provided with iMatter Manager Development Sessions, and the feedback received was 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.

92 out of 140 teams completed their action plans throughout the year giving a 66% completion rate which is an increase of 17% on the 2023 position. Communications have been issued to managers and colleagues to emphasise the importance of individual teams getting together to discuss the results and develop meaningful action plans for a more positive staff experience and a communication and support plan is in place for this financial year.

### **Training and Education**

Promotion of apprenticeship schemes has been an area of focus for the Talent and Culture Team. NHS Orkney supports seven colleagues who are undertaking a graduate apprenticeship at Robert Gordon University. The team have also scoped graduate apprenticeship delivery with Herriot Watt University, and moving forward, they will be used for its delivery. This will allow NHS Orkney colleagues to use the campus on the Island for study and exams, which will negate a current requirement to travel off the Island.

Modern apprenticeships have also been an area of focus for the Talent and Culture team, with 1 colleague being the first IT MA in cybersecurity. The team continues to build relationships with providers, including Herriot Watt and the University of Highlands and Islands Orkney College, while encouraging recruiting managers to consider apprenticeships as an option to “grow our own” when developing roles within service areas.

To support the confidence and capability of our managers within NHS Orkney, the People and Culture team have created and delivered several training, development and improvement sessions throughout 2023/24.

The manager bundles continue to provide managers with information and support to allow them to build key skills which are required in their role. In addition to Attendance Management, Managing Difficult Conversations, effective Appraisal conversations, workplace investigations, managing flexible working requests, use of fixed-term contracts and redeployment, and eESS training.

The team is now providing training on the recruitment process and system, as well as appraisal awareness sessions for managers and reviewers. To date, 95 colleagues within the organisation have either booked on or attended one of the bundles in 23/24, with the eESS manager training and once for Scotland -Supporting work-life balances having the highest attendance. The team have also coordinated externally delivered management and leadership training to enhance the local provision; this has included a collaborative event with Orkney Islands Council focusing on Kindness in Leadership.

The Nursing, midwifery, AHP and Acute Directorate received a tailor made communication course which was delivered to provide tools to aid communication during winter pressures. The team also coordinated the use of the Flexible Workforce Development Fund and provided upskilling in the following areas;

Business and administration, CMI first line management, minuting of meetings, and project management

## Staff Costs

The following table summarises total staff costs and numbers for 2023/24 and the prior year:

2022/23		2023/24						
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
29,436	Salaries and wages	525	227	30,264				31,016
3,180	Taxation and Social security costs	68	23	3,223				3,314
5,073	NHS scheme employers' costs	111	23	5,454				5,588
24	Secondees	123			525		(331)	317
4,167	Agency staff					4,495		4,495
41,880		827	273	38,941	525	4,495	(331)	44,730
0	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
<b>41,880</b>	<b>TOTAL</b>	<b>827</b>	<b>273</b>	<b>38,941</b>	<b>525</b>	<b>4,495</b>	<b>(331)</b>	<b>44,730</b>

There were no staff engaged directly on capital projects in 2023/24 (2022/23 nil).

£2.3m of total staff costs for 2022/23 relate to Covid-19 expenditure (2021/22 £2.3m).

The staff costs are included under Note [3a](#) and Note [4](#) income.

## Staff Numbers

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	
Headcount	6	9	673		65		753
Whole Time Equivalent (WTE)	6.00	8.20	537.96		50.54		602.70

## Staff Composition

	As at 31 March 2023			As at 31 March 2024		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	2	5	2	4	6
Non-Executive Directors and Employee Director	6	4	10	4	5	9
Senior Employees	26	28	54	11	34	45
Other	107	534	641	129	564	693
<b>Total Head Count</b>	<b>142</b>	<b>568</b>	<b>710</b>	<b>146</b>	<b>607</b>	<b>753</b>

## Higher Paid Employees Remuneration

2022/23 Number		2023/24 Number	
<b>Clinicians</b>			
10	£70,001 to £80,000	12	
3	£80,001 to £90,000	8	
5	£90,001 to £100,000	1	
5	£100,001 to £110,000	4	
3	£110,001 to £120,000	3	
5	£120,001 to £130,000	1	
1	£130,001 to £140,000	1	
1	£140,001 to £150,000	3	
0	£150,001 to £160,000	1	
0	£160,001 to £170,000	0	
0	£170,001 to £180,000	0	
0	£180,001 to £190,000	0	
0	£190,001 to £200,000	1	
2	£200,001 and above	1	
<b>Other</b>			
2	£70,001 to £80,000	3	
0	£80,001 to £90,000	1	
4	£90,001 to £100,000	3	
0	£100,001 to £110,000	3	
1	£110,001 to £120,000	1	

## Sickness Absence Data

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.

Our overall sickness absence rate continues to be higher than that of the National Heat Standard of 4%. For the year ending March 2024, NHS Orkney's performance of 5.89% was lower than the national sickness absence rate at 6.30%, with twelve Boards in Scotland having higher sickness rates than NHS Orkney. Our sickness absence rate has improved when compared to the year ending March 2023, when it was 6.63% and the national sickness absence average was 6.20% across Scotland.

Our Staff Governance Action Plan for 2024/25 articulates a number of activities that we are progressing to support managers deliver against Promoting Attendance and to support staff and teams with their health resilience. We have six colleagues trained as TRiM practitioners (trauma informed management practices) to support mental wellbeing and resilience. A rollout plan across the organisation is planned for 2024/25 to conduct TRiM awareness sessions as well as support sessions (previously known as De-briefs), whilst highlighting when these sessions would require escalation to a TRiM intervention.

In September 2023, we introduced our Employee Assistance Programme in partnership with Health Assured. 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. We receive a quarterly management information report that helps us understand our colleagues' concerns, allowing us to address any issues internally.

### **Staff Policies applied during the year relating to employment of disabled persons**

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

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

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

Our work in each of these areas is designed to:

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

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

### **Exit Packages**

There were no compulsory redundancies in 2023/24 or 2022/23. There were no exit packages in 2023/24:

### **Trade Union Regulations**

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

Number of employees who were relevant union officials during the period 1 April 2023 to 31 March 2024	Full-time equivalent employee number
17	15

## Percentage of time spent on facility time

Percentage of time	Number of representatives
0%	8
1 - 50%	9
51-99%	0
100%	0

## Percentage of pay bill spent on facility time

Total cost of facility time	£16,110
Total pay bill	£45,065,976
Percentage of the total pay bill spent on facility time	<b>0.04%</b>

## Paid trade union activities

Time spent on paid trade union activities as a percentage of total paid facility time hours	45%
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## 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 2023/24 or 2022/23.

There were no special payments written off during 2023/24 or 2022/23, however, the losses accounted for are as follows:

	2023/24		2022/23	
	No. of cases	£'000	No. of cases	£'000
Losses	25	3	20	7

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 2023/24 or 2022/23.



## Contingent Liabilities

There were no contingent liabilities in 2023/24 or 2022/23.

Signed

Date

**Laura Skaife-Knight**  
**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 2024 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 2023/4 Government Financial Reporting Manual (the 2023/4 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 2024 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 2023/4 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 the 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](http://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; or
- there has been a failure to achieve a prescribed financial objective.

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 2024**

## STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2024

2022/23 £'000		Notes	2023/24 £'000
	<b>Total income and expenditure</b>		
42,238	Employee expenditure	<a href="#">3</a>	45,061
	Other operating expenditure:		
6,221	Independent Primary Care Services	<a href="#">3</a>	6,446
9,371	Drugs and medical supplies	<a href="#">3</a>	9,508
65,048	Other health care expenditure	<a href="#">3</a>	71,298
<b>122,878</b>	<b>Gross Expenditure for the year</b>		<b>132,313</b>
<b>(43,425)</b>	Less: Other Operating Income	<a href="#">4</a>	<b>(46,599)</b>
1,780	Associates and joint ventures accounted for on an equity basis		(96)
<b>81,233</b>	<b>Net expenditure for the year</b>		<b>85,618</b>

### OTHER COMPREHENSIVE NET EXPENDITURE

2022/23 £'000		2023/24 £'000
<b>(20,737)</b>	Net (gain)/loss on revaluation of Property Plant and Equipment	<b>(4,540)</b>
74	Net (gain)/loss on revaluation investments	(103)
<b>(20,663)</b>	Other Comprehensive Expenditure	<b>(4,643)</b>
<b>60,570</b>	<b>Comprehensive net expenditure</b>	<b>80,975</b>

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 2024

31 March 2023				31 March 2024	
Consolidated £'000	Board £'000		Notes	Consolidated £'000	Board £'000
		<b>Non-Current Assets:</b>			
94,322	94,322	Property, plant and equipment	<a href="#">7c</a>	99,084	99,084
221	221	Intangible assets	<a href="#">6a</a>	167	167
631	631	Right of Use assets	<a href="#">17a</a>	329	329
		Financial assets:			
935	0	Investments	<a href="#">10</a>	1,025	0
1,262	0	Investments in associates and joint ventures		1,358	0
16	16	Trade and other receivables	<a href="#">9</a>	14	14
<b>97,387</b>	<b>95,190</b>	<b>Total non-current assets</b>		<b>101,977</b>	<b>99,594</b>
		<b>Current Assets:</b>			
801	801	Inventories	<a href="#">8</a>	814	814
		Financial assets:			
1,604	1,601	Trade and other receivables	<a href="#">9</a>	2,096	2,096
592	534	Cash and cash equivalents	<a href="#">11</a>	651	595
0	0	Assets classified as held for sale	<a href="#">7b</a>	0	0
<b>2,997</b>	<b>2,936</b>	<b>Total current assets</b>		<b>3,561</b>	<b>3,505</b>
<b>100,384</b>	<b>98,126</b>	<b>Total assets</b>		<b>105,538</b>	<b>103,099</b>
		<b>Current liabilities</b>			
(440)	(440)	Provisions	<a href="#">13a</a>	(457)	(457)
		Financial liabilities:			
(13,225)	(13,218)	Trade and other payables	<a href="#">12</a>	(12,005)	(11,974)
<b>(13,665)</b>	<b>(13,658)</b>	<b>Total current liabilities</b>		<b>(12,462)</b>	<b>(12,431)</b>
<b>86,719</b>	<b>84,468</b>	<b>Non-current assets plus/less net current assets/liabilities</b>		<b>93,076</b>	<b>90,668</b>
		<b>Non-current liabilities</b>			
(1,196)	(1,196)	Provisions	<a href="#">13a</a>	(1,205)	(1,205)
(338)	(338)	Trade and other payables	<a href="#">12</a>	(128)	(128)
<b>(1,534)</b>	<b>(1,534)</b>	<b>Total non-current liabilities</b>		<b>(1,333)</b>	<b>(1,333)</b>
<b>85,185</b>	<b>82,934</b>	<b>Assets less liabilities</b>		<b>91,743</b>	<b>89,335</b>
		<b>Taxpayers' Equity</b>			
57,190	57,190	General fund	<a href="#">SOCTE</a>	59,565	59,565
25,744	25,744	Revaluation reserve	<a href="#">SOCTE</a>	29,770	29,770
1,262	0	Other reserves – associates and joint ventures	<a href="#">SOCTE</a>	1,358	0
989	0	Funds held on Trust	<a href="#">SOCTE</a>	1,050	0
<b>85,185</b>	<b>82,934</b>	<b>Total taxpayers' equity</b>		<b>91,743</b>	<b>89,335</b>

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

The financial statements on pages 72 to 75 were approved by the board on 27 June 2024 and signed on their behalf by

Chief Executive

Date:

## STATEMENT OF CONSOLIDATED CASHFLOWS FOR THE YEAR ENDED 31 MARCH 2024

2022/23 £'000		Notes	2023/24 £'000
	<b>Cash flows from operating activities</b>		
(81,233)	Net expenditure	<a href="#">SOCTE</a>	(85,618)
4,994	Adjustments for non-cash transactions	<a href="#">2b</a>	3,065
(26)	Add back: interest payable recognised in net operating expenditure	<a href="#">2b</a>	4
(3,249)	Movements in working capital	<a href="#">2b</a>	(1,676)
<b>(79,514)</b>	<b>Net cash outflow from operating activities</b>		<b>(84,225)</b>
	<b>Cash flows from investing activities</b>		
(1,062)	Purchase of property, plant and equipment		(3,049)
(581)	Investment Additions	<a href="#">10</a>	(14)
184	Proceeds of disposal of property, plant and equipment		0
0	Proceeds of disposal of intangible assets		6
587	Receipts from sale of investments		27
<b>(872)</b>	<b>Net cash outflow from investing activities</b>		<b>(3,030)</b>
	<b>Cash flows from financing activities</b>		
80,628	Funding	<a href="#">SOCTE</a>	87,560
300	Movement in general fund working capital	<a href="#">SOCTE</a>	61
80,928	Cash drawn down		87,621
0	Capital element of payments in respect of leases and on-balance sheet PFI and Hub contracts		(303)
(328)	IFRS 16 – 2022/23 cash lease payment		0
34	Interest paid		0
(8)	Interest element of leases and on-balance sheet PFI/ PPP and Hub Contracts		(4)
<b>80,626</b>	<b>Net Financing</b>		<b>87,314</b>
240	<b>Net Increase in cash and cash equivalents in the period</b>		59
352	<b>Cash and cash equivalents at the beginning of the period</b>		592
<b>592</b>	<b>Cash and cash equivalents at the end of the period</b>		<b>651</b>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>		
240	Increase in cash in year		59
352	Net debt/cash at 1 April		592
<b>592</b>	<b>Net debt/cash at 31 March</b>		<b>651</b>

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 2024

	Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
<b>Balance at 31 March 2023</b>		<b>57,190</b>	<b>25,744</b>	<b>1,262</b>	<b>989</b>	<b>85,185</b>
<b>Changes in taxpayers' equity for 2023-24</b>						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	<a href="#">7a</a>	0	4,540	0	0	4,540
Net gain/(loss) on revaluation of investments	<a href="#">10</a>	0	0	0	103	103
Net gain/(loss) on revaluation of Right-of-Use assets		0	0	0	0	0
Impairment of property, plant and equipment		0	0	0	0	0
Revaluation and impairments taken to operating Costs	<a href="#">2b</a>	0	(27)	0	0	(27)
Transfers between reserves		487	(487)	0	0	0
Net operating cost for the year	<a href="#">SOCNE</a>	(85,672)	0	96	(42)	(85,618)
<b>Total recognised income and expense for 2023-24</b>		<b>(85,185)</b>	<b>4,026</b>	<b>96</b>	<b>61</b>	<b>(81,002)</b>
<b>Funding:</b>						
Drawn down		87,621	0	0	0	87,621
Movement in General Fund (Creditor) / Debtor	<a href="#">CFS</a>	(61)	0	0	0	(61)
<b>Balance at 31 March 2024</b>	<a href="#">SoFP</a>	<b>59,565</b>	<b>29,770</b>	<b>1,358</b>	<b>1,050</b>	<b>91,743</b>

## FOR THE YEAR ENDED 31 MARCH 2023

	Notes	General Fund £'000	Revaluation Reserve £'000	IJB Reserve £'000	Funds Held on Trust £'000	Total Reserves £'000
<b>Balance at 31 March 2022</b>		<b>55,800</b>	<b>4,781</b>	<b>3,042</b>	<b>1,124</b>	<b>64,747</b>
<b>Changes in taxpayers' equity for 2022-23</b>						
Net gain/(loss) on revaluation/indexation of property, plant and equipment	<a href="#">7a</a>	0	21,318	0	0	21,318
Net gain/(loss) on revaluation of investments	<a href="#">10</a>	0	0	0	(74)	(74)
Impairment of property, plant and equipment		0	(582)	0	0	(582)
Revaluation and impairments taken to operating Costs	<a href="#">2b</a>	0	381	0	0	381
Transfers between reserves		154	(154)	0	0	0
Net operating cost for the year	<a href="#">SOCNE</a>	(79,392)	0	(1,780)	(61)	(81,233)
<b>Total recognised income and expense for 2022-23</b>		<b>(79,238)</b>	<b>20,963</b>	<b>(1,780)</b>	<b>(135)</b>	<b>(60,190)</b>
<b>Funding:</b>						
Drawn down		80,928	0	0	0	80,928
Movement in General Fund (Creditor) / Debtor	<a href="#">CFS</a>	(300)	0	0	0	(300)
<b>Balance at 31 March 2023</b>	<a href="#">SoFP</a>	<b>57,190</b>	<b>25,744</b>	<b>1,262</b>	<b>989</b>	<b>85,185</b>

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.

#### Disclosure of New Accounting Standards

##### (a) Standards, amendments and interpretations effective in current year:

There are no new standards, amendments or interpretations effective in the year 2023-2024. However, 2023-24 FReM mandates reporting indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023-24.

##### (b) Standards, amendments and interpretations effective in current year adopted early this year:

There are no new standards, amendments or interpretations early adopted in the 2023-24 financial year.

##### (c) Standards, amendments and interpretations issued but not adopted this year:

The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2023-24 financial year.

Standard	Current status
IFRS 14 Regulatory Deferral Accounts	Effective for accounting periods starting on or after 1 January 2016. Not applicable to NHS Scotland bodies.
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2023. However this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025.

#### 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 24 to the Annual Accounts, details how these consolidated Financial Statements have been calculated.

### **3. Retrospective Restatement**

There are no prior year adjustments for 2023/24.

### **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 pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Statement of Resource Outturn.

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

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

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

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

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

### **7.1 Recognition**

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

All assets falling into the following categories are capitalised:

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

- Specialised operational assets are valued on a modified replacement cost basis to take account of modern substitute building materials and locality factors only.
- 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 service potential (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 as follows:

- Specialised NHS Land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as agreed by an independent valuer.
- Non-specialised land and buildings, such as offices, are stated 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 bring 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 or not it has been depreciated separately.

### Revaluations and Impairment:

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Consolidated Comprehensive Net Expenditure, in which case they are recognised as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together. 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-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to NHS Orkney, respectively
- 3) Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification
- 4) buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 5) equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

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

### **Valuation**

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

Subsequently intangible assets that are not held for their service potential (i.e. 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 at fair value. Where an active (homogeneous) market exists, intangible assets are carried at market value in existing use. Where no active market exists, the intangible asset is revalued, using indices or an alternative suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost.

### **Revaluation and impairment**

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

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

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

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

Operational assets which are in use delivering front line services or back office functions, and 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 bring the asset back into future use as an operational asset.

## **8.3 Amortisation**

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

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

- 1) software is amortised over their expected useful life

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

<u>Asset Category/Component</u>	<u>Useful Life</u>
Software	5

## 9. Non-current assets held for sale

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

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

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

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

## 10. 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.

Where a Health Board leases assets to others which are material they must disclose the accounting policy used for these leases.

For these arrangements, the Health Board assesses whether the leases are finance or operating leases. For finance leases, it derecognises the asset and recognises a

receivable. Interest is accrued throughout the financial year and recognised in income. For operating leases, rental income is recognised on a systematic basis, usually straight-line, over the lease term.

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

### **15. Inventories**

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

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

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

## 17. Employee Benefits

### Short-term Employee Benefits

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

### Pension Costs

NHS Orkney participates in the NHS Superannuation Scheme (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 24 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3.

## 20. Value Added Tax

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

## 21. NPD Schemes

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

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

## 22. Provisions

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

## 23. Contingencies

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

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

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

## 24. Corresponding Amounts

Corresponding amounts are shown for the primary statements and notes to the financial statements. Where the corresponding amounts are not directly comparable with the amount to be shown in respect of the current financial year, IAS 1 'Presentation of

Financial Statements', requires that they should be adjusted and the basis for adjustment disclosed in a note to the financial statements.

## 25. Financial Instruments

### Financial assets

#### 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

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

#### (a) Loans and receivables

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

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

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

#### Recognition and measurement

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

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

#### (a) Loans and receivables

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

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

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

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

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

## **Financial Liabilities**

### Classification

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

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

### Recognition and measurement

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

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

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

## **26. Segmental reporting**

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

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



## 27. Cash and cash equivalents

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

## 28. Foreign exchange

The functional and presentational currencies of the Board are sterling.

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

## 29. Third party assets

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

## 30. Key sources of judgement and estimation uncertainty

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

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

**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 31<sup>st</sup> March 2023. This was then adjusted at 31<sup>st</sup> March 2024 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'.

## NHS ORKNEY

### NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2024

		2023/24 £'000
<b>2a. Summary of Core Revenue Resource Outturn</b>	Notes	
<b>Net Expenditure</b>	<a href="#">SOCNE</a>	<b>85,618</b>
Total Non Core Expenditure (see below)		(1,130)
FHS Non Discretionary Allocation		(1,856)
Endowment Net Expenditure		(42)
Associates and joint ventures accounted for on an equity basis		96
<b>Total Core Expenditure</b>		<b>82,686</b>
Core Revenue Resource Limit		82,694
<b>Saving/(excess) against Core Revenue Resource Limit</b>		<b>8</b>

<b>Summary of Non Core Revenue Resource Outturn</b>		
Capital grants to/ (from) other bodies		(2,099)
Depreciation/Amortisation		3,195
Annually Managed Expenditure – Impairments		(27)
Annually Managed Expenditure – Provisions		0
Annually Managed Expenditure – depreciation of donated assets		1
Annually Managed Expenditure – Pension valuation		60
Donated assets income		0
<b>Total Non Core Expenditure</b>		<b>1,130</b>
Non Core Revenue Resource Limit		1,157
<b>Saving/(excess) against Non Core Revenue Resource Limit</b>		<b>27</b>

Summary Resource Outturn	Resource £'000	Expenditure £'000	Saving/(Excess) £'000
Core	82,694	82,686	8
Non Core	1,157	1,130	27
<b>Total</b>	<b>83,851</b>	<b>83,816</b>	<b>35</b>

## 2b. Notes to the cash flow statement

### Consolidated adjustments for non-cash transactions

2022/23 £'000		2023/24 £'000	Notes
	<b>Expenditure Not Paid In Cash</b>		
2,593	Depreciation	2,826	<a href="#">7a</a>
55	Amortisation	54	<a href="#">6</a>
2	Depreciation on donated assets	1	<a href="#">7a</a>
312	Depreciation on Right of Use (RoU) Assets	313	<a href="#">17b</a>
392	Impairments on PPE charged to SoCNE	0	
(11)	Net revaluation on PPE charged to SoCNE	(27)	
(53)	Funding of Donated Assets	0	
0	Loss/(Profit) on disposal of intangible assets	(6)	
(84)	Loss/(Profit) on disposal of property, plant and equipment	0	
0	Impairments on intangible assets charged to SoCNE	0	<a href="#">6</a>
1,780	Associates and joint ventures accounted for on an equity basis	(96)	<a href="#">SOCNE</a>
8	B/fwd General Fund Diff	0	
<b>4,994</b>	<b>Total Expenditure Not Paid In Cash</b>	<b>3,065</b>	<a href="#">CFS</a>

### Interest payable recognised in operating expenditure

2023 £000			2024 £000
	<b>Interest payable</b>		
0	Interest on late payment of commercial debt		0
0	Bank and other interest payable		0
0	PFI lease charges allocated in the year		0
8	Lease interest	<a href="#">17b</a>	4
(34)	Provisions - Unwinding of discount		0
<b>(26)</b>	<b>Net interest payable</b>	<a href="#">CFS</a>	<b>4</b>

## Consolidated movements in working capital

2022/23		2023/24			
Net Movement £'000		Opening Balances £'000	Closing Balances £'000	Net Movement £'000	Notes
	<b>INVENTORIES</b>				
32	Consolidated Statement of Financial Position	801	814		<a href="#">8</a>
<b>32</b>	<b>Net Decrease/(Increase)</b>	<b>801</b>	<b>814</b>	<b>(13)</b>	
	<b>TRADE AND OTHER RECEIVABLES</b>				
(560)	Due within one year	1,604	2,096		<a href="#">9</a>
(4)	Due after more than one year	16	14		<a href="#">9</a>
<b>(564)</b>	<b>Net Decrease/(Increase)</b>	<b>1,620</b>	<b>2,110</b>	<b>(490)</b>	
	<b>TRADE AND OTHER PAYABLES</b>				
(2,262)	Due within one year	13,225	12,005		<a href="#">12</a>
338	Due after more than one year	338	128		
0	Less: Property, Plant & Equipment (Capital) included in above	0	0		
(300)	Less: General Fund Creditor included in above	(534)	(595)		
(625)	Less: lease and PFI creditors included in value	(625)	(333)		
<b>(2,849)</b>	<b>Net Increase/(Decrease)</b>	<b>12,404</b>	<b>11,205</b>	<b>(1,199)</b>	
	<b>PROVISIONS</b>				
132	Statement of Financial Position	1,636	1,662		<a href="#">13a</a>
<b>132</b>	<b>Net Increase/(Decrease)</b>	<b>1,636</b>	<b>1,662</b>	<b>26</b>	
<b>(3,249)</b>	<b>NET MOVEMENT Increase/(Decrease)</b>			<b>(1,676)</b>	<a href="#">CFS</a>

### 3. Operating expenses

#### 3a. Staff costs

2022/23 £'000		2023/24 £'000	Notes
9,200	Medical and Dental	10,150	
14,016	Nursing	14,600	
19,022	Other Staff	20,311	
<b>42,238</b>	<b>Total</b>	<b>45,061</b>	<a href="#">SOCNE</a>

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

2022/23		2023/24	
Consolidated £'000		Board £'000	Consolidated £'000
	<b>Independent Primary Care Services:</b>		
4,144	General Medical Services	4,343	4,343
873	Pharmaceutical Services	986	986
971	General Dental Services	818	818
233	General Ophthalmic Services	299	299
<b>6,221</b>	<b>Total Independent Primary Care Services</b>	<b>6,446</b>	<b>6,446</b>
	<b>Drugs and medical supplies:</b>		
4,538	Prescribed drugs and appliances - Primary Care	4,794	4,794
3,220	- Secondary Care	2,919	2,919
79	PPE and Testing Kits	43	43
1,534	Medical Supplies	1,752	1,752
<b>9,371</b>	<b>Total Drugs and medical supplies</b>	<b>9,508</b>	<b>9,508</b>
	<b>Other health care expenditure</b>		
37,568	Contribution to Integrated Joint Boards	42,336	42,336
8,598	Goods and services from other NHS Scotland bodies	9,077	9,077
80	Goods and services from other UK NHS bodies	(17)	(17)
487	Goods and services from private providers	539	539
72	Goods and services from voluntary organisations	73	73
2,355	Resource Transfer	2,120	2,120
0	Loss on disposal of assets	0	0
15,692	Other operating expenses	17,001	17,001
91	Auditor's remuneration - statutory audit fee	91	91
105	Endowment Fund expenditure	0	78
<b>65,048</b>	<b>Total Other health care expenditure</b>	<b>71,220</b>	<b>71,298</b>
<b>80,640</b>	<b>Total</b>	<b>87,174</b>	<b>87,252</b>

## 4. Operating Income

2022/23		2023/24		
Consolidated £'000		Board £'000	Consolidated £'000	Notes
313	Income from Scottish Government	2,226	2,226	
1,051	Income from other NHS Scotland bodies	964	964	
160	Income from NHS non-Scottish bodies	170	170	
40,723	Income for services commissioned by Integrated Joint Board (IJB)	42,144	42,144	
213	Patient charges for primary care	220	220	
53	Donations	0	0	
86	Profit of disposal of assets	5	5	
	Contribution in respect of clinical and medical negligence claims	0	0	
	<b>Non NHS:</b>			
43	Overseas patients (non-reciprocal)	59	59	
44	Endowment Fund Income	0	36	
739	Other	775	775	
<b>43,425</b>	<b>Total Income</b>	<b>46,563</b>	<b>46,599</b>	<a href="#">SOCNE</a>

## 5. Segmental Information

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

	Nursing & Acute Services £'000	Medical Director £'000	Integrated 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
<b>2023/24 Net Operating Cost</b>	20,312	17,132	29,717	2,126	9,027	1,647	1,045	1,679	645
<b>2022/23 Net Operating Cost</b>	18,865	16,752	25,597	1,975	7,748	968	719	1,657	804

	Ophthalmic NCL £'000	Dental & Pharmacy NCL-IJB £'000	Capital Grants £'000	Annually Managed Expenditure £'000	Donated Assets Income £'000	Capital Charges £'000	IJB Reserves £'000	Endowments £'000	Total £'000
<b>2023/24 Net Operating Cost</b>	299	912	(2,099)	61	0	3,169	(96)	42	<b>85,618</b>
<b>2022/23 Net Operating Cost</b>	233	803	(131)	495	(53)	2,960	1,780	61	<b>81,233</b>

## 6. Intangible Assets

Movements in 2023/24	Notes	Software Licences £'000	IT - Software £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1st April 2023		3	1,336	1,339
Impairment charges		0	0	0
Disposals		(3)	(865)	(868)
<b>At 31st March 2024</b>		<b>0</b>	<b>471</b>	<b>471</b>
<b>Amortisation</b>				
As at 1st April 2023		3	1,115	1,118
Provided during the year		0	54	54
Impairment charges		0	0	0
Disposals		(3)	(865)	(868)
<b>At 31st March 2024</b>		<b>0</b>	<b>304</b>	<b>304</b>
<b>Net Book Value at 1st April 2023</b>		<b>0</b>	<b>221</b>	<b>221</b>
<b>Net Book Value at 31 March 2024</b>	<a href="#">SoFP</a>	<b>0</b>	<b>167</b>	<b>167</b>

Movements in 2022/23	Notes	Software Licences £'000	IT - Software £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1st April 2022		3	1,336	1,339
Impairment charges		0	0	0
<b>At 31st March 2023</b>		<b>3</b>	<b>1,336</b>	<b>1,339</b>
<b>Amortisation</b>				
As at 1st April 2022		3	1,060	1,063
Provided during the year		0	55	55
Impairment charges		0	0	0
<b>At 31st March 2023</b>		<b>3</b>	<b>1,115</b>	<b>1,118</b>
<b>Net Book Value at 1st April 2022</b>		<b>0</b>	<b>276</b>	<b>276</b>
<b>Net Book Value at 31 March 2023</b>	<a href="#">SoFP</a>	<b>0</b>	<b>221</b>	<b>221</b>

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

Movements in 2023/24	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
<b>Cost or valuation</b>										
At 1 April 2023		1,830	86,567	289	745	12,137	6,108	1,046	596	109,318
Additions - purchased		0	0	0	0	13	105	0	2,931	3,049
Additions - donated		0	0	0	0	0	0	0	0	0
Completions		0	192	0	1	286	0	0	(479)	0
Transfers (to)/ from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		0	4,765	0	0	0	0	0	0	4,765
Impairment charges		0	0	0	0	0	0	0	0	0
Disposals – purchased		0	0	0	(56)	(258)	(2,763)	0	0	(3,077)
Disposals – donated		0	0	0	0	0	(48)	0	0	(48)
<b>At 31 March 2024</b>		<b>1,830</b>	<b>91,524</b>	<b>289</b>	<b>690</b>	<b>12,178</b>	<b>3,402</b>	<b>1,046</b>	<b>3,048</b>	<b>114,007</b>
<b>Depreciation</b>										
At 1 April 2023		0	2,453	46	321	6,892	4,734	550	0	14,996
Provided during the year - purchased		0	1,576	24	74	500	579	73	0	2,826
Provided during the year - donated		0	1	0	0	0	0	0	0	1
Revaluation		0	225	0	0	0	0	0	0	225
Impairment charges		0	0	0	0	0	0	0	0	0
Disposals – purchased		0	0	0	(56)	(258)	(2,763)	0	0	(3,077)
Disposals – donated		0	0	0	0	0	(48)	0	0	(48)
<b>At 31 March 2024</b>		<b>0</b>	<b>4,255</b>	<b>70</b>	<b>339</b>	<b>7,134</b>	<b>2,502</b>	<b>623</b>	<b>0</b>	<b>14,923</b>
<b>Net book value at 1 April 2023</b>		<b>1,830</b>	<b>84,114</b>	<b>243</b>	<b>424</b>	<b>5,245</b>	<b>1,374</b>	<b>496</b>	<b>596</b>	<b>94,322</b>
<b>Net book value at 31 March 2024</b>	<a href="#">SoFP</a>	<b>1,830</b>	<b>87,269</b>	<b>219</b>	<b>351</b>	<b>5,044</b>	<b>900</b>	<b>423</b>	<b>3,048</b>	<b>99,084</b>

<b>Open Market Value of Land in Land and Dwellings Included Above</b>	1,830	219
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### Asset financing:

Owned-purchased	1,830	3,838	219	351	5,044	900	423	3,048	15,653
Owned-donated	0	50	0	0	0	0	0	0	50
On-balance sheet NPD contracts	0	83,381	0	0	0	0	0	0	83,381
<b>Net book value at 31 March 2024</b>	<a href="#">SoFP</a>	<b>1,830</b>	<b>87,269</b>	<b>219</b>	<b>351</b>	<b>5,044</b>	<b>900</b>	<b>423</b>	<b>99,084</b>



## Prior year Purchased Assets

Movements in 2022/23	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
<b>Cost or valuation</b>										
At 1 April 2022		1,876	70,496	325	404	11,050	5,848	1,022	2,014	93,035
Additions – purchased		0	60	0	226	55	92	0	629	1,062
Additions – donated			53	0	0	0	0	0	0	53
Completions		0	663	0	160	1,032	168	24	(2,047)	0
Transfers (to)/ from non-current assets held for sale		0	0	0	0	0	0	0	0	0
Revaluation		20	15,960	(14)	0	0	0	0	0	15,966
Impairment charges		(66)	(665)	(22)	0	0	0	0	0	(753)
Disposals – purchased		0	0	0	(45)	0	0	0	0	(45)
<b>At 31 March 2023</b>		<b>1,830</b>	<b>86,567</b>	<b>289</b>	<b>745</b>	<b>12,137</b>	<b>6,108</b>	<b>1,046</b>	<b>596</b>	<b>109,318</b>
<b>Depreciation</b>										
At 1 April 2022		0	6,425	132	323	6,426	4,187	476	0	17,969
Provided during the year - purchased		0	1,442	21	43	466	547	74	0	2,593
Provided during the year – donated		0	2	0	0	0	0	0	0	2
Revaluation		0	(5,258)	(94)	0	0	0	0	0	(5,352)
Impairment charges		0	(158)	(13)	0	0	0	0	0	(171)
Disposals – purchased		0	0	0	(45)	0	0	0	0	(45)
<b>At 31 March 2023</b>		<b>0</b>	<b>2,453</b>	<b>46</b>	<b>321</b>	<b>6,892</b>	<b>4,734</b>	<b>550</b>	<b>0</b>	<b>14,996</b>
<b>Net book value at 1 April 2022</b>		<b>1,876</b>	<b>64,071</b>	<b>193</b>	<b>81</b>	<b>4,624</b>	<b>1,661</b>	<b>546</b>	<b>2,014</b>	<b>75,066</b>
<b>Net book value at 31 March 2023</b>	<a href="#">SoFP</a>	<b>1,830</b>	<b>84,114</b>	<b>243</b>	<b>424</b>	<b>5,245</b>	<b>1,374</b>	<b>496</b>	<b>596</b>	<b>94,322</b>

<b>Open Market Value of Land in Land and Dwellings Included Above</b>	1,830	243
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### Asset financing:

Owned-purchased	1,830	2,985	243	424	5,245	1,374	496	465	13,062
On-balance sheet NPD contracts	0	81,129	0	0	0	0	0	131	81,260
<b>Net book value at 31 March 2023</b>	<a href="#">SoFP</a>	<b>1,830</b>	<b>84,114</b>	<b>243</b>	<b>424</b>	<b>5,245</b>	<b>1,374</b>	<b>596</b>	<b>94,322</b>

## 7(b). Assets Held for Sale

There are no assets held for sale at 31 March 2024.

The Board disposed of Greystones, Evie during 2022/23

Movements in 2023/24	Notes	Property, Plant & Equipment £'000
<b>At 1 April 2023</b>		<b>0</b>
Transfers from property, plant and equipment		0
Disposals of non-current assets held for sale		0
<b>As at 31 March 2024</b>	<a href="#">SoFP</a>	<b>0</b>

Movements in 2022/23	Notes	Property, Plant & Equipment £'000
<b>At 1 April 2022</b>		<b>100</b>
Transfers from property, plant and equipment		0
Disposals of non-current assets held for sale		(100)
<b>As at 31 March 2023</b>	<a href="#">SoFP</a>	<b>0</b>

The old Balfour site remains part of our non-current assets at 31/03/24, the Board is considering options for the future of the site.

## 7(c). Property, Plant and Equipment Disclosures

2022/23 £'000		2023/24 £'000	Notes
	<b>Net book value of property, plant and equipment at 31 March</b>		
94,271	Purchased	99,034	
51	Donated	50	
<b>94,322</b>	<b>Total</b>	<b>99,084</b>	<a href="#">SoFP</a>

1,830	Net book value related to land valued at open market value at 31 March	1,830
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243	Net book value related to buildings valued at open market value at 31 March	219
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81,209	Total value of assets held under NPD contract	83,381
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0	Total depreciation charged in respect of assets held under NPD contract	1,452
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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 2023/24 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

2022/23 £'000		2023/24 £'000	Notes
	<b>EXPENDITURE</b>		
0	Acquisition of Intangible Assets	0	<a href="#">6</a>
1,062	Acquisition of Property, plant and equipment	3,049	<a href="#">7a</a>
53	Donated asset additions	0	
0	Right of Use Additions	40	<a href="#">17a</a>
<b>1,115</b>	<b>Gross Capital Expenditure</b>	<b>3,089</b>	
	<b>INCOME</b>		
0	Net book value of disposal of Property, plant and equipment	0	<a href="#">7a</a>
100	Value of disposal of Non-Current Assets held for sale	0	
0	Right of Use Disposals	29	
<b>100</b>	<b>Capital Income</b>	<b>29</b>	

<b>1,015</b>	<b>Net Capital Expenditure</b>	<b>3,060</b>
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### SUMMARY OF CAPITAL RESOURCE OUTTURN

961	Core capital expenditure included above	3,060
961	Core Capital Resource Limit	3,099
<b>0</b>	<b>Saving/(excess) against Core Capital Resource Limit</b>	<b>39</b>
53	Non-core capital expenditure included above (including financial transactions)	0
53	Non-core Capital Resource Limit (including financial transactions)	0
<b>0</b>	<b>Saving/ (excess) against Non Core Capital Resource Limit</b>	<b>0</b>
1,014	Total Capital Expenditure	3,060
1,014	Total Capital Resource Limit	3,099

<b>0</b>	<b>Saving/(excess) against Total Capital Resource Limit</b>	<b>39</b>
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## 8. Inventories

2022/23 £'000	Notes	2023/24 £'000
801	Raw Materials and Consumables	814
<b>801</b>	<b>Total Inventories</b>	<b>814</b>

## 9. Trade and Other Receivables

Consolidated 2022/23 £'000	Board 2022/23 £'000		Consolidated 2023/24 £'000	Board 2023/24 £'000	Notes
		<b>Receivables due within one year</b>			
		<b>NHS Scotland</b>			
41	41	Scottish Government Health & Social Care Directorate	1	1	
497	497	Boards	410	410	
<b>538</b>	<b>538</b>	<b>Total NHS Scotland Receivables</b>	<b>411</b>	<b>411</b>	
23	23	NHS Non-Scottish Bodies	55	55	
209	209	VAT recoverable	320	320	
344	344	Prepayments	255	255	
260	260	Accrued income	849	849	
2	2	Other receivables	12	12	
0	0	Reimbursement of provisions	0	0	
225	225	Other Public Sector Bodies	194	194	
3	0	Endowments consolidation	0	0	
<b>1,604</b>	<b>1,601</b>	<b>Total Receivables due within one year</b>	<b>2,096</b>	<b>2,096</b>	<a href="#">SoFP</a>
		<b>Receivables due after more than one year</b>			
		<b>NHS Scotland</b>			
16	16	Accrued income	14	14	
<b>16</b>	<b>16</b>	<b>Total Receivables due after more than one year</b>	<b>14</b>	<b>14</b>	<a href="#">SoFP</a>
<b>1,620</b>	<b>1,617</b>	<b>TOTAL RECEIVABLES</b>	<b>2,110</b>	<b>2,110</b>	
3	3	The total receivables figure above includes a provision for impairments of :	3	3	
		<b>WGA Classification</b>			
497	497	NHS Scotland	410	410	
41	41	Central Government Bodies	1	1	
225	225	Whole of Government Bodies	194	194	
23	23	Balances with NHS Bodies in England and Wales	55	55	
834	831	Balances with bodies external to Government	1,450	1,450	
<b>1,620</b>	<b>1,617</b>	<b>Total</b>	<b>2,110</b>	<b>2,110</b>	

2022/23 £'000	2022/23 £'000	Movements on the provision for impairment of receivables are as follows:	2023/24 £'000	2023/24 £'000
6	6	At 1 April	3	3
1	1	Provision for impairment	0	0
(1)	(1)	Receivables written off during the year as uncollectible	0	0
(3)	(3)	Unused amounts reversed	0	0
<b>3</b>	<b>3</b>	At 31 March	<b>3</b>	<b>3</b>

As of 31 March 2024, receivables with a carrying value of £3k (2022/23: £3k) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2022/23 £'000		Consolidated 2023/24 £'000
0	3 to 6 months past due	0
3	Over 6 months past due	3
<b>3</b>		<b>3</b>

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2024, receivables with a carrying value of £2.110m (2022/23: £1.620m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2022/23 £'000	Board 2022/23 £'000		Consolidated 2023/24 £'000	Board 2023/24 £'000
1,460	1,457	Up to 3 months past due	1,934	1,934
48	48	3 to 6 months past due	45	45
112	112	Over 6 months past due	131	131
<b>1,620</b>	<b>1,617</b>		<b>2,110</b>	<b>2,110</b>

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 2022/23 £'000		Consolidated 2023/24 £'000	Notes
50	Government securities	963	
885	Other	62	
<b>935</b>	<b>TOTAL</b>	<b>1,025</b>	<a href="#">SoFP</a>
1,013	At 1 April	935	
581	Additions	14	<a href="#">CFS</a>
(585)	Disposals	(27)	
(74)	Revaluation surplus/(deficit) transferred to equity	103	<a href="#">SOCTE</a>
<b>935</b>	At 31 March	<b>1,025</b>	
935	Non-current	1,025	<a href="#">SoFP</a>
<b>935</b>	At 31 March	<b>1,025</b>	
<b>0</b>	The carrying value includes an impairment provision of	<b>0</b>	

All the transactions relate to the endowment funds.

## 11. Cash and Cash Equivalents

Consolidated 2022/23 £'000		Consolidated 2023/24 £'000	Notes
352	Balance at 1 April	592	
240	Net change in cash and cash equivalent balances	59	<a href="#">CFS</a>
<b>592</b>	<b>Balance at 31 March</b>	<b>651</b>	<a href="#">SoFP</a>
<b>592</b>	<b>Total Cash – Cash Flow Statement</b>	<b>651</b>	

518	Government Banking Service	576	
16	Commercial banks and cash in hand	19	
58	Endowment cash	56	
<b>592</b>	<b>Balance at 31 March</b>	<b>651</b>	

## 12. Trade and Other Payables

Consolidated 2022/23 £'000	Board 2022/23 £'000		Consolidated 2023/24 £'000	Board 2023/24 £'000	Notes
		<b>Payables due within one year</b>			
		<b>NHS Scotland</b>			
0	0	SGHSCD	0	0	
4,214	4,214	Boards	2,157	2,157	
<b>4,214</b>	<b>4,214</b>	<b>Total NHS Scotland Payables</b>	<b>2,157</b>	<b>2,157</b>	
68	68	NHS Non-Scottish Bodies	46	46	
534	534	Amounts Payable to General Fund	595	595	
576	576	FHS Practitioners	607	607	
412	412	Trade Payables	226	226	
2,024	2,024	Accruals	2,743	2,743	
18	18	Deferred income	26	26	
287	287	Net obligations under leases	205	205	<a href="#">17b</a>
858	858	Income tax and social security	933	933	
626	626	Superannuation	690	690	
460	460	Holiday Pay Accrual	431	431	
3,141	3,141	Other Public Sector Bodies	3,315	3,315	
0	0	Other payables	0	0	
7	0	Endowments Consolidation	31	0	
<b>13,225</b>	<b>13,218</b>	<b>Total Payables due within one year</b>	<b>12,005</b>	<b>11,974</b>	<a href="#">SoFP</a>
		<b>Payables due after more than one year</b>			
208	208	Net obligations under leases due within 2 years	64	64	<a href="#">17b</a>
130	130	Net obligations under leases due after 2 years but within 5 years	64	64	<a href="#">17b</a>
<b>338</b>	<b>338</b>	<b>Total payables due more than one year</b>	<b>128</b>	<b>128</b>	
<b>13,563</b>	<b>13,556</b>	<b>TOTAL PAYABLES</b>	<b>12,133</b>	<b>12,102</b>	

WGA Classification

# NHS Orkney

Consolidated 2022/23 £'000	Board 2022/23 £'000
0	0
625	625
0	0
<b>625</b>	<b>625</b>

Borrowings included above comprise:

Bank overdrafts

Leases

PFI contracts

Consolidated 2023/24 £'000	Board 2023/24 £'000
0	0
333	333
0	0
<b>333</b>	<b>333</b>

Consolidated 2022/23 £'000	Board 2022/23 £'000
338	338
0	0
<b>338</b>	<b>338</b>

The carrying amount and fair value of the non-current borrowings are as follows

#### Carrying amount

Leases

PFI contracts

Consolidated 2023/24 £'000	Board 2023/24 £'000
128	128
0	0
<b>128</b>	<b>128</b>

4,214	4,214	NHS Scotland	2,157	2,157
0	0	Central Government Bodies	0	0
3,141	3,141	Whole of Government Bodies	3,341	3,341
68	68	Balances with NHS Bodies in England and Wales	46	46
6,140	6,133	Balances with bodies external to Government	6,589	6,558
<b>13,563</b>	<b>13,556</b>	<b>Total</b>	<b>12,133</b>	<b>12,102</b>

All carrying amounts of payables are denominated in pounds sterling.

## 13. Provisions

Movements in 2023/24	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000
<b>At 1 April 2023</b>	<b>254</b>	<b>90</b>	<b>1,292</b>	<b>0</b>	<b>1,636</b>
Arising during the year	1	0	99	7	107
Utilised during the year	(13)	0	(68)	0	(81)
Unwinding of Discount	0	0	0	0	0
Reversed unutilised	0	0	0	0	0
<b>At 31 March 2024</b>	<b>242</b>	<b>90</b>	<b>1,323</b>	<b>7</b>	<b>1,662</b>

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

## Analysis of expected timing of discounted flows to 31 March 2024

	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	90	331	7	457	<a href="#">SoFP</a>
Payable between 2 - 5 years	116	0	804	0	920	
Payable between 6 - 10 years	97	0	69	0	166	
Thereafter	0	0	119	0	119	
<b>At 31 March 2024</b>	<b>242</b>	<b>90</b>	<b>1,323</b>	<b>7</b>	<b>1,662</b>	
Movements in 2022/23	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Other £'000	Total £'000	
At 1 April 2022	315	0	1,189	0	1,504	
Arising during the year	1	90	184	0	275	
Utilised during the year	(28)	0	(81)	0	(109)	
Unwinding of Discount	(34)	0	0	0	(34)	
Reversed unutilised	0	0	0	0	0	
<b>At 31 March 2023</b>	<b>254</b>	<b>90</b>	<b>1,292</b>	<b>0</b>	<b>1,636</b>	

## Analysis of expected timing of discounted flows to 31 March 2023

	Pensions and similar obligations £'000	Clinical & Medical Legal Claims against NHS Board £'000	Participation in CNORIS £'000	Total £'000	Notes
Payable in one year	28	90	322	440	<a href="#">SoFP</a>
Payable between 2 - 5 years	0	0	786	786	
Payable between 6 - 10 years	0	0	67	67	
Thereafter	226	0	117	343	
<b>At 31 March 2023</b>	<b>254</b>	<b>90</b>	<b>1,292</b>	<b>1,636</b>	



## Pensions and similar Obligations

The board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of -1.30% in real terms. The Board expects expenditure to be charged to this provision for a period of up to 17 years.

## Clinical and Medical Legal Claims against NHS Board

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

## Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2022/23 £'000		2023/24 £'000	Notes
90	Provision recognising individual claims against the NHS Board as at 31 March	90	<a href="#">13</a>
0	Associated CNORIS receivable at 31 March	0	<a href="#">9</a>
1,292	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	1,323	<a href="#">13</a>
<b>1,382</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>	<b>1,413</b>	

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

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

As a result of participation in the scheme, boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision

that recognises the board's share of the total CNORIS liability of NHS Scotland has been made and this is reflected in the third line above.

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

## 14. Contingent Liabilities

There are no contingent liabilities in 2023/24 or 2022/23.

## 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.

2022/23		2023/24
Property, plant and equipment: £'000		Property, plant and equipment: £'000
	<b>Contracted</b>	
0	Building Works	0
0	Medical Equipment	0
0	<b>Total</b>	0

## 17. Leases

### 17a. Right of Use Assets (RoU)

#### CONSOLIDATED & BOARD

	Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
At 1 April 2023	701	107	135	943
Additions	6	34	0	40
Revaluations	0	0	0	0
Disposals	(126)	0	0	(126)
<b>At 31 March 2024</b>	<b>581</b>	<b>141</b>	<b>135</b>	<b>857</b>
<b>Depreciation</b>				
At 1 April 2023	202	50	60	312

Provided during the year -  
(include new dilapidation  
provisions)

Impairment reversals-  
peppercorn leases

**At 31 March 2024**

197	56	60	313
(97)	0	0	(97)
<b>302</b>	<b>106</b>	<b>120</b>	<b>528</b>

**Balance at 1 April 2023**

**Balance at 31 March 2024**

SoFP

<b>499</b>	<b>57</b>	<b>75</b>	<b>631</b>
<b>279</b>	<b>35</b>	<b>15</b>	<b>329</b>

## 17b. Lease Liabilities

Buildings (excluding dwellings)	Transport Equipment	Plant & Machinery	Total
£000	£000	£000	£000

### Amounts falling due:

Not later than one year

Later than one year, not later than 2 years

Later than two year, not later than five years

Later than five years

Less: Unaccrued interest

**Balance at 31 March 2024**

154	37	14	205
64	0	0	64
64			64
			0
			0
<b>282</b>	<b>37</b>	<b>14</b>	<b>333</b>

Current

Non Current

154	37	14	205
128	0	0	128
<b>282</b>	<b>37</b>	<b>14</b>	<b>333</b>

### Amounts recognised in the Statement of Comprehensive Net Expenditure

2023-24

Consolidated	Board
£000	£000

Depreciation

Interest Expense

Non Recoverable VAT on lease payments

Low value and short term leases

Remeasurement of ROU assets - (gain)/loss charged to  
SOCNE

**Total**

313	313
4	4
7	7
<b>324</b>	<b>324</b>

## Amounts recognised in the Statement of Cash Flows

	2023-24	
	Consolidated	Board
	£000	£000
Interest Expense	4	4
Repayments of Principal of leases	303	303
<b>Total</b>	<b>307</b>	<b>307</b>

## 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 2023/24 totalled £2.096m (2022/23 £1.906m).

## 19. Pension Costs

2022/23 £'000		2023/24 £'000
5,447	Pension cost charge for the year	5,958
(43)	Additional Costs arising from early retirement	5
254	Provisions/Liabilities/Pre-payments included in the Balance Sheet	242

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

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

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme. The employer contribution rate for the period from 1 April

2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

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

NHS Orkney's level of participation in the scheme is 0.4% based on the proportion of employer contributions paid in 2021-22.

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

### **The new NHS Pension Scheme (Scotland) 2015**

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2020-21 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

### **The existing NHS Superannuation Scheme (Scotland)**

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

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

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at [www.sppa.gov.uk](http://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 will increase in stages to meet levels set by government.

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

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

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

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

## 20. Financial Instruments

### 20(a). Financial Instruments by Category

Financial Assets	Consolidated			Board	
	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
<b>2023/24</b>					
<b>At 31 March 2024</b>					
<b>Assets per Consolidated Statement of Financial Position</b>					
Investments	0	1,025	1,025	0	<a href="#">10</a>
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	1,124	0	1,124	1,124	<a href="#">9</a>
Cash and cash equivalents	651	0	651	595	<a href="#">11</a>
	<b>1,775</b>	<b>1,025</b>	<b>2,800</b>	<b>1,719</b>	

		Consolidated		Board	
2022/23	Loans and Receivables £'000	Financial Assets £'000	Total £'000	Loans and Receivables £'000	Notes
<b>At 31 March 2023</b>					
<b>Assets per Consolidated Statement of Financial Position</b>					
Investments	0	935	935	0	<a href="#">10</a>
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	529	0	529	526	<a href="#">9</a>
Cash and cash equivalents	592	0	592	534	<a href="#">11</a>
	<b>1,121</b>	<b>935</b>	<b>2,056</b>	<b>1,060</b>	
<b>Financial Liabilities</b>		<b>Consolidated</b>		<b>Board</b>	
		<b>Other financial liabilities £'000</b>		<b>Other financial liabilities £'000</b>	
<b>2023/24</b>					
<b>At 31 March 2024</b>					
<b>Liabilities per Consolidated Statement of Financial Position</b>					
Lease liabilities		333		333	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		7,994		7,963	<a href="#">12</a>
		<b>8,327</b>		<b>8,296</b>	
		<b>Consolidated</b>		<b>Board</b>	
		<b>Other financial liabilities £'000</b>		<b>Other financial liabilities £'000</b>	
<b>2022/23</b>					
<b>At 31 March 2023</b>					
<b>Liabilities per Consolidated Statement of Financial Position</b>					
Lease liabilities		625		625	
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		7,222		7,215	<a href="#">12</a>
		<b>7,847</b>		<b>7,840</b>	

## 20(b). Financial Instruments – Financial Risk Factor

### Exposure to Risk

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

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

iii. Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates and because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

i) Credit risk

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

iii) Liquidity risk

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

The trade and other payables excluding statutory liabilities as at the 31 March 2024 was £7.963m (31 March 2023 was £7.215m).

iv) Market risk

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

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

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

## 21. Derivative Financial Instruments

NHS Orkney does not have any derivative financial instruments.





## 24(b). Consolidated Statement of Financial Position

2022/23		2023/24				
Consolidated		Notes	Board	IJB	Endowment	Consolidated
£'000			£'000	£'000	£'000	£'000
	<b>Non-current assets:</b>					
94,322	Property, plant and equipment	<a href="#">SoFP</a>	99,084	0	0	99,084
221	Intangible assets	<a href="#">SoFP</a>	167	0	0	167
631	Right of Use assets	<a href="#">SoFP</a>	329	0	0	329
	Financial assets:					
935	Investments	<a href="#">SoFP</a>	0	0	1,025	1,025
1,262	Associates and joint ventures accounted for on an equity basis	<a href="#">26a</a>	0	1,358	0	1,358
16	Trade and other receivables	<a href="#">SoFP</a>	14	0	0	14
<b>97,387</b>	<b>Total non-current assets</b>		<b>99,594</b>	<b>1,358</b>	<b>1,025</b>	<b>101,977</b>
	<b>Current Assets:</b>					
801	Inventories	<a href="#">SoFP</a>	814	0	0	814
	Financial assets:					
1,604	Trade and other receivables	<a href="#">SoFP</a>	2,096	0	0	2,096
592	Cash and cash equivalents	<a href="#">SoFP</a>	595	0	56	651
0	Assets classified as held for sale	<a href="#">SoFP</a>	0	0	0	0
<b>2,997</b>	<b>Total current assets</b>		<b>3,505</b>	<b>0</b>	<b>56</b>	<b>3,561</b>
<b>100,384</b>	<b>Total assets</b>		<b>103,099</b>	<b>1,358</b>	<b>1,081</b>	<b>105,538</b>
(440)	Provisions	<a href="#">SoFP</a>	(457)	0	0	(457)
	Financial liabilities:					
(13,225)	Trade and other payables	<a href="#">SoFP</a>	(11,974)	0	(31)	(12,005)
<b>(13,665)</b>	<b>Total current liabilities</b>		<b>(12,431)</b>	<b>0</b>	<b>(31)</b>	<b>(12,462)</b>
<b>86,719</b>	<b>Non-current assets plus/less net current assets/liabilities</b>		<b>90,668</b>	<b>1,358</b>	<b>1,050</b>	<b>93,076</b>
	<b>Non-current liabilities</b>					
(1,196)	Provisions	<a href="#">SoFP</a>	(1,205)	0	0	(1,205)
(338)	Trade and other payables		(128)	0	0	(128)
<b>(1,534)</b>	<b>Total non-current liabilities</b>		<b>(1,333)</b>	<b>0</b>	<b>0</b>	<b>(1,333)</b>
<b>85,185</b>	<b>Assets less liabilities</b>		<b>89,335</b>	<b>1,358</b>	<b>1,050</b>	<b>91,743</b>
	<b>Taxpayers' Equity</b>					
57,190	General fund	<a href="#">SoFP</a>	59,565	0	0	59,565
25,744	Revaluation reserve	<a href="#">SoFP</a>	29,770	0	0	29,770
1,262	Other reserves – associates and joint ventures	<a href="#">SoFP</a>	0	1,358	0	1,358
989	<i>Funds Held on Trust</i>	<a href="#">SoFP</a>	0	0	1,050	1,050
<b>85,185</b>	<b>Total taxpayers' equity</b>		<b>89,335</b>	<b>1,358</b>	<b>1,050</b>	<b>91,743</b>

## 24(c). Consolidated Statement of Cash Flows

2022/23		2023/24			
Consolidated £'000		Board £'000	Endowment £'000	Integration £'000	Group £'000
	<b>Cash flows from operating activities</b>				
(81,233)	Net operating cost	(85,672)	(42)	96	(85,618)
4,994	Adjustments for non-cash transactions	3,161	0	(96)	3,065
(26)	Add back: interest payable recognised in net operating expenditure	4	0	0	4
(3,249)	Movements in working capital	(1,676)	0	0	(1,676)
<b>(79,514)</b>	<b>Net cash outflow from operating activities</b>	<b>(84,183)</b>	<b>(42)</b>	<b>0</b>	<b>(84,225)</b>
	<b>Cash flows from investing activities</b>				
(1,062)	Purchase of property, plant and equipment	(3,049)	0	0	(3,049)
0	Purchase of intangible assets	0	0	0	0
(581)	Investment Additions	0	(14)	0	(14)
184	Proceeds of disposal of property, plant and equipment	6	0	0	6
587	Receipts from sale of investments	0	27	0	27
<b>(872)</b>	<b>Net cash outflow from investing activities</b>	<b>(3,043)</b>	<b>13</b>	<b>0</b>	<b>(3,030)</b>
	<b>Cash flows from financing activities</b>				
80,628	Funding	87,560	0	0	87,560
300	Movement in general fund working capital	34	27	0	61
80,928	Cash drawn down	87,594	27	0	87,621
0	Capital element of payments in respect of leases and on-balance sheet PFI and Hub contracts	(303)	0	0	(303)
(328)	IFRS 16 – 2022/23 cash lease payment	0	0	0	0
34	Interest paid	0	0	0	0
(8)	Interest element of leases and on balance sheet PFI/PPP and Hub contracts	(4)	0	0	(4)
<b>80,626</b>	<b>Net Financing</b>	<b>87,287</b>	<b>27</b>	<b>0</b>	<b>87,314</b>
240	<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>	61	(2)	0	59
352	<b>Cash and cash equivalents at the beginning of the period</b>	534	58	0	592
<b>592</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>595</b>	<b>56</b>	<b>0</b>	<b>651</b>
	<b>Reconciliation of net cash flow to movement in net debt/cash</b>				
240	Increase/(decrease) in cash in year	61	(2)	0	59
352	Net debt/cash at 1 April	534	58	0	592
<b>592</b>	<b>Net debt/cash at 31 March</b>	<b>595</b>	<b>56</b>	<b>0</b>	<b>651</b>



## Orkney Health Board

### DIRECTIONS BY THE SCOTTISH MINISTERS

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

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

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

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

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

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

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

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

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

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

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



Signed by the authority of the Scottish Ministers

Dated 26 March 2022