



NHS Shetland Annual Report and Accounts for the Year Ended 31 March 2023



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Annual Accounts and Notes for Year Ended 31 March 2023

Performance Overview Report

Section 1—Chief Executive's Statement

NHS Shetland rose to the challenges presented in 2022–23 and continued to deliver for the population of Shetland, always adapting to a fundamentally changed environment by seeking opportunities to build on our ongoing commitment to integration.

Our need to maintain our overall positive performance has been a challenge, but we have successfully managed to meet the increased demands on NHS services against a backdrop of further Covid-19 outbreaks, repeated cycles of vaccinations for flu and Covid-19, and financial pressures.

The shared commitment to our community underpins all that we do and speaks to the values of the NHS and it is fitting that we recognise these as the NHS celebrates its 75th Birthday in 2023. NHS Shetland staff embody the founding principles of the service and I would like to thank them for their hard work and commitment for their achievements and successes not just in 2022–23 but in every one of the 75 years the NHS has been in existence. Without it I am certain Shetland would be a lesser place and the public can be confident of the ongoing commitment to the NHS and the exciting developments we expect to see in the coming year.

There have been a number of critical events that have affected the whole of Shetland, including a complete loss of connectivity, unexpected snow, and communities cut off without power. Throughout these events the NHS rallied alongside partners to ensure those needing essential care received it, even if it was medication delivered by a tractor battling through snow.

It is important to recognise that Covid-19 has not gone away and following the welcome return of the Shetland tradition of Up Helly Aa, NHS Shetland experienced an increase of staff sickness. This impacted services across our system and once again staff rallied in support of one another to maintain essential services.

Throughout the year the Communications team continued in their efforts to ensure the community was informed and advised as required as developments occurred.

As a Board we remained committed to maintaining and expanding services using a clear local delivery plan focused on 2022–23 activities but with indicative plans for the following two years. However, NHS Shetland acknowledges that due to the ongoing pressures prevalent in mainland NHS Boards, many Shetland patients still face a significant wait, which we are working with regional and national partners to resolve.

The NHS Shetland Dental service has continued to experience high demand and capacity challenges across providers remain a frustration for Shetland residents. NHS Shetland continues to work hard to increase this capacity and is engaging with Scottish Government about how to increase dental workforce and facilities in Shetland, as well as how to address national shortages in the workforce.

The mobile MRI and Dexa scanning services carried out their routine visits to Shetland in the last year. These will continue until the Shetland based MRI scanner is in situ.

The year saw strong performances from departments across NHS Shetland, particularly Adult Mental Health, Children and Adolescent Mental Health Services, and those patients waiting for key diagnostics tests. Whilst our Accident and Emergency four-hour performance against the target dipped marginally this year, all cases are reviewed and extended waits are often down to clinical need, such as waiting for off-island transfer.

Services were also re-established or brought on-island for the first time in 2022–23. As mentioned in the “Highlights” portion of these accounts, in summer 2022, the Cardiac Rehabilitation Service, which helps people living with heart disease to regain and maintain a good quality of life, re-started after being suspended during the Covid-19 pandemic. Meanwhile, two Managed Clinical Networks were launched: structured networks that provide opportunities for collaborative working across different healthcare settings, professions, and with wider stakeholders around shared interests and common goals of improving care.

Progress has been made in the development of the business case for a replacement of the Gilbert Bain Hospital through 2022–23. However, we acknowledge progress will be slowed by the recent negative performance of the UK economy.

In February 2023, Stuart Pearson Wright’s portrait of MRI fundraiser Harriet Middleton was unveiled in its new home at Shetland Museum. The portrait was created for the BBC’s Extraordinary Portraits television programme, which aired in 2021, and will now join the museum’s portrait collection. Harriet and her team of knitters raised over £100k for the MRI Scanner appeal—a phenomenal effort and hugely appreciated by NHS Shetland, the NHS Shetland Endowment Fund which ran the appeal, and the wider community.

NHS Shetland has also worked hard in 2022–23 to prioritize staff wellbeing, through existing policy frameworks and other initiatives which have been promoted to all staff in the organisation’s monthly newsletter. These initiatives have ranged from free bike checks to encourage cycling to work, regularly signposting colleagues to national webinars on topics such as menopause in the workplace and using greenspace for health and wellbeing, and publicising resources on how staff can cope with the cost of living crisis that hit hard during the year.

At the close of 2022–23, NHS Shetland achieved a year-end balanced financial position, as is required of all NHS Boards in Scotland. It’s important to acknowledge this was in part achieved through additional support from the Scottish Government, and the Board is cognisant of the financial challenges that lie ahead.

We, like other Boards, needed to engage higher-cost locums over the past year to sustain critical services and are embarking on a multi-year programme of development to utilise new roles and seek to “grow our own”. We do recognise that locum staff are an essential and much-appreciated part of our team. However, we must find ways to move to a more efficient model of care and demonstrate the fine judgment and courage needed to make the difficult decisions this entails.

NHS Shetland understands its key purpose is to provide the best possible service to the community within the bounds of funds available, and it is right the public expect us to deliver against this.

As I sign off this annual account I must also reflect that this document marks the end of my tenure as Chief Executive at NHS Shetland. As I prepare to pass the baton on to another Chief Executive I would like to offer my thanks to the wonderful staff, dedicated partners and astonishing community. NHS Shetland can be rightly proud of what we have delivered and take confidence in the leaders across the organisation, supported by a strong Executive Management Team who have all risen time and again to meet the multitude of challenges we have faced.

Across NHS Shetland there are dedicated staff, supervisors and managers who work tirelessly to provide the care we do. It has been a privilege to lead this committed team with the support of the community and I would like to thank the whole of Shetland for their ongoing support.

Michael Dickson,

Chief Executive, NHS (National Health Service) Shetland



Section 2—Overview

This overview will give the reader a summary of what an NHS Board does. It will also describe the nature of NHS Shetland, our purpose, the key risks to the achievement of our [objectives](#), and our performance during 2022–23.

• NHS Board Purpose

Shetland Health Board (“the Board”) was established under the National Health Service (Scotland) Act 1978 with responsibility for providing health care services for the residents of Shetland. NHS Shetland is the operating name of Shetland Health Board.

An NHS Board governs its own local health system. The Board is responsible for improving the health of its local population and delivering the healthcare that population requires. The overall purpose of the Board is to provide strategic leadership and direction, and to ensure the efficient, effective and accountable governance of the local NHS system.

Specific roles of the Board include:

- improving and protecting the health of the local people;
- providing an improved health service for local people;
- focusing clearly on health outcomes and people’s experience of their local NHS system;
- promoting integrated health and community planning by working closely with other local organisations; and
- providing a single focus of accountability for the performance of the local NHS system.

The work of the Board includes:

- strategy development—to develop an Operational Plan for the area;
- implementation of the Operational Plan;
- resource allocation to address local priorities; and
- performance management of the local NHS System.

• The nature of NHS Shetland

[NHS Shetland](#) is domiciled in Scotland and our [headquarters](#) are based at: Upper Montfield, 24 Burgh Road, Lerwick, Shetland, ZE1 0LA.

NHS Shetland and SIC cover the same area and have the same boundaries and work jointly through our [Health and Social Care Partnership](#).

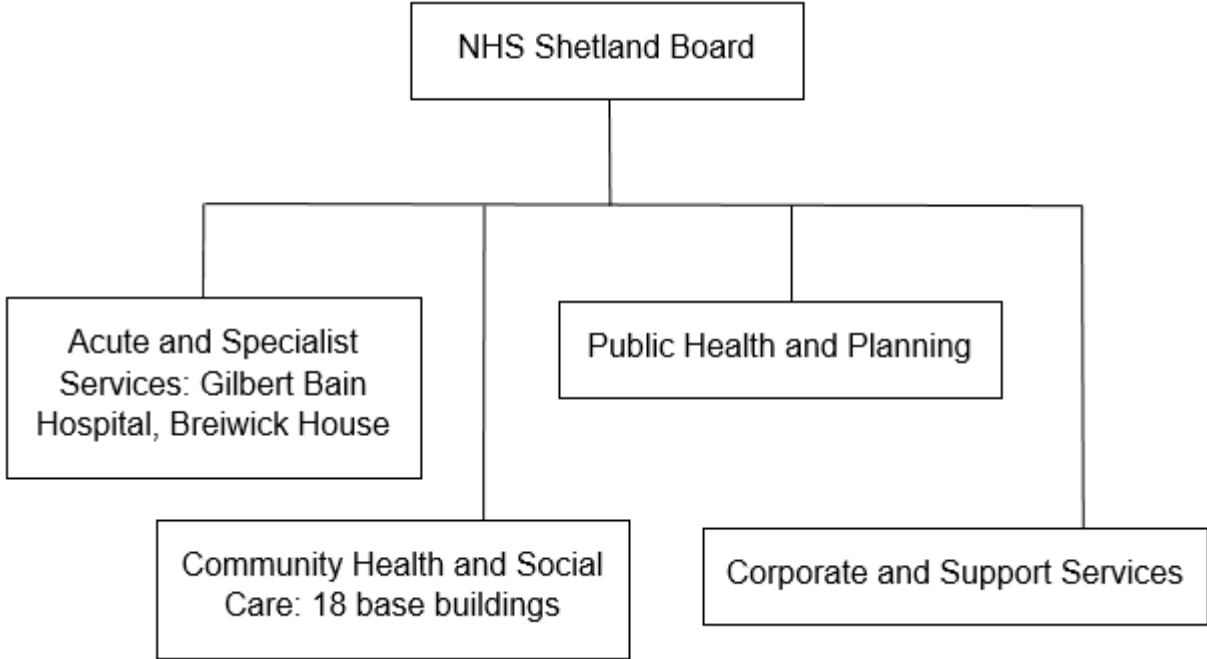
The map in Figure 1 below shows the Shetland Islands, which has a population of around 23,000 people, distributed across 16 of the 100 islands. These islands cover a land mass of 567 square miles. They are surrounded by the North Sea and have a coastline 1,679 miles long.

Figure 1—Map of Shetland



Figure 2 below outlines a summary structure of NHS Shetland’s organisational structure. The detailed [organisational management structure](#) for NHS Shetland is available on our website, along with the [organisational governance structure](#).

Figure 2—Diagram of NHS Shetland Summary Organisational Structure



NHS Shetland provides health care services from 19 sites across Shetland, including 10 [Health Centres](#), Breiwick House, and Acute and Specialist Services from the Gilbert Bain Hospital, which is a remote and rural district general hospital in Lerwick. Table 1

below summarises key services delivered directly locally, as well as commissioned services from partners.

• **Table 1—NHS Shetland at a glance**

Directly Provided Healthcare	Commissioned Healthcare Services
8 General Practitioner (GP) Practices with 19,417 registered patients	2 GP Practices with 3,551 registered patients
Community Healthcare Service	3 Ophthalmic Practices
Dental Services from 5 locations	1 Independent Contractor NHS Dental Practice
Gilbert Bain Hospital during 2022–2023	5 Pharmacy Contractors
Acute and Specialist Services: <ul style="list-style-type: none"> • 10,651 in-patient bed-days • 2,029 day cases • 34,532 outpatients (6,430 new) • 100 births • 8,415 A&E Attendances 	NHS Grampian— Acute and Maternity Services
	Golden Jubilee —Orthopaedic Services
	NHS Lothian —Acute Services NHS Greater Glasgow and Clyde—Acute Services
Child and Adolescent Mental Health Service (CAMHS), Breiwick House	NHS Tayside—Specialist Mental Health Services for Adults , and Young People
Adult Community Mental Health Service	NHS Grampian —Mental Health Services
Public Health	Tertiary Specialist Services

• **Summary of NHS Shetland Priority Outcomes in 2022–23**

The 2022–23 Annual Delivery Plan was submitted to Scottish Government on 31 July 2022. It was formally approved by the Scottish Government on 22 September 2022. This was NHS Shetland’s strategy to address NHS Scotland overall priorities to recover from Covid-19, stabilize and then renew services. The Board though will continue working in partnership to prioritise preventative work, with community planning partners, to reduce the burden of preventable poor health locally.

In respect of living with Covid-19, the local population’s response to Covid-19 vaccination continued to be emphatic—Shetland had the third highest up take rate in the 2022 Covid-19 Winter booster vaccination rates in Scotland. There were 2,195 Covid-19 positive test confirmed.

NHS Shetland engaged with the public on two key strategic issues.

Public Health conducted a [population health survey](#) aiming to understand more about the health and wellbeing of our [local](#) communities. Public Health also launched a [new](#) website to aid in improve the health and wellbeing of individuals or communities.

As part of the investment appraisal process regarding future of healthcare on island a series of professional [workshops](#) was completed to inform the [initial phase](#) in our planning process on a potential healthcare campus to deliver services in the future aligned to our [clinical strategy](#) priorities.

As highlighted in the performance analysis, re-mobilisation and re-design brought services closer, to minimise the need for [travelling off island](#) for 2,321 patients attending out-patients plus a further 267 patients who accessed the visiting [mobile MRI scanner](#). A permanent public funded MRI scanner at the Gilbert Bain Hospital came one step closer when the procurement process for this was [completed](#) and contract awarded to preferred supplier in March 2023. The opening date for the service will be in 2024.

• **Section 3—Risk and Uncertainty**

The Board [approved](#) our new Risk Management Strategy on 26 April 2022 that sets out the principles and approaches to risk management which are to be followed throughout NHS Shetland. Every risk is assigned to a specific Governance Committee.

The Board and the Governance Committees have continued to monitor risk throughout 2022–23, with [interim report](#) to Board meeting in December 2022 and [reviewed](#) the Risk Management Summary Report for 2022–23 and work plan for 2023–24 at our April 2023 Board meeting.

• **Top Underlying Risks in NHS Shetland 2022–23 Strategic Risk Register**

The top risks in NHS Shetland 2022–23 Corporate Risk Register, excluding finance, are summarised in Table 2 below. The principal recurring themes amongst these risks are:

- Workforce SR08;
- Cyber security SR17; and
- National Standard SR13: Key Performance Targets ([Table 5](#) and [Performance Analysis Report](#)).

The [Strategic Risk Register SR02](#), in respect of the Board’s financial performance, is reviewed in Section 4 within the [Finance Performance review](#).

Covid-19 pandemic SR16 also remained as a high risk during 2022–23 that did [impact](#) local services during the year. The World Health Organisation though has now [advised](#) that: “COVID-19 is now an established and on-going health issue which no longer constitutes a public health emergency of international concern”.

• **Table 2—Top Risks in NHS Shetland 2022–23 Corporate Risk Register**

Theme	Risk Description
SR08: Workforce - If we fail to attract and recruit to vacancies or retain essential	Then there will be a negative impact on the service delivery, existing staff and patients care. Resulting in: <ul style="list-style-type: none"> • reduction in services delivered; • increase workload of existing staff causing negative impact on staff well-being which may cause increased absences;

Theme	Risk Description
skills and knowledge within the organisation	<ul style="list-style-type: none"> • increased risk of poor patient experience and outcomes; and • increased reliance on agency or temporary staff causing increased cost that creates short to medium term financial sustainable issue. <p>Mitigation: Reviews to redesign of current workforce model looking at alternative delivery models and new ways of working. Staff recruitment new website, review of our recruitment process and attempt to attract staff from overseas in-line with rest of Scotland.</p>
SR17: Cyber – IT Failure Due to Cyber Attack	<p>If a sole actor or orchestrated cyber-attack occurs NHS Shetland could experience system downtime and/or loss of data and/or data disclosure.</p> <p>This resulting in disruption to services caused by system downtime, risk of delays in treatment, risk to public reputation and significant financial costs for a full system recovery. Loss of internet cable to access system.</p> <p>Mitigation: Multiple layers of technical controls in place including anti-malware, firewalls, intrusion detection, access logging, encryption, web filtering, advanced threat protection, software patching. Cyber awareness communications, staff training to highlight security issues and national fraud concern warnings and our new Information Governance Strategy.</p>
SR13: Access to services	<p>If there are significant gaps due to recruitment, retention or funding there may be a negative impact on service delivery, existing staff and patients care. Resulting in us failing to provide services due to sickness absence or failure to meet key national targets or access to local services.</p> <p>Mitigation: Waiting Times Group has governance in place to monitor national Treatment Time Guarantee breaches and react to identify remedial action to address issues. Board has oversight via performance score card reporting to Finance and Performance Committee and Board.</p>

• **The workforce a recurring theme behind top risks**

Our workforce is a common theme in the Strategic Risks register. It is essential to have the right staff in the right place to meet peaks in demand, as well as to ensure continual sustainable service provision, which relates to the [fifth key objective of NHS Shetland](#).

Most significant risk to the delivery of quality patient-centred services, as well as the sustainable recurring financial balance of NHS Shetland, is the recruitment and retention of staff. Audit Scotland previously identified in [NHS Scotland workforce](#)

[reviews](#) that NHS Shetland has the highest staff turnover rate at almost twice the Scottish average.

[Staff turnover](#) was significantly up in 2022–23 as it more than doubled from last year’s 8% to 19%. In total during 2022–23, 157 individuals left NHS Shetland employment. Only 25 of these leavers directly relate to Covid-19 roles so adjusted turnover would be 16%.

Actions to address this key issue:

- Changed models in such as [increasing number of Advanced Nurse Practitioners](#) and expanding the digital innovation and modernising [practice websites](#) to support self-care;
- Host remote and rural GP recruitment hub, [GP Joy](#) for bank GP staff across 7 Boards.
- Continued our work with the [Promote Shetland website](#), Shetland Islands of Opportunity, in addition to the standard [NHS recruitment website](#); and
- Entered an International Recruitment Memorandum of Understanding Agreement with Yeovil District Hospital NHS Foundation Trust to address nursing vacancies.

The use of staff outside the NHS standard terms and conditions on higher cost engagement has in part being mitigate by GP Joy, our a direct engagement model via third party partner TempRe and engaging staff on flexible contracts or via staff bank has help to mitigate these costs. The excess staff cost in 2022–23 at £8.136m is down 14.4% from £9.508m in 2021–22.

• **Managing risks arising from Covid-19 pandemic principal risk in 2022–23**

Covid-19 has two strategic risks as an external factor out with NHS Shetland control and negatively impacts upon [objective one](#), to continue to improve and protect the health of the people of Shetland. Risk reference SR16 covers a Covid-19 outbreak whilst reference SR05 covers Covid-19 during recovery period. Table 3 below summarises the principal Covid-19 risks and mitigation action taken over the last year.

• **Table 3—Covid-19 Risks and Mitigation NHS Shetland**

Covid-19 Risk Issue	Mitigation Management Action Taken
Risk of patients accessing care in health facilities during pandemic recovery period transmitting or acquiring Covid-19.	Ensuring staff have access to personal protective equipment (PPE) in clinical areas. Active risk management of patients in hospital that includes testing. Vaccination programmes to mitigate virus.
Risk of staff absence due to Covid-19 impacting the ability of patients to accessing health care.	Vaccination programmes to mitigate virus spread. Ensuring staff have access to PPE. Testing at via home using lateral flow.

Covid-19 Risk Issue	Mitigation Management Action Taken
Risk of community virus transfer	Vaccination programmes to mitigate virus spread. Promoting hygiene guidance to local public.

Section 4—Performance Summary Appraisal

• Financial Performance

The Scottish Government requires NHS Boards to meet three key financial targets:

- A Revenue Resource limit (RRL) a resource budget for ongoing activity;
- A Capital Resource limit (CRL) a resource budget for net capital investment; and
- A Cash Requirement a financing requirement to fund the cash consequences of the ongoing activity and net capital investment.

Further details on non-core elements of expenditure, typically comprising items of a technical accounting nature, can be found in the [Summary of Resource Outturn](#).

NHS Boards are required to contain their net expenditure within these limits, and will report on any variation from them. NHS Shetland's out-turn for the year against these limits was as follows:

• Table 4—Out-turn against net expenditure limits

	Limit as set by Scottish Government Health and Social Care Directorate	Actual Out-turn	Variance Under/(over)
	£000	£000	£000
Core RRL	78,458	78,386	72
Non-core RRL	2,801	2,801	0
Total RRLs	81,259	81,187	72
Core CRL	1,680	1,680	0
Non-core CRL	0	0	0
Total CRLs	1,680	1,680	0
Cash requirement	89,714	89,714	0
Memorandum for In Year Out-turn			£000
Core Revenue Resource Variance Surplus in 2022–23			72
Financial flexibility: Underspend from 2021–22			(45)

	Limit as set by Scottish Government Health and Social Care Directorate	Actual Out-turn	Variance Under/(over)
Underlying (Deficit)/Surplus against Core RRL			27
Percentage			0%

- **Financial plan, 2022–23**

A one-year financial plan was submitted to Scottish Government by NHS Shetland on 18 March 2022. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the formal three year Annual Operating and financial planning process. However NHS Boards have taken steps to return to medium term financial planning by preparing draft three-year plans in 2022–23 that were shared with Scottish Government prior to return of formal three-year financial planning from 2023–24.

Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an under spend on RRL of £0.0m (equivalent to 0.0%).

Capital Resource Limit (CRL)

The Board's net expenditure on capital assets during 2022–23 was £1.680m, 2021–22 was £3.205m.

This [out-turn](#) at £1.680m is equal to the approved CRL.

Summary Performance Overview against Key Non-Financial Targets

Information in the summary key non-financial report is at 31 March 2023 unless stated. The Board [meeting](#) on 22 June 2022 will receive the annual Performance Report with all the 2022–23 non-financial targets. The Board also receives quality reports regularly.

Table 5 below summarises the Board's performance against the [eight key indicators Audit Scotland reported upon](#) before the Covid-19 pandemic in their Annual NHS Scotland report. The Board met three out of eight of these targets and further details are disclosed in the [analysis of the clinical key performance statistics](#) in the Performance Report.

There was unusual additional challenges faced during that to a degree impacted our performance that were external to our control, including [major](#) emergency [events](#) as:

1. Internet cable connecting Shetland to the world was damaged [affecting](#) services;
2. Two significant snow storms, one in [December](#) and other in [March](#); and
3. Industrial action [closing](#) Sumburgh Airport.

In addition it highlights our key performance indicator target for staff and our partnership's local performance on managing delayed discharges. Reducing delayed discharges has been recognised as a key interface between health and social care in ensuring right care in the right place at the right time.

• Table 5—Summary of Key Performance Statistics

<u>Compliance</u>	National Target	2020–21	2021–22	2022–23	Movement
✘	18 weeks from GP referral to outpatient appointment and/or treatment	83.6%	82.6%	87.3%	↑
✓	The percentage of patients waiting less than six weeks for one or more of the eight key diagnostic tests	83.0%	74.7%	91.0%	↑
✓	31-day standard from decision-to-treat to start of treatment for newly diagnosed primary cancers	100.0%	100.0%	100.0%	↔
✘	62-day standard from receipt of referral to start of treatment for newly diagnosed primary cancers	94.9%	86.5%	68.10%	↓
✘	A&E discharged within four hours	98.1%	97.6%	91.8%	↓
(1)	Delayed discharges— occupied bed days	376	981	1,803	↑
(1)	Delayed discharges—number of people waiting more than 14 days to be discharged from hospital into a more appropriate care setting, as measured on in-year “ census dates ”	1	8	43	↑
✘	Mental Health: 18-week referral to treatment for Psychological Therapies	19.0%	50.0%	62.1%	↑
✘	Mental Health: 18-week referral to treatment for specialist CAMHS	60.3%	95.7%	82.1%	↓
✓	Drug and alcohol patients seen within three weeks	100.0%	91.7%	95.6%	↑
✘	Staff sickness absence rate	2.9%	4.3%	4.6%	↑

For all the clinical key performance indicators (KPIs) above, the compliance standard is 90%, except:

1. Those marked (1) Scottish Government have no specific compliance value set;
2. A&E and Cancer Access targets which are 95%; and
3. Staff-sickness absence rate is 4.0%.

Arrows indicate direction statistic is moving. Key to colours is green meets standard, amber within 10% of target and all others are red for failing to meet target by more than 10%.

- **Covid-19 Key Milestones**

The vaccination campaign continued throughout the year.

At the end of the third dose campaign our residents' participation in this campaign remained amongst the highest rates in Scotland, at second highest participation rate for a territorial Board.

This campaign was followed in the autumn and winter with [clinics](#) for the Flu and Covid-19 winter campaign.

Residents' participation in the vaccination programme remained high as locally a total of 9,196 individuals had a winter Covid-19 vaccination. So 78.9% of the eligible residents took up their offer. Our residents' participation in this campaign was again amongst the highest rates in Scotland, as third highest participation rate for a territorial Board. The Scottish average Covid-19 vaccination rate was 72.6%.

Residents' participation in the flu vaccination programme at 74.1% was slightly below the Covid-19 uptake. This though was still higher than the Scottish average rate for flu vaccination which was 63.7%.

Section 5 Performance Analysis Report

• Objectives of NHS Shetland

During 2022–23, NHS Shetland has continued to focus on delivering the key [Board Objectives](#), prioritised in our Annual Operating Plan alongside focusing on addressing the significant continuing issues arising from the Covid-19 pandemic. These key objectives are to:

1. Continue to improve and protect the health of the people of Shetland;
2. Provide quality, effective and safe services, delivered in the most appropriate setting for the patient;
3. Redesign services where appropriate, in partnership, to ensure a modern sustainable local health service;
4. Provide best value for resources and deliver financial balance; and
5. Ensure sufficient organisational capacity and resilience.

• The first objective—“continue to improve and protect the health of the people of Shetland”

To address the first objective, NHS Shetland has been implementing a ten-year [Public Health Strategy](#), which is intended to create a significant change in the health of the local population and tackle inequalities.

Some steps that have been taken as part of this strategy include:

To address the first objective, NHS Shetland has been implementing a ten-year [Public Health Strategy](#), which is intended to create a significant change in the health of the local population and tackle inequalities.

Some steps that have been taken as part of this strategy include:

- Using feedback from patients and their families or carers to learn from incidents and adverse events to inform service quality reviews;
- Working with NHS Grampian and the NHS Waiting Times Centre to improve pathways for patients referred to services off-island (although activity off-island was still reduced due to Covid-19); and
- Using the Annual Operating Plan ([AOP](#)) to identify priorities for improvements, such as:
 - Staff wellbeing;
 - Recruitment and retention of our health and social care workforce;
 - Recovery and protection of planned care plans;
 - Urgent and unscheduled care;
 - Provision of services for older people;
 - Primary care; and
 - Supporting and improving Health and Social Care integration.

- **The second, third and fifth objectives—“provide quality, effective and safe services, delivered in the most appropriate setting for the patient”, “redesign services where appropriate, in partnership, to ensure a modern sustainable local health service” and “ensure sufficient organisational capacity and resilience”**

NHS Shetland has been improving the efficiency of our services partly through redesigning them. This redesign includes activity, in line with [our priorities](#), across three work streams:

- [Whole Population](#)
- Sustainable Services
- Organisational Issues

NHS Shetland Clinical and Care Strategy aims to meet this priority through:

- Integration of services around the needs of local communities;
- Making sure the care provided in our NHS is the right care for an individual, that it works, and that it is sustainable; and
- Making best use of innovative technologies to improve access, promote person-centred care and reduce inefficiencies.

- **Investment in the Gilbert Bain Hospital**

The Gilbert Bain Hospital has been providing local access to Acute and Maternity Services in Shetland since it opened in 1961. The Board is continuing to progress through NHS Scotland governance process for large capital expenditure programmes and is at the [initial](#) agreement phase. Public [engagement](#) and high local media [interest](#) in this development has occurred.

During 2022–23 the latest development at the Gilbert Bain Hospital, ambulatory care unit project was completed. This new facility opening in September 2022 provides a 12-bedded unit. It will increase local capacity to deliver same day surgical and ambulatory care to patients, in line with [key objectives two and three](#). Also allow separation of sexes and of adult and paediatric patients.

Continued to invest to make repatriation of services to Shetland a high priority in 2022–23 to move services closer to home. In addition part of our Covid-19 transmission prevention management strategy has been to minimise patient travel to the mainland for care and treatment that could be provided locally. Not only has this [saved a significant amount of money](#) but, more importantly, it has reduced across 13 different pathways around 2,588 patients time back from not having to travel off island.

- **Collaboration with Shetland Islands’ Health and Social Care Partnership**

During 2022–23, NHS Shetland has continued to work closely with Shetland Islands’ Health and Social Care Partnership, which is commonly referred to in Shetland as the [Integration Joint Board](#) (IJB).

The IJB [agreed the proposed revised Joint Strategic Commissioning Plan 2022-25](#) in February 2022. NHS Shetland [approved](#) the plan at the April 2022 Board meeting.

SIC and NHS Shetland have delegated agreed services to the IJB. While carrying them out, the IJB is required to pay careful attention to:

- The National Health and Wellbeing Outcomes;
- The integration delivery principles; and
- The needs of localities within Shetland.

Our joint vision through this plan is that that by 2025 everyone will be supported in their community to live longer, healthier lives and we will have reduced health inequalities.

- To prevent poor health and wellbeing and intervene at an early stage to prevent worsening outcomes;
- To reduce the avoidable and unfair differences in health and wellbeing across social groups and between different population groups;
- To demonstrate best value in the services that we provide and the ways in which we work;
- To shift the balance of care towards people being supported within and by their communities; and
- To meaningfully involve communities in how we design and develop service and to be accountable to their feedback.

You can find further information on health and social care integration on the [Community Health and Social Care Partnership](#) section of the SIC website.

- **The fourth objective is covered in the analysis of financial performance section.**

Analysis of Financial Performance

- **Revenue Resource Limit (RRL)—2022–23 Performance Review**

The Board delivered a £0.072m underspend against its RRL for 2022–23. This compares to a £0.045m underspend for 2021–22, which was carried forward and added to the Board's 2022–23 RRL. The Board's out-turn would have been £0.027m underspent if it had not benefited, non-recurrently, from this carry-forward.

- **IJB delegated budget**

Out-turn on services delegated to the IJB exceeded the original delegated budget set by NHS Shetland. However, the Board gave £3.058m in additional funds to bridge the gap in 2022–23 non-recurrently. The comparable figure was £2.466m in 2021–22, so increased by £0.592m, 24.0%.

The IJB also carried forward £0.112m of resources originally allocated to NHS Shetland by the Scottish Government in 2022–23 for services delegated to the IJB. These funds are in respect of six specific initiatives that did not fully utilise their allocations in 2022–23 and project continues.

- **Savings targets**

The Financial Plan for 2022–23 included a recurring savings target of £3.071m, equivalent to 5.4% of the Board's opening baseline resource allocation. While this target

may have been exceeded overall there was some slippage in progress against the recurring target at year-end, £1.185m in-year recurring savings were delivered, an in-year achievement rate of only 38.6% of the overall target.

The full-year effect of the savings achieved was also £1.185m, 38.6% of the target, with the consequence that a carry-forward recurring savings target of £1.887m has initially been included in the ongoing financial plan. The Board’s reserves are being reviewed, along with its ability to realise non-recurring savings recurrently in 2023–24, which should reduce the underlying deficit. Relevant figures are highlighted in Table 7 below, which highlights the Board’s track record in successfully achieving the total savings target, year on year, over the last five years, albeit with a reliance on delivering non-recurring savings to address in-year gap.

The Board still carries an underlying recurring deficit in the resource budget for ongoing activities. At the close of 2022–23, this stood at £1.887m, up from £1.744m in 2021–22. The Board’s underlying deficit has increased by 8.2% in the year.

• **Table 7—NHS Shetland Track Record in Delivery Efficiency Savings**

	2018–19	2019–20	2020–21	2021–22	2022–23
Efficiency Savings	£m	£m	£m	£m	£m
Recurring	1.591	0.818	0.873	0.687	1.185
Non-Recurring	2.239	2.655	1.254	0.868	2.906
Net Total	3.830	3.473	2.127	1.555	4.091
Target	3.455	2.579	2.012	2.417	3.072
Surplus (Deficit) achieved	0.375	0.894	0.115	(0.862)	1.019

The off-island repatriation savings are now primarily classified as recurrent. There is a mix of established and new services. Table 8 below shows the value of savings these services achieved, in-line with [key objectives two and three](#). The stated savings reflect the net impact of a reduction in travel costs, offset by additional costs incurred locally.

• **Table 8—Repatriation of clinical services efficiency saving achieved**

Year	2019–20	2020–21	2021–22	2022–23
	£m	£m	£m	£m
Savings Delivered	0.32	0.40	0.46	0.51
Journeys avoided	625 trips	1,328 trips	1,717 trips	2,588 trips

In-year non-recurrent savings of £2.906m were also achieved, as outlined in Table 7. These made a key contribution to addressing the gap in recurring savings in-year, as well as offset some of the additional staff costs incurred from using locums to cover vacant posts. These are a result of difficulties in recruiting permanent clinical staff. The cost pressures caused by these difficulties were principally in the following areas:

- GP vacancies at Board-run practices £1.009m (£0.724m 2021–22);
- Consultant Mental Health post £0.419m (£0.518m 2021–22); and
- Physicians and anaesthetists consultant vacancies at Gilbert Bain Hospital at £1.291m (£1.183m 2021–22).

The overall total cost of locum and agency staff in 2022–23 was £8.136m down from £9.508m in 2021–22. A decrease in expenditure between years of £1.372m, 14.4%. The mobile theatre project that was only in 2021–22 at £1.169m for locums accounts for the principle fall in costs.

Overall the Board's total pay costs at increased from £48.827m in 2021–22 to £49.695m in 2022–23. An increase in expenditure between years of £0.868m, up 1.8%. The primary causes of the increase was NHS staff pay award at £2.884m offset by the reduction in locum and agency use and reduction in staff employed to address the consequences of Covid-19 pandemic.

• **Financial plan—2023–24**

The Board's Financial Plan for 2023–24 was submitted to the Scottish Government in March 2023. In line with the Scottish Government timetable there is an update to this scheduled to be submitted by 30 June 2023.

The financial plan submitted on 31 March 2023 has reverted back to being a three year plan.

The Board recognises its statutory financial obligation under section 85 of the National Health Services (Scotland) Act 1978 to achieve financial balance at the year-end. There is now, though, flexibility to achieve financial balance over a three-year period.

The draft financial plan requires £2.995m in efficiency savings to be achieved in 2023–24 to address the recurring gap. In addition to that non-recurring savings will need to be generated to cover the additional excess cost of locum and agency staff. Detailed plans to deliver these savings through recurring and non-recurring actions are being developed by the Board through deliver better outcomes through leaner delivery of services in line with the principle set out in the [Board's clinical strategy](#).

Management will ensure it takes significant and appropriate management action to achieve financial balance at 2023–24 year-end. Regular updates will be given to the Board on performance against the plan throughout 2023–24.

There is a significant degree of uncertainty in the Financial Plan for 2023–24. This is due to the overall position of public finances, implication of 2023–24 pay awards and how the Board manages our work force challenges highlighted in our corporate [workforce risk](#).

The ongoing risk associated with the delivery of the Financial Plan has been logged within the Board's [Strategic Risk Register as risk SR02](#).

Capital Resource Limit (CRL)

The Board's net expenditure on capital assets during 2022–23 was £1.680m. The key components of the capital programme are set out below in Table 9.

• **Table 9—Summary Outline of 2022–23 Capital Programme**

Project	Amount
	£m
Gilbert Bain Hospital, Medical Equipment	0.545
Building Works	0.978
Gilbert Bain Hospital, other Plant and Equipment	0.157
Gross Additions Total	1.680

The building works represents the completion of the ambulatory care unit in the Gilbert Bain Hospital which was opened in September 2022. The new 12-bedded unit will increase capacity to deliver same day surgical and ambulatory care to patients, while allowing separation of sexes and of adult and paediatric patients.

Statement of Financial Position

The Statement of Financial Position contains information about investments of £1.437m (2021–22, £1.480m) relating to NHS Shetland Endowment Funds and an interest of £0.772m (2021–22, £2.158m) in the IJB. These figures are included in the financial commentary below.

The Board’s net assets at 31 March 2023 stood at £30.797m. When compared with £23.782m at 31 March 2022, this represents an increase of £7.015m. As in previous years, the Board’s Statement of Financial Position at 31 March 2023 shows net current liabilities. The total at 31 March 2023 was £5.480m, which is a change of £6.937m from the previous year’s value of £12.417m. Despite the net current liabilities at 31 March 2023, and the inevitable challenges of the year ahead, the “going concern” basis of NHS Shetland remains appropriate on the basis of continued service provision. The Government Financial Reporting Manual (FRm) requires accounts to be prepared on a going concern basis unless there is an indication that the services are to cease.

At the end of the year, the Board carried four provisions totalling £2.101m for future liabilities (compared to £2,047k in 2021–22), as laid out in [Note 13](#).

Payment Policy

The Scottish Government is committed to supporting business by paying bills more quickly, aiming to pay all undisputed invoices within ten working days, across all public bodies. The statistics below, which relate to all suppliers, are calculated using “invoice received” date, as opposed to invoice date.

- In 2022–23 the average credit taken was 22 days (compared with 21 days in 2021–22)
- In 2022–23 the Board paid 84.32% by value and 84.32% by volume within 30 days (compared with 88.42% by value and 85.49% by volume in 2021–22)
- In 2022–23 the Board paid 53.63% by value and 62.36% by volume within ten working days (compared with 63.48% by value and 61.01% by volume in 2021–22)

The deterioration in performance was partially due to technical issues experienced during the final quarter of 2022–23. Following the upgrade of the national financial system eFinancials a number of issues were experienced which resulted in delays to invoice payment.

Pension Liabilities

The accounting policy note regarding pension liabilities as well as disclosure of the costs are shown within the Staff Report, the Pension Report at [Note 18](#), and the Remuneration Report.

Analysis of the Clinical Key Performance Statistics

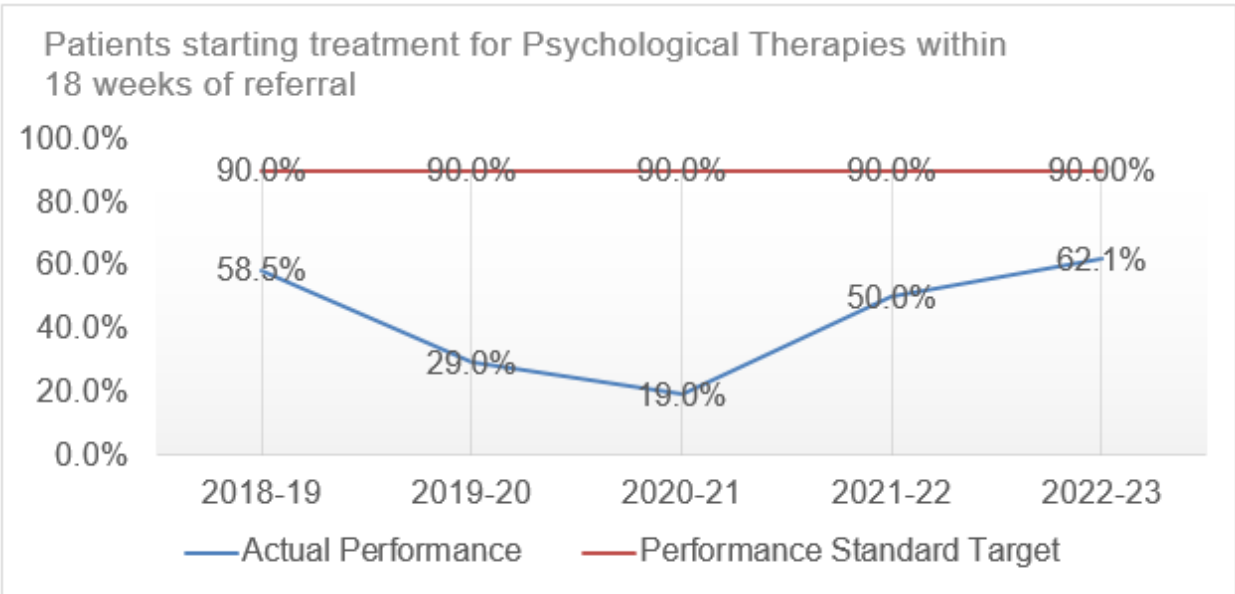
Mental Health

NHS Shetland has continued to build on its previous investment in the local Mental Health Service, although progress remains challenging. There are still ongoing difficulties in recruiting to all the substantive clinical staff posts within the service.

As highlighted in Figure 3 below, local performance against access to Psychological Therapies within 18-weeks of referral access target remains significantly below 90% performance standard. Sitting at 62.1% at the end of March 2023, this is another significant positive step to address access issues as continued building upon prior out-turn position. Last year only 50% of patients at the end of March 2022.

In 2022–23, 16 patients waited more than a year to access Psychological Therapies, with the longest wait at 80 weeks. Both these statistics show a positive movement to 2021–22. During 2021–22, 29 patients waited over a year, with the longest wait at 171 weeks.

Figure 3—Patients starting treatment with Psychological Therapies within 18-weeks of referral

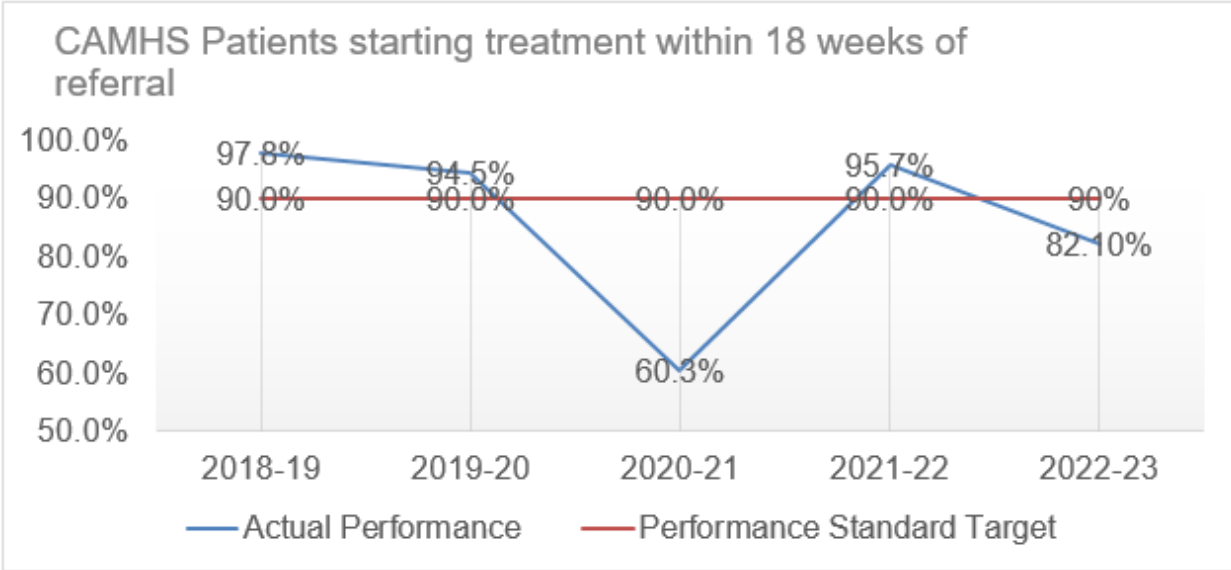


While the service has been impacted by Covid-19, Figure 3 shows the trend over the last five years has been a significant below performance the 90% access target but has

shown positive improvements over the last two years. As part of the recovery plan, the Psychological Therapies team recruited additional staff, and the service is embedding new technologies for talking therapies.

Our performance against the access target of 18-weeks Referral to Treatment for specialist CAMHS in 2022–23 has not met the standard. The overall performance of patients treated within 18-weeks across the year only was 82.1% met the key performance indicator. In comparison to last year, 2021–22 were the standard was met with 95.7% patients treated within 18-weeks across the year.

Figure 4—Patients starting treatment with CAMHS within 18-weeks of referral.



The average waiting period in 2022–23 was 12.2 weeks, with the longest wait being 39 weeks. This compares to an average waiting period in 2021–22 of 10.2 weeks, with a longest wait of 35 weeks. At the end of March 2023, the longest wait on the waiting list was 16 weeks. This is both below the national target and the comparable end of March 2022 figure where the longest wait was 18 weeks.

Figure 4 illustrates that the access target was only met in the three of the last five years. We recognise ongoing issues with the fragility of Mental Health services, and we are continuing to strive address this. Additional Scottish Government investment been received to deliver [Mental Health Strategy 2017–2027](#) with further future funds coming.

Delayed Discharges

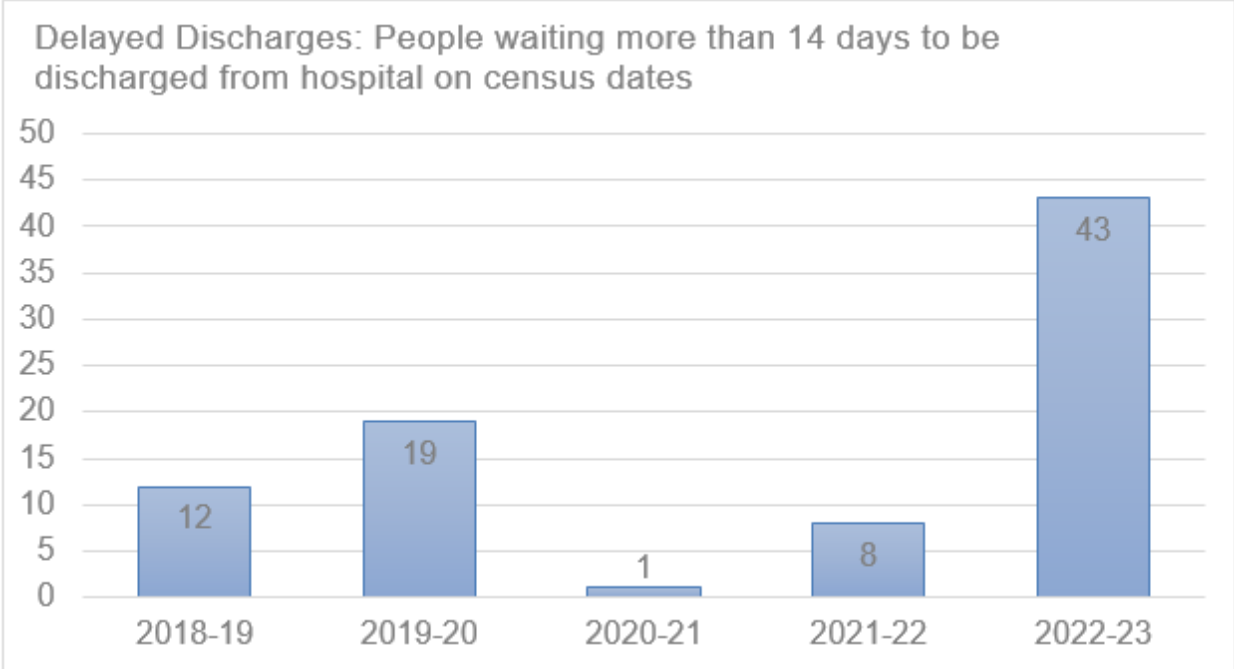
The number of patients delayed in hospital continues to be a focus of attention in pathway redesigns for a seamless transfer back to the most appropriate setting.

In March 2023 there was two patients in hospital as a result of delayed discharge which is an improvement on March 2022 where there was three patients in hospital as a result of delayed discharge.

However figure 5 shows a significant increase during 2022–23 compared to previous four years. The 43 cases in 2022–23 is greater than 40 cases over the preceding four years combined.

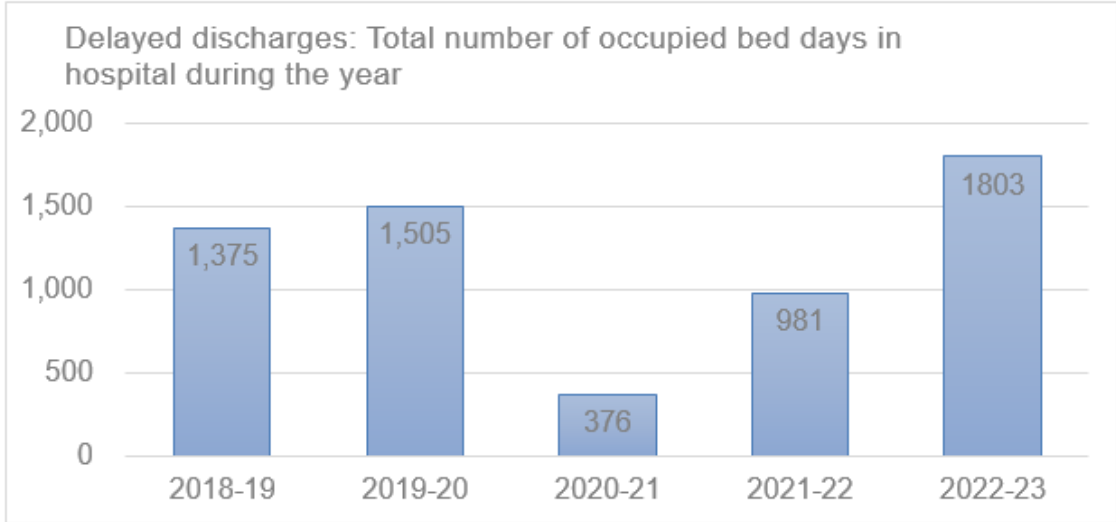
Our partnership work, with dedicated Social Work input to support the hospital working with the Intermediate Care Team in the community are using integration funding to achieve our aim of seamless person centred pathways to eliminate delays in care.

Figure 5—Delayed Discharges: People waiting more than 14 days to be discharged from hospital, on census dates



Similar to the increase in the number of patients subject to delayed discharge, the number of occupied bed days increased by 83.8% in 2022–23 compared 2021–22, as illustrated below in Figure 6. The chart also illustrates that on average during 2022–23, only five beds a day were occupied, compared to an average of three day in 2021–22.

Figure 6—Delayed discharges: Total number of occupied bed days in hospital during the year



Progress to sustainably reduce delayed discharges is not driven by a desire to reduce delay-figures through rapid discharge, which could result in inappropriate residential care placements. Rather our strategy-driver locally is to get people back to the most

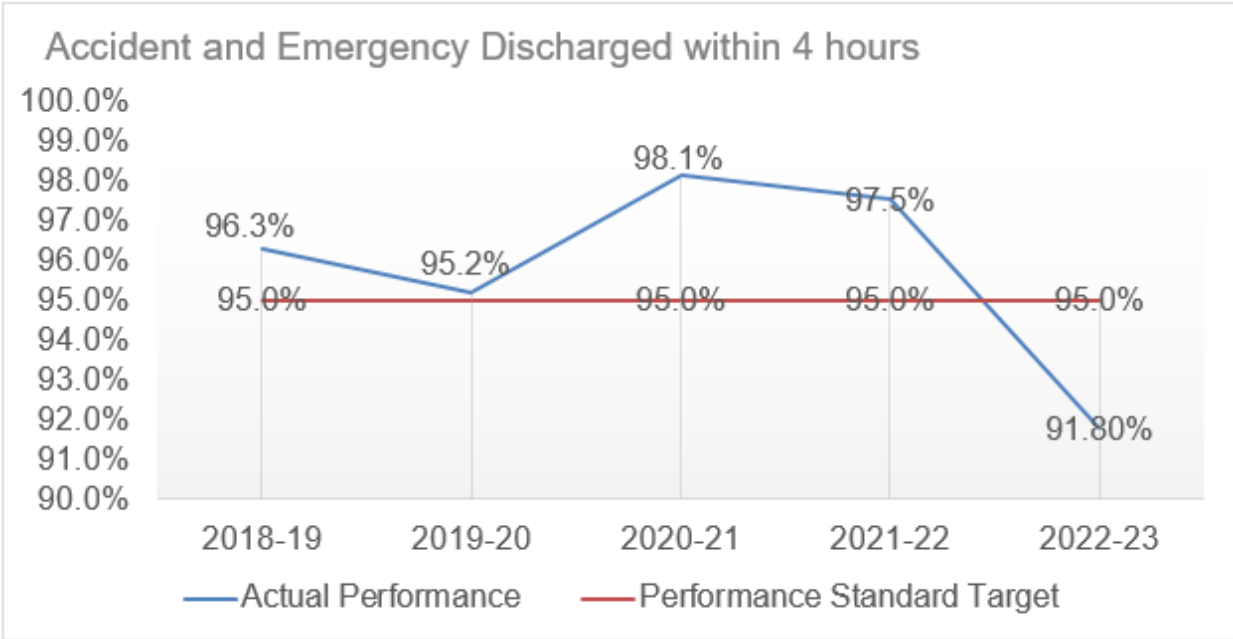
appropriate community setting in line with our [second key organisational objective](#): “provide quality, effective and safe services, delivered in the most appropriate setting for the patient.”

Unscheduled Care

For the first time since the statistic was introduced during 2022–23, NHS Shetland did not meet the target of discharging, or admitting to a ward, 95.0% of patients attending A&E within four hours over the course of the year. In 2022–23 our rolling average was 91.8%. Only in April 2022 was the 95% target met. In three months during the winter our local performance fell below 90%. These being [December](#), [January](#) and [March](#) which also coincided with significant and prolonged severe weather events. The Board actively reviews each breach of this target and has a process in place to escalate cases when a patient is about to breach. Locally prioritisation for treatment is based on clinical need of the individuals and not length of time in A&E.

However behind Western Isles, who were the only Board to meet the target, our local performance was the second best in Scotland.

Figure 7—A&E Discharged within 4 hours



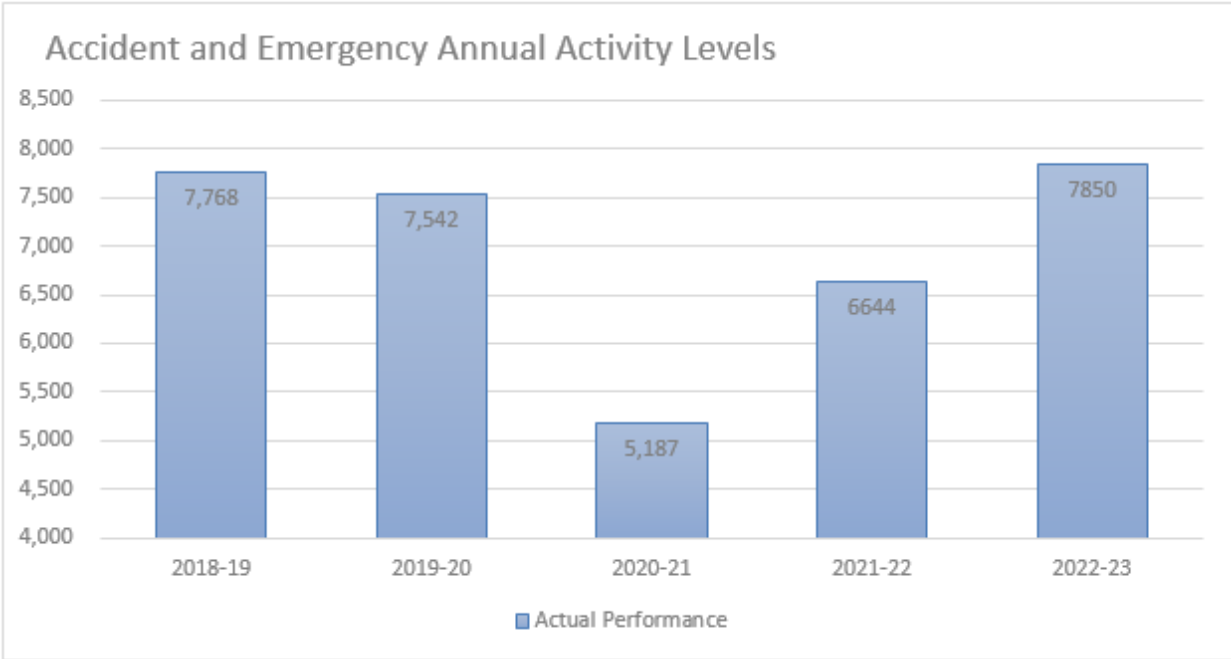
One of the initial impact of Covid-19 was a reduction in A&E attendance, in line with the rest of Scotland and the United Kingdom.

However as highlighted in Figure 8 below, in 2022–23 that activity is now back to preCovid-19 levels. A&E attendance activity increased 18.2% in 2022–23 compared to 2021–22. Activity in 2022–23 is now 1.1% above 2018–19 levels, the last full year where activity was unaffected by Covid-19.

Part of the overall activity at A&E is from tourists, visiting commercial shipping vessels and air ambulance transfers from North Sea platforms.

Work is also on-going with local community in respect of unscheduled care to ensure they are [finding](#) the right care or medical assistance directly from the person with the appropriate skills in the right setting that may not necessary be A&E.

Figure 8—A&E Annual Activity Levels



• **Waiting Times Targets—Secondary Care**

Figure 9 below shows that the Board has not achieved the 18-week access standard from GP referral to outpatient appointment and/or treatment in Shetland over the last five years, averaging around 84.8% against the 90% performance standard.

In 2022–23 two months July and December 2021 met 90.0% target, with July at 91.2% being the best performance. In comparison to prior year, 2021–22, this is a slight improvement as only one month met the target, December 2021 at 90.5%.

Our lowest month for achievement in 2021–22 was in September 2022 at 79.8%. In comparison to 2021–22 January 2022 at 68.9% was the lowest. This is when the [Vanguard](#) waiting times remobilisation project commenced.

Performance in meeting 95% target of a first outpatient appointment within 12 weeks has been the primarily issues in not meeting the 18-week access standard.

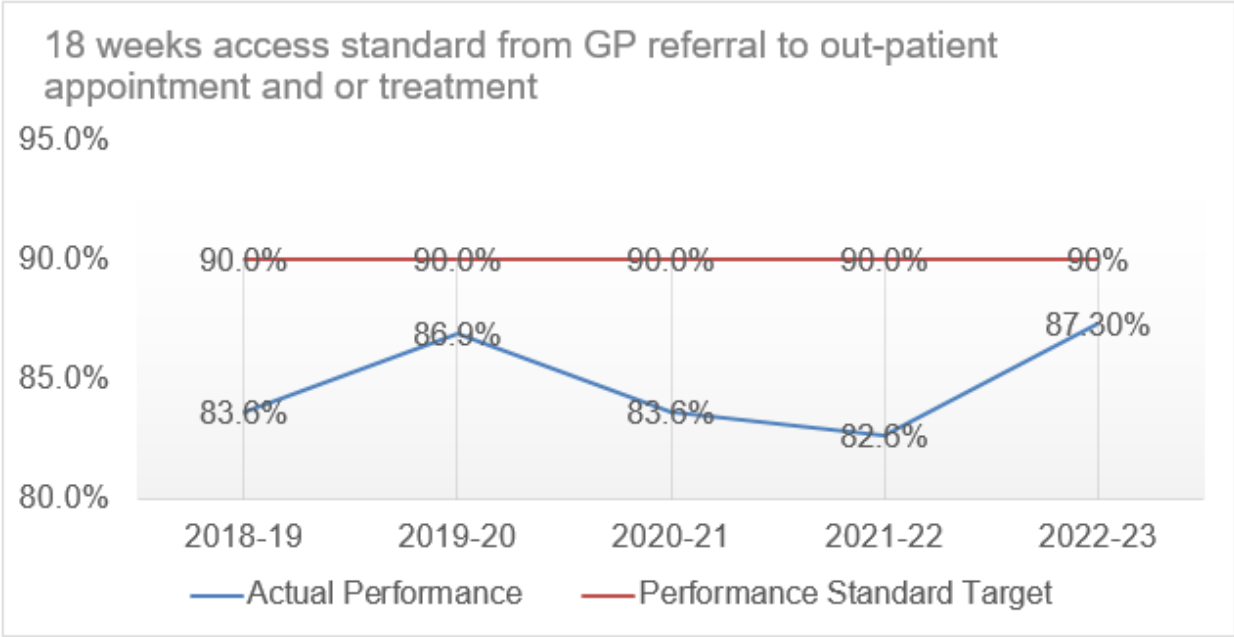
Struggles to meet the 12-week access target to first outpatient appointment has meant that NHS Shetland has also been unable to meet the Referral to Treatment Target (RTT) in a number of specialities, largely due to our reliance on visiting services, which has in turn impacted our overall performance against the RTT.

At year-end, the Board’s performance against the 12-week target for outpatients in 2022–23 deteriorated in relation to 2021–22, with 405 outpatient appointments waiting longer than 12 weeks at 31 March 2023, compared to 271 at 31 March 2022. In 2022–23 Orthopaedics accounted for 24.2% of these delays, with 98 cases, while in 2021–22 Orthopaedics accounted for 8.1% of delays, with 22 cases. In 2022–23 Ophthalmology accounted for 13.3% of these delays, with 54 cases, while in 2021–22 Ophthalmology

accounted 48 cases being responsible for 17.7% % of delays. In 2022–23 Ear Nose and Throat accounted for 17.3% of these delays, with 70 cases, while in 2021–22 Ear Nose and Throat accounted 45 cases being responsible for 16.6% of delays.

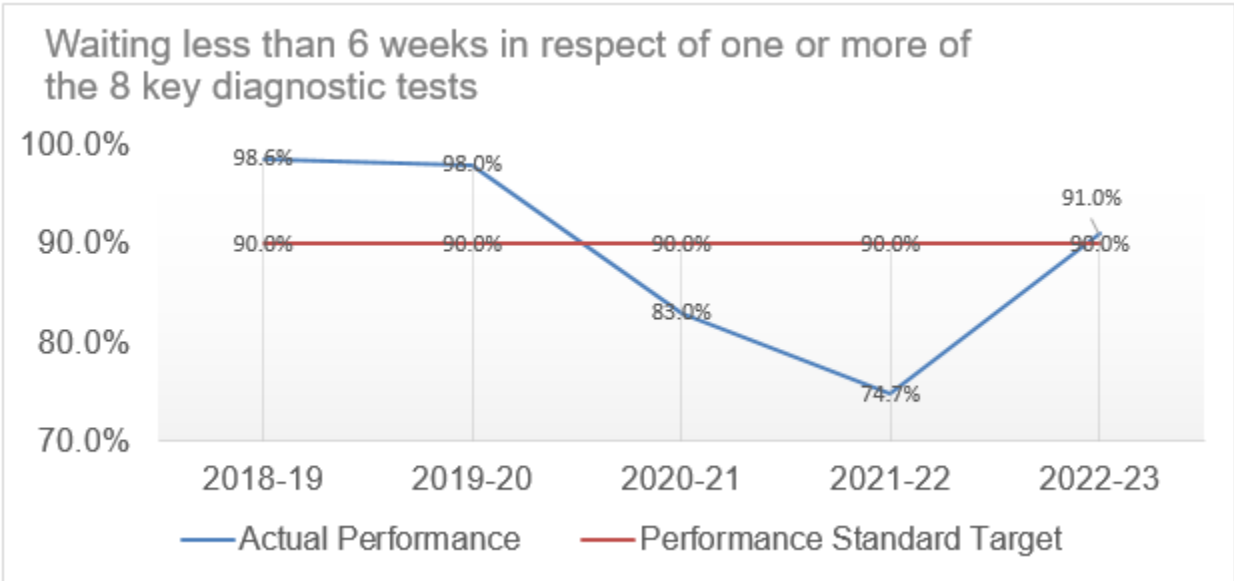
For new outpatient cases, 127 patients had been waiting longer than 26 weeks for their first appointment as at 31 March 2023, an increase of 25.7% from the 101 patients waiting over 26 weeks at 31 March 2022.

Figure 9—18-week access standard from GP referral to outpatient appointment and / or treatment in Shetland



As highlighted in Figure 10 below, the Board has returned to compliance in 2022–23 with the standard regarding patients waiting less than six weeks for one or more of the eight key diagnostic tests with 91.0% after failing to do so during Covid-19 pandemic.

Figure 10—Waiting less than 6 weeks in respect of one or more of the 8 key diagnostic tests



At 31 March 2023, there were 39 patients who had to wait longer than six weeks. This is a reduction on 31 March 2022 when 51 patients who to wait longer than six weeks. The total number of diagnostic test under taken though decreased by 4.6% from 2022–23 activity at 3,736 compared to 3,915 diagnostic test under taken in 2021–22.

The cancer targets require 95% of patients to start cancer treatment within 62-days of referral with suspected cancer, and for patients diagnosed with cancer to receive their first treatment within 31-days of the “decision to treat”.

Figure 11—Cancer: 62-day standard from referral to start of treatment for newly diagnosed primary cancers

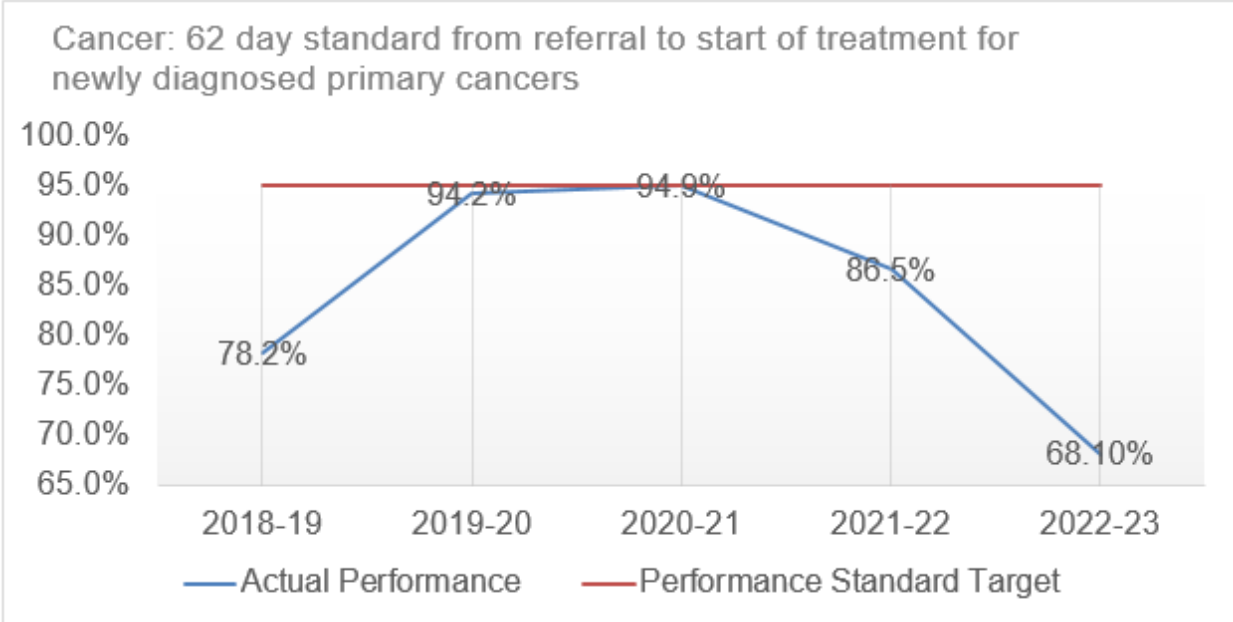


Figure 11 above shows, the Board’s joint cancer pathways with NHS Grampian did not maintain 100% compliance with the 62-day treatment target in any year over the last five years. In 2022–23 the trajectory for performance has slipped significantly with 22 patients’ treatment-time wait exceeded the 62-days target, in comparison 2021–22, ten patients’ treatment-time wait exceeded the target.

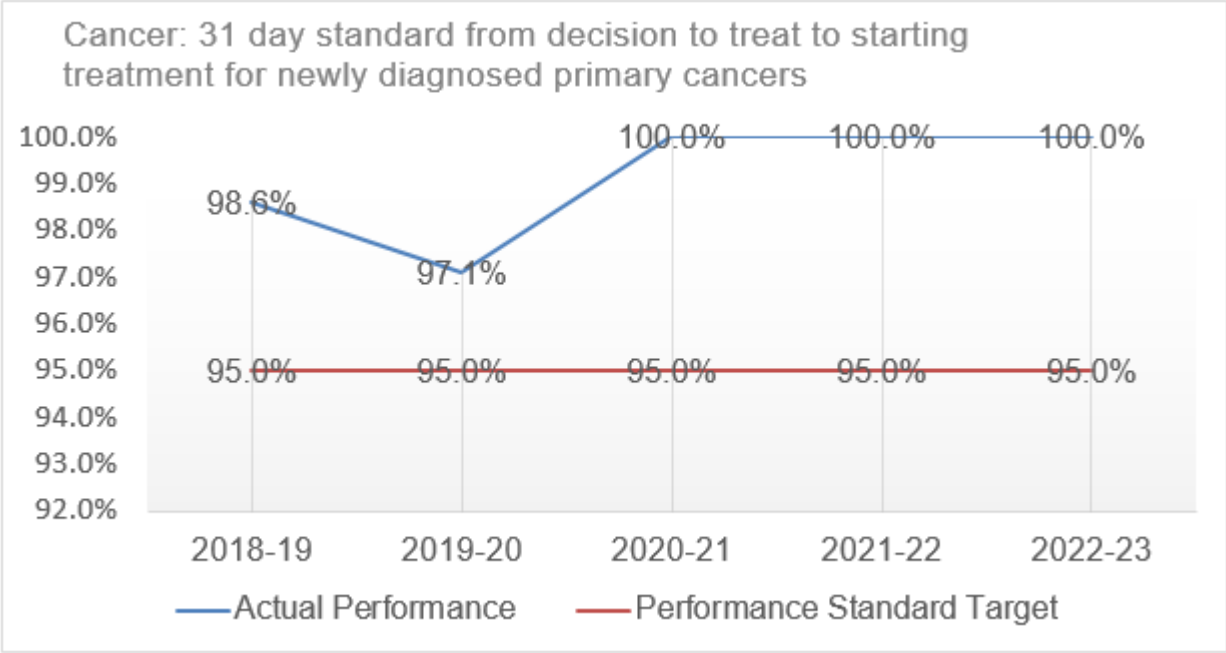
A principal factor behind the non-compliance was access to diagnostic services provided by NHS Grampian, which is working to improve patient flow in this pathway for all the Health Boards they manage.

For the first target in the Cancer pathway though Figure 12 below shows, the Board’s joint pathway with NHS Grampian has consistently maintained full compliance over the last five years with the 31-day cancer treatment target.

The 31-day performance standard over the last three years has seen every patient’s treatment plans meet the standard with 100% achievement rate.

NHS Shetland is actively participating in the Detecting Cancer Early Programme. The Board continues to actively manage its general waiting times and cancer targets, and it is working closely with NHS Grampian to reduce delays and improve access.

Figure 12—Cancer: 31-day standard from decision to treat to starting treatment for newly diagnosed primary cancers



While overall the Board continues to have some of the best access-target performance across Scotland, we recognise that we will continue to experience risks in sustaining performance, particularly where individual visiting services have staffing issues.

Work continues to make all pathways sustainable, as well as to address the additional requirement to working through the backlog caused by the focus on containment during the Covid-19 pandemic.

The Board’s access performance is publicly available throughout the year.

The most up-to-date summary information is published at NHS Scotland’s NHS Performs [website](#) for selected statistics.

Information is also published on the Public Health Scotland [website](#) in more detail for all national performance measures. Further in addition to this Public Health Scotland also publish 95 [data sets](#).

Analysis of other important Non-Financial Indicators

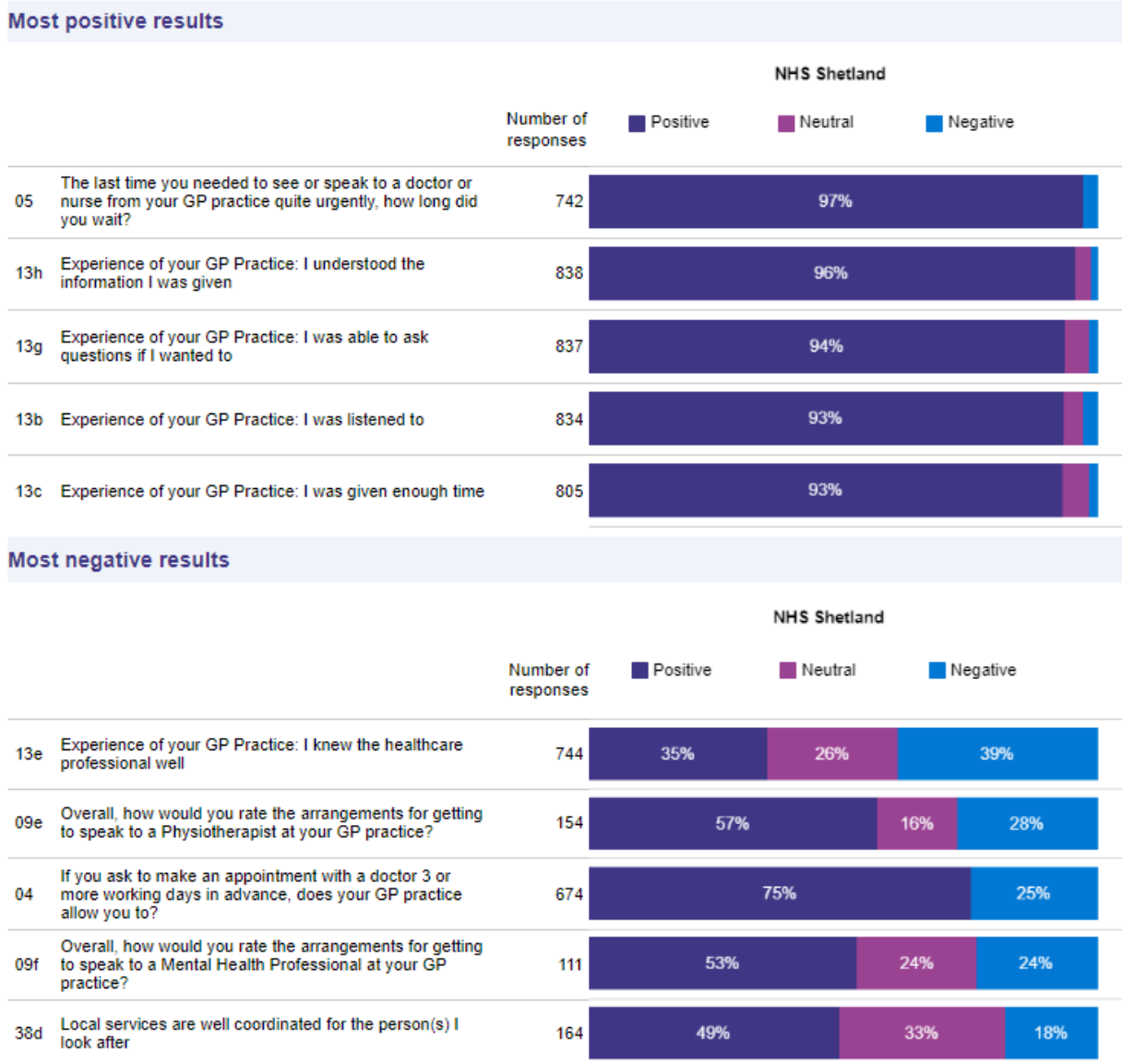
Primary Care

The Scottish Government GP access survey takes places every two years. The latest survey was [published](#) in May 2022 on the Public Health Scotland website.

In Shetland 3,587 survey forms were issued with 1,197 responses. This response rate at 33.4% was higher than the Scottish average 24%.2.

The overall feedback in the responses is generally positive with the extract from the website reports of the five most positive, and five most negative responses highlighted below in figure 13. In respect of the top five, all were higher than 90%. The fifth lowest score for a positive result was 75%.

Figure 13—Extract from Health and Care Experience Report published by Public Health Scotland showing “Most positive and negative experience ratings” related to GP Services



NHS Shetland is directly responsible for operating eight out of the ten local practices. There are currently a number of vacancies in these practices resulting in the use of temporary staff. The independent practices are also facing recruitment [challenges](#). Primary Care Improvement funding from the Scottish Government initiative is being used to redesign local services to improve access and quality of service provision across the isles. In line with the new GP contract the purpose of this initiative is to create a focus on sustainable multi-disciplinary team working.

Public Health including Health Improvement and Tackling Health Inequalities

- **Completing a Population Health survey**

In November 2022, the [Health Improvement Team published a population health survey](#), having sent questionnaires to individuals selected at random from different age groups and localities to get good representation from across Shetland. Recipients

answered questions in two areas: individual characteristics and circumstances, such as their housing, transport, and employment; and health and wellbeing, focused on topics such as physical and mental health, and habits around alcohol, physical activity, and food choices. All the information collected was recorded and reported anonymously, and treated sensitively and confidentially. The [full report](#) can be found on the Healthy Shetland website.

[Director of Public Health Dr Susan Laidlaw](#) said, “This survey highlights key areas of people’s lives that may affect their health.... NHS Shetland will use the results of this survey to help develop and improve the services we offer, and to work with organisations and communities to improve health outcomes and reduce health inequalities across Shetland. I hope that other organisations will also find the survey results helpful in their planning.... I would like to thank all those people in Shetland who gave up their time to complete the survey and also the team that analysed a huge amount of data to produce such a useful resource”.

- **Establishing a dedicated vaccination team**

Figure 14—Photos showing clinical and administrative members of the new dedicated vaccination team



In April 2022, NHS Shetland established a [dedicated](#) vaccination team, as part of the Public Health directorate. The team brings together a Vaccination Programme Team Leader, vaccinators, an administrative team, bank vaccinators, healthcare support workers, and volunteers co-ordinated by the British Red Cross. Successful vaccination campaigns in 2022–23 have included Covid-19, flu, shingles, and pneumonia.

- **Test and Protect Team stood down**

The Covid-19 pandemic continued to dominate the work of the Directorate, the Health Protection Team in particular, during the first half of 2022–23 but since then the direct impact of the pandemic on workload has lessened. As UK and Scottish Government policy changed through the year, this resulted in changes to the Test and Protect service. In July 2022, the Test and Protect Team began winding down after two years playing a central role in the management of the Covid-19 pandemic. Over 60 staff were involved with the team on a fixed-term, re-deployment, or bank basis since May 2020, with over 64k swabs taken in Shetland and nearly 7.2k positive cases recorded. In the July 2022 NHS Shetland monthly newsletter, Director of Public Health Susan Laidlaw noted, “although the team has largely been working in the background, I firmly believe their hard work, flexibility and dedication did reduce the spread of Covid-19...and saved lives.”

- **Health Improvement**

During 2022–23 the health improvement team continued their work across the length and breadth of Shetland to improve the health and wellbeing of individuals or communities. A key theme is enabling and encouraging healthy choices as well as addressing underlying determinants of health such as poverty, housing, working conditions, educational opportunities and life/work skills. We work with a wide range of partners to influence policy, service provision and wider environmental factors that help support positive health outcomes for our population, especially those in greatest need. As part of this work stream the creation and launch of a new Healthy Shetland [website](#) provides an important resource to the community and self-help advice.

Continued to co-ordinate and deliver other health protection, public health and health improvement functions, despite still catching up on backlog of work from the pandemic. This includes population screening services; behaviour change and preventative services; strategic planning; collaborative working with community planning partnership and other partners. Health Improvement Team continued development of the Health Improvement Practitioner/Community Link Worker model and delivery of the Quit Your Way service, Counterweight/Healthy Shetland programme and HENRY programme.

In terms of healthcare public health, are leading the development of three MCNs (frailty, cardiovascular and respiratory) with a strong focus on prevention and adhering to the principles of Realistic Medicine.

Further information on Public Health activity is available through the Public Health Annual [report](#). Report includes details on our actions to tackle inequalities locally. In respect of inequalities the Board discussed and approved Shetland's [fourth](#) Annual Child Poverty Action Report and Shetland Public Protection Committee [Annual Report](#).

Health inequalities have worsened considerably during the pandemic and will continue to do so as highlighted in the population health [survey](#). Money Worries sessions were delivered locally in partnership with Citizens Advice Bureau, and we have gained commitment from the Integration Joint Board to consider the impact on inequality of any decisions taken by the Board. Work continues with our partners on the Child Poverty Strategy and inequalities and inequity in the population. Progress has also continued on developing a Good Mental Health for All Strategy.

Infection Control

Healthcare Associated Infection (HAI) reports are presented at each Board [meeting](#).

Work to prevent HAI including Staphylococcus aureus bacteraemia, Clostridium difficile, and E Coli Bacteraemias continues, with local surveillance and monitoring of every individual case both in hospital and in the community. Regular reports to the Board also include audit compliance performance data highlighting trends in hand hygiene, cleaning, and estates monitoring.

Overall the data demonstrates a high standard of infection prevention and control in place in NHS Shetland with a strong audit programme to demonstrate compliance to national standards. Positive Healthcare Environment Inspectorate inspection [reports](#)

across the years reflect this. In 2022–23 though there was no external audit undertaken by Healthcare Improvement Scotland team.

Sustainability and Environmental Reporting

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 Shetland 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 on the [Sustainable Scotland Network website](#).

In meeting our obligation NHS Shetland engaged with specialist consultants to develop a NHS Shetland Net Zero Route map to achieve the current Scottish Government targets. [The route map by the Board](#) sets out the Board's:

- baseline impact assessment of the Board on the environment at 4,163 tCO₂e;
- identifies actions to take to meet our mandatory sustainability targets;
- that roughly 48% of these emissions are associated with patient transport; and
- [replacement of Gilbert Bain Hospital](#), that accounts for roughly 30% of emissions, is a key factor in achieving our targets.

NHS Shetland is using the [NHS Scotland Climate Change Adaptation Assessment Tool](#) to assess the risks and produce an Adaptation Action Plan. This created our Climate Change Risk Assessment submission to Scottish Government.

The Board is committed to sustainability and to reducing its impact on the environment as originally laid down in the [Scottish Health Technical Memorandum 07–02 and the recent amendments to this](#) that change the baseline to 2018 and shorten the timeframe to complete the targets. In line with this, the Board has taken the following actions:

- Continued to implement our [Sustainability and Environmental Management Policy](#) with sustainable development action plan ;
- NHS Shetland have a nominated Green Champion, Board Chair Gary Robinson;
- Working in partnership with ZetTrans on progressing local [sustainable transport strategy](#) for Shetland in [consultation](#) with the community;

- Reducing our local residents carbon footprint by more than the nationally set target for 20% reduction in patient travel emissions by 2030 when accessing health services through:
 - reducing patients travel flights off-island via [repatriation schemes](#);
 - increasing the number of appointments using e-technology or telephone to deliver consultations;
 - use of GP portals in a number of practices to reduce need to visit practices; and lastly
 - also aided by the modernisation of Loganair airplanes to ATR-72 that now emit 25.6% less CO₂, as advised by the airline.
- Gilbert Bain and Montfield accommodation, Lerwick Health Centre and Breiwick House continue to use the Shetland Heat Energy and Power (SHEP) district heating system, minimising carbon dioxide emissions from heat energy;
- Significantly increased the number of electric vehicles in the Board fleet and by the time these accounts are signed 100% of the cars in our fleet can run of electric power and 33% of our light commercial vehicles. This alongside staff travel off island also benefiting from the modernisation of Loganair airplanes to ATR-72 will also have met nationally set target for 20% reduction in staff travel emissions by 2030;
- Staff have access to a car salary sacrifice scheme to allow them to upgrade their personal vehicles to lower emission or zero emission vehicles which should assist in lowering our grey fleet impact on the environment;
- The Board also has a fleet of 12 electric bicycles located across Shetland that promote the principles of active travel for staff business travel; and
- Being developing our local submission to [access](#) Scottish Central Government Energy Efficiency Grant scheme to address accelerating our local investment in renewable heat technologies and energy efficiency across all our buildings. The removal of kerosene from our local energy sources being a significant primary next step on our journey to net zero.

In respect of the Board's target to net zero emissions in our pooled fleet our plan is to have 93% of vehicles able to run on electricity by 31 March 2024 and 100% by 31 December 2025. At the 31 March 2023, 41% of vehicles able to run on electricity. The delivery of vehicles ordered in 2022–23 will take this total up to 75% before 22 June 2023. Supply issues for small electric commercial vehicles in 2022 that met best value is causing a delayed our transition plans.

NHS Shetland have an established Environmental and Sustainability Group, Waste Group. Transport Group and Energy Group with identified leads. An Energy Policy is being developed collaboratively in conjunction with the NHS North Energy Group that involves five other Health Boards.

Highlights of some other significant events and achievements at NHS Shetland during 2022–23

Re-establishing and improving services

- **Managed Clinical Networks**

In April 2022, two Managed Clinical Networks (MCNs) were launched, following the appointment of a fixed-term MCN Co-ordinator based in the Public Health Directorate.

MCNs are structured networks that provide opportunities for collaborative working across different healthcare settings, professions, and with wider stakeholders around shared interests and common goals of improving care. Participants work together to share knowledge, develop, and implement pathways and improve services.

The new MCNs are “Frailty” and “Respiratory”, and will build on the work of NHS Shetland’s Falls and Coronary Heart Disease MCNs and link with the existing Palliative Care MCN.

- **Re-establishing the Cardiac Rehabilitation Service**

Figure 15—Photo showing Cardiac Rehabilitation Service-users at Clickimin Leisure Centre



In June 2022, the Cardiac Rehabilitation (CR) Service was re-established after being suspended during the Covid-19 pandemic. CR helps people living with heart disease to regain and maintain a good quality of life, addressing not just the medical toll of their illness, but also the mental and emotional burden.

The CR service had been comprehensively reviewed pre-pandemic, and the re-designed service is now exceptionally wide-ranging and ensures better access for all. The picture above shows patients and their families receiving a weekly health education session at the Clickimin Leisure Centre.

- **Young people’s mental health and wellbeing at heart of Mind Your Head service**

Joint funding from the Shetland Islands Council and NHS Shetland helped local mental health charity Mind Your Head’s create the Well Youth initiative offers one to one support through an assigned wellness practitioner.

Amongst these services on offer it provides help to young people who are living with or supporting someone struggling with their own mental health and wellbeing.

- **New Repatriation of Services in 2022–23**

The medical imaging service started two new projects that maximised the skills and equipment available in Shetland.

Margarita Nesbit, Consultant Sonographer, has led with healthcare professionals based in Shetland and Aberdeen the expansion of specialist diagnostic tests not previously available locally. This work stream has developed local pathways and ultrasound clinics for musculoskeletal conditions and Thyroid specialist and interventional services. A total of 288 patient attendances occurred in 2022–23 for this new service.

In March 2023, the local Medical Imaging and Clinical Physiology team performed the first CT Coronary Angiogram in Shetland with support and input from a visiting Radiologist from NHS Grampian.

As a result of investment support from Scottish Government in 2021, we replaced the CT scanner, enabling the local Medical Imaging Team to offer a wider range of CT based diagnostic tests in Shetland. The patient benefits include improved access and reduced need to travel out with Shetland for most common cardiac investigations. It has taken 18 months to develop these new pathways, but it is another great example of collaborative working across various teams with input from specialists in Aberdeen.

Initial Agreement Project

In August 2022, NHS Shetland embarked on the [Initial Agreement \(IA\) phase](#) of the business case process to seek Scottish Government funding to re-develop or refurbish the Gilbert Bain Hospital and potential associated hub facilities. This was building on the work done for the Clinical Strategy and the Strategic Assessment.

On 25 August, the first of seven stakeholder workshops was held to support the development of the IA. The workshop confirmed a number of goals requiring a “Need for Change”, including an increased capacity to address health inequalities, a greater ability to meet current and future demand, and an aim to make infrastructure compliant with sustainability and patient dignity requirements.

- **Excellence in Care Awards 2022**

On 2 December 2022, staff presented 11 projects to their colleagues, the Board, and the media for the [annual Celebration Excellence in Care awards](#). The event shone the spotlight on different parts of the health care service, with a focus on how different parts of the health service navigated challenges arising from the pandemic and the subsequent re-mobilization of services.

A diverse panel of judges chose winners in five categories: practice education, innovation in practice, person-centred care, prevention, and the impact of partnership working.

Panel Chair, Deputy Chief Nursing Officer Anne Armstrong, said those presenting and the teams they represent “demonstrated a very high calibre of improvement work which deserves to be shared nationally to spread new ways of working and good practice. The

panel wanted to convey to everybody that what was presented was outstanding. What really shone through was the focus on putting the patient and their families at the centre of care and how that had such a positive impact on the quality of the patients' experience and the quality of their care".

- **Celebrating Success**

In May 2022, consultant anaesthetist Dr Catriona Barr won the Outstanding Role Model Award at the NES Annual Conference for her work supporting school pupils to access work experience in healthcare settings. Six participants secured places on courses leading to medical degrees, while others decided on different careers in healthcare.

In July 2022, Hazel Cooper, who has worked for NHS Shetland for 32 years, first in Dental Services and late in the Theatre Department, qualified to become the first Operating Department Practitioner (ODP) in Shetland. ODPs work within operating theatres while patients are undergoing surgery and they train in a number of areas including anaesthetics, surgery, and post-anaesthetic recovery.

Advanced Nurse Practitioner Jane Astles and Chief Midwife Jacquie Whitaker were two of the first practitioners in Scotland complete a PgCert in Advanced Forensic Practice. Their skills will mean more responsive care for people who have experienced rape or sexual assault in Shetland, as they will be able to provide forensic examinations. In response to their achievement, Chief Medical Officer for Scotland Professor Sir Gregor Smith wrote to Jane and Jacquie to congratulate them.

- **“Developing the Young Workforce” Shetland event**

Figure 16—Photo of Facilities team members at their event-stand



In March 2023, [“Developing the Young Workforce” Shetland](#) and the Anderson High School held a Local Opportunities and Apprenticeships Event designed to bring together local businesses, organisations, education and training institutions who can provide courses, training, employment and volunteering opportunities.

Improved infrastructure

- **New benches outside the Servery**

Figure 17—Photo of staff members resting on new benches outside the Servery



In May 2022 as part of our staff wellbeing actions, NHS Shetland was delighted to take delivery of the superb benches below, which were installed just outside the servery.

- **Voar Redd Up—Montfield Community Garden Project**

Figure 18—Photo of staff member clearing garden area around Montfield Board Headquarters



In May 2022, as part of the annual Shetland-wide clean-up event, the [Voar Redd Up](#), NHS Shetland staff collected rubbish and gardened around Montfield Board Headquarters. This was the first step of the Montfield Community Garden Project, which aims to make more use of the green areas around Montfield for staff and the community.

Visits and events

- **MRI fundraiser Harriet Middleton's portrait revealed**



Photo taken by Shetland Amenity Trust: (L-R) NHS Shetland Chief Executive Michael Dickson, Billy Middleton portrait artist, Stuart Pearson Wright, Harriet Middleton and John Fraser SIC councillor.



Pictured Harriet Middleton and Stuart Pearson Wright with the portrait.

Artist Stuart Pearson Wright painted a beautiful portrait of Shetland knitter Harriet Middleton for the BBC's Extraordinary Portrait television programme, to honour her exceptional contribution to the NHS Shetland Endowment Fund's MRI Scanner Appeal. Harriet and her team of knitters raised over £100k for the appeal, which benefited from huge local support, and donations from well-wishers around the world. The portrait was [unveiled in its new home at Shetland Museum](#) in February 2023.

- **Visit by then-Cabinet Secretary for Health and Social Care Humza Yousaf and Deputy Chief Medical Officer Professor Graham Ellis**

Figure 19—Photo collage of then-Cabinet Secretary for Health and Social Care, and current First Minister for Scotland, Humza Yousaf and Deputy Chief Medical Officer Professor Graham Ellis meeting with staff members



In August 2022, then-Cabinet Secretary for Health and Social Care, and current First Minister for Scotland, Humza Yousaf and Deputy Chief Medical Officer Professor Graham Ellis visited NHS Shetland. Mr. Yousaf and Professor Ellis visited a variety of locations and met with many members of staff and management to talk about the present and future of NHS Shetland.

Events after the end of the reporting year

None.

Section 6—Approval and signing of the Performance Report

Michael Dickson

Signed by Michael Dickson, Chief Executive as Accountable Officer

23 June 2023

The Accountability Report

Corporate Governance Report

Directors' Report

- **Date of Issue**

The Accountable Officer authorised these audited financial statements for issue on 23 June 2023 following approval by the Board on 22 June 2023.

- **Appointment of auditor**

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who will audit each Scottish health body. For the financial years 2022–23 to 2027–28, the Auditor General appointed Audit Scotland to audit NHS Shetland.

- **Board membership**

Executive Board Members	Position Held
Michael Dickson	Chief Executive
Kirsty Brightwell	Medical Director
Kathleen Carolan	Director of Nursing and Acute Services
Colin Marsland	Director of Finance
Lorraine Hall	Director of Human Resources and Support Services
Susan Laidlaw	Director of Public Health
Non-Executive Board Members	Position Held
Gary Robinson	Chair
Natasha Cornick	Vice Chair
Malcolm Bell [until 30 April 2022]	
Jane Haswell	
Lincoln Carroll	
Colin Campbell	
Joseph Higgins [from 8 December 2022]	
Emma Macdonald [from 4 July 2022]	
Kathy Hubbard	

Stakeholder Non-Executive Board Members	Position Held
Amanda McDermott	Chair, Area Clinical Forum
Ian Sandilands [until 5 June 2022]	Employee Director
Bruce McCulloch [from 6 June 2022]	Employee Director

Under the terms of the Scottish Health Plan, the Health Board is a board of governance, and its 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 that enables them to contribute to the functions and decision-making process at a strategic level and reflects the partnership approach which is essential to improving health and healthcare.

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

The Board Members' responsibilities in relation to the financial statements are set out in a statement following this report. The terms "Board Members" and "Directors" are interchangeable in this report.

The names and positions of the Board Members are set out above.

The Chief Executive has resigned from his post since 31 March 2023 with his leaving date yet to be confirmed. A recruitment process to appoint his replacement commenced in April 2023.

• **Board Members' and senior managers' interests**

Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in [note 20](#). A register of interests, which includes details of company directorships or other significant interests held by Board members that may conflict with their management responsibilities, is available for inspection at the Board's Headquarters, Montfield, Burgh Road, Lerwick, ZE1 0LA or [on the Board's website](#).

All Directors appointed by the Cabinet Secretary (shown in the [remuneration report](#)) are also Trustees of the NHS Shetland Endowment Fund, which are consolidated into these accounts.

Directors' third party indemnity provisions

The Board has not provided a qualifying third party indemnity provision for any of its Directors at any time during the financial year 2022–23 (nor were any provided in 2021–22).

• **Remuneration for non-audit work**

Audit Scotland did not undertake any non-audit work for the Board in 2022–23 (nor in 2021–22).

- **Value of Land**

The value of land owned by the Board is included at current market value, with details provided in [Note 7.a](#).

- **Public Services Reform (Scotland) Act 2010**

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 imposed duties on the Scottish Government, as well as listed Public Bodies, to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year. NHS Shetland has met the requirements of the Public Services Reform (Scotland) Act 2010. You can find the [relevant documentation](#) on NHS Shetland's external website.

- **Personal data related incidents reported to the Information Commissioner**

During 2022–23 there were five cases reported to the Information Commissioner's Office (ICO). In comparison, during 2021–22 there were seven cases reported to the ICO. The Board continued its education programme to increase organisational awareness of, and response to, the requirements of the Data Protection Act 2018. The ICO concluded that no further action was necessary in all 12 cases. They made recommendations for improvements to procedures and, in cases involving human error, highlighted the importance of ensuring staff training was effective and up-to-date.

- **Disclosure of Information to Auditor**

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which 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.

- **Financial instruments**

Information regarding the Financial Risk Management Objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in [Note 19](#).

The Statement of Accountable Officer's Responsibilities

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

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 Annual Report and 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 FReM have been followed and disclose and explain any material departures;
- prepare the financial statements 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 financial statements are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter of November 2019.

The Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare financial statements in accordance with the directions of Scottish Ministers which require that those financial statements give a true and fair view of the state of affairs of the Health Board as at 31 March 2023 and of its operating costs for the year then ended. In preparing these financial statements 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; and
- prepare the financial statements 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 financial statements 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 financial statements.

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 NHS Shetland's policies and promotes achievement of NHS Shetland's aims and objectives, including those set by Scottish Ministers. I am also responsible for safeguarding the public funds and assets assigned to NHS Shetland.

My accountability arrangement, with respect to the Scottish Government Health and Social Care Directorate (SGHSCD), is as set out in the extant guidance and includes full responsibility for all governance arrangements as well as the performance of the Board. This performance is formally reviewed by the Scottish Government on a yearly basis via the [Annual Review](#) process. In addition, a number of other external scrutiny arrangements are in place including ongoing scrutiny of a range of quality and service issues by HIS and other bodies. During 2022–23 there was only one other formal external review undertaken with ICO under taking a review of all Health Boards in Scotland Information Governance compliance. An action plan was approved to address issues the report highlighted as needing attention.

Purpose of the System of Internal Control

The System of Internal Control is based on an ongoing process designed to identify, prioritise and manage the principal risks to the achievement of NHS Shetland's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. The System of Internal Control is designed to manage rather than eliminate the risk of failure to achieve NHS Shetland's policies, aims and objectives. As such, it can only provide reasonable and not absolute assurance.

The process within NHS Shetland accords with guidance from the Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance and has been in place for the year and up to the date of approval of the Annual Report and Accounts.

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

Strategic Framework

NHS Shetland Board has approved a 2025 Vision when agreeing the Shetland Islands Health and Social Care Partnership: [Joint Strategic Commissioning Plan 2022-25](#) (JSCP). The 2025 Vision sets out its aim that by 2025 everyone is supported in their community to live longer, healthier lives and we will have reduced health inequalities.

The Board's five corporate objectives are:

1. continue to improve and protect the health of the people of Shetland;

2. provide quality, effective and safe services, delivered in the most appropriate setting for the patient;
3. redesign services where appropriate, in partnership, to ensure a modern sustainable local health service;
4. provide best value for resources and deliver financial balance; and
5. ensure sufficient organisational capacity and resilience.

The delivery of these objectives is normally set out in three key planning documents. Our Annual Operational Plan sets out intended actions and the risks associated with delivering key national targets and this is signed off by the Scottish Government.

The Board has agreed in partnership with SIC and IJB agreement on the local [JSCP](#). This is now the key strategic document of the IJB and also acts as the strategic planning document for all health services including those directly managed and commissioned by the Health Board. The Board, SIC and IJB are jointly working to a shared vision and objectives for Health and Social care services in Shetland.

Finally, the Board, together with our partners in the Shetland Partnership, works to deliver Shetland's Local Outcome Improvement Plan. This describes the key actions that we deliver in partnership to improve the overall delivery of services and quality of life and outcomes in Shetland as set out in the Community Plan. The Board approved the Local Outcomes Improvement Plan 2018–2028 in June 2018.

Progress against each of these plans is monitored by the Board on an ongoing and regular basis through our performance monitoring framework.

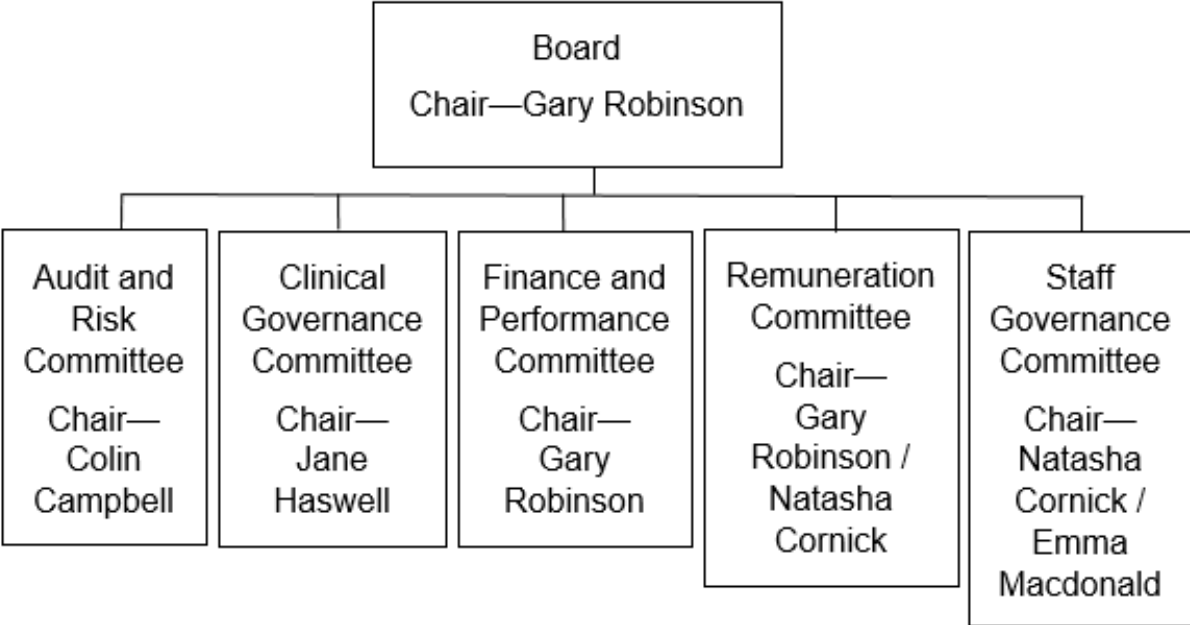
Governance Framework

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

The Board's governance framework includes the committees outlined on pages 46–49 of the Accountability Report, plus the Risk Management Group (RMG). The Board outlines the remit, role and responsibilities of these committees in the [Corporate Governance Handbook](#). The Board's high level governance structure is outlined in figure 20 below, and an [organisational governance chart](#) showing groups which provide assurance to these committees is available on the Board's website, along with the [management reporting structures](#).

The Board met five times in public during 2022–23 (2021–22, eight times) and all the [reports and minutes](#) considered by the Board are publicly available on the Board's website.

Figure 20—Diagram of High Level Board Governance



At each normal public Board meeting the Board fulfils its performance management role by receiving and scrutinising reports on the Quality Strategy (this includes patient experience feedback), Service Performance (including national and local targets), and Financial Performance. The Chairs of the Board’s Governance Committees present the Board with minutes from their Committee meetings and provide verbal escalation reports to make the Board aware of any control issues that merit its attention.

A number of revisions to the Corporate Governance Handbook were agreed during 2022–23 as the Finance and Performance Committee was [established](#) and the other governance committees reviewed their respective terms of reference.

Corporate Governance

In line with Scottish Government policy, in 2022–23, the Board had the following standing committees:

- Clinical Governance Committee (CGC), previously known as Clinical Care and Professional Governance Committee;
- Audit and Risk Committee;
- Endowment Committee;
- Finance and Performance Committee;
- Staff Governance Committee;
- General Medical Practitioners Committee; and
- Reference Committee (for Primary Care contractors).

The Board’s own Scheme of Committees also includes the:

- Remuneration Committee.

The Board's Corporate Governance handbook also refers to the relationship with the IJB that took on its full duties on 20 November 2015.

2022–23 saw some turnover in non-executive directors has outlined in the Board [membership](#) table above. There has been a review and updating of some committee membership. Further information on changes can be found on the Board's [website](#).

The functions of the Board's committees are detailed below.

- **Clinical Governance Committee (CGC)**

The CGC has two key roles:

- that the principles and standards of clinical governance are applied to the health improvement and health protection activities of the Board; and
- that appropriate mechanisms are in place for the effective engagement of representatives of patients and clinical staff.

The membership of the CGC includes five non-executive Board Members and in 2022–23 has been chaired by Jane Haswell. The Committee met four times during 2022–23.

- **Audit and Risk Committee**

The Audit and Risk Committee comprises four non-executive Board Members and is chaired by Colin Campbell. The committee's primary function is to provide the Board with assurance that adequate control systems are in place to manage governance effectively. The committee met five times during 2022–23 to consider all aspects of control. It also met five times in 2021–22. As part of the committee's approach to continuous development and improvement, the business plan includes three development training session to inform members' understanding of nominated topics to address training issues identified. In 2022–23 these training sessions were organised in conjunction with the audit committees of NHS Western Isles and NHS Orkney.

The committee receives and discusses reports from internal and external audit and scrutinises the Annual Report and Accounts in detail on behalf of the Board. The committee received three Internal Audit reports in 2022–23 on Management of Board Performance, Significant Adverse Events and Mental Health Services. There are seven management actions arising in these reports. Three of these are graded as high risk.

The committee agrees the Annual Internal Audit plan and receives the Chief Internal Auditors Annual Report. In 2022–23 that report highlights an opinion that NHS Shetland has a framework of governance, risk management and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives.

The committee meets jointly with Chairs of the other Governance committees for the purpose of considering the draft Director's Report and Governance Statement, as part of the final financial statements process in May.

- **Finance and Performance Committee**

Following a review of the Board's governance arrangement the Board decided to create a Finance and Performance committee (FPC). The committee chair is the Board chair and membership comprises the chairs of the other governance committee and Board member who holds the chair or vice chair role on the IJB.

The committee met twice in 2022–23 and also held a development workshop.

The committee remit in addition to providing additional scrutiny and assurance on finance and performance also include:

- Board's sustainability plan
- Information Governance
- Digital and Cyber Security
- Business Continuity
- Review and scrutiny of the Board's Annual Operating Plan development

- **Endowment Committee**

The Endowment Committee comprises all members of the Board and the Chair is Lincoln Carroll. The committee oversees the management of NHS Shetland Endowment Fund. The committee met four times in 2022–23 and four times in 2021–22.

The Endowment Fund is registered with the Office of the Scottish Charity Regulator (OSCR); its charity reference number is SC011513. The Endowment Fund produces its [own audited financial statements](#), however in line with IFRSs 10 (International Financial Reporting Standards 10) this has been consolidated with the Board's financial statements. Audit Scotland does not audit these financial statements as part of this Audit. The A9 Partnership Limited C.A. based in Lerwick is the Auditor of these funds.

The Endowment Fund was responsible for organising a community fundraising appeals such as a MRI Scanner in Shetland. In 2022–23 the MRI procurement process was [completed](#) with planning assumption be operational in 2024.

The Endowment Fund predates the creation of the NHS and 31 October 2022 marked the 100 year anniversary of the creation of the charity.

- **Staff Governance Committee**

The membership of the Staff Governance Committee comprises four non-executive Board Members, one of whom is the Employee Director and three members from the Area Partnership Forum (two staff-side and one management representative). The Committee initial chair was Natasha Cornick and current chair is Emma Macdonald. The committee met on three occasions during 2022–23 and also met on three occasions during 2021–22.

The Staff Governance Committee's function is to ensure appropriate governance and management of all staff and employment issues. The committee also oversees the implementation of the Staff Governance Standard which requires all NHS Boards to demonstrate that staff are well informed; appropriately trained; involved in decisions that affect them; treated fairly and consistently; and provided with a continuously improving and safe working environment. The Standard also places requirements on staff to ensure a balanced commitment to these matters.

The Committee has an important role in ensuring consistency of policy and equity of treatment of all staff and assessing the Board's compliance with NHS Scotland Staff Governance standards to ensure compliance with all relevant laws and regulations. Activities undertaken within the Staff Governance action plan during the last year include focusing accelerated recruitment process to support deployment and

redeployment of staff, staff wellbeing, updating relevant policies, and work to improve the organisational culture and transparency.

The management action plan to address statutory and mandatory training issues highlighted in the Internal Audit report is being monitored by Staff Governance Committee.

- **Reference Committee**

The Board has a Reference Committee which has a general duty of deciding whether allegations of breach of terms of service made against Family Health Contractors should be made to a Discipline Committee. The Reference Committee was not required to meet in 2022–23 or during 2021–22. The committee Chair is a non-executive Board Member.

- **Remuneration Committee**

The main function of the Remuneration Committee is to ensure the appropriate application and implementation of pay systems on behalf of the Board, as determined by the Scottish Government. During 2022–23 the committee met on two occasions and twice during 2021–22. The Remuneration Committee was originally chaired by the Board Chair and from February 2023 the committee is now chaired by the Vice Chair.

Risk and Control Framework

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control and accountable to the Board for the effective management of risks.

The Board's Corporate Governance Handbook contains the Board's System of Internal Control: Standing Orders, Standing Financial Instructions and approved Scheme of Delegation. This information is publicly available on the Board's [website](#).

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 local risk management strategy was [agreed](#) by the Board in April 2023.

The Risk Management Strategy sets out our local principles and approaches to risk management which are to be followed throughout NHS Shetland. These are aligned to [The Orange Book: Management of Risk—Principles and Concepts](#) (23 August 2021), and HM Government and the SPFM '[Risk Management—Good Practice in the Scottish Public Sector](#)' (2018, Scottish Government).

As Chief Executive I ensure there is suitable review and management of strategic risks and that all significant risk management concerns are prioritised, considered in-line with our risk register hierarchy as outlined below in Figure 21. These are communicated to our Board and Governance Committees on a regular basis.

Risk management is a dynamic process, with frequent review of existing risks and monitoring of the environment necessary to ensure the risks captured represent the current profile of the organisation.

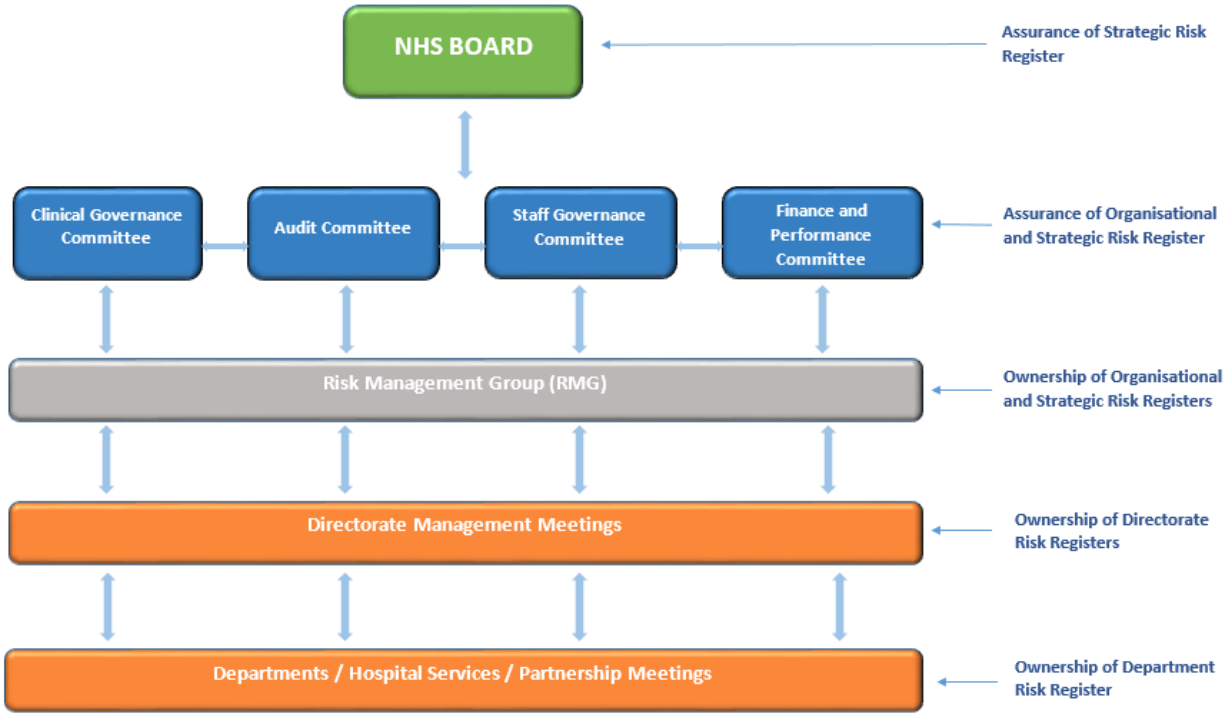
NHS Shetland risk arrangements are managed by the Risk Management Group (RMG) with annual work plan to embed risk management in the organisation.

Figure 21—Diagram showing Risk Register Hierarchy



The work of the RMG is now overseen by the Audit and Risk Committee with individual corporate risks allocated to the relevant committee as outlined below in Figure 22. Overall oversight is maintained by the Board.

Figure 22—Diagram showing Risk Management Governance Structure



Our risk management process uses a standard matrix with red, amber, green status that has been developed and is utilised organisation-wide. The output from this review is included in the Risk Register.

The Strategic risks are reviewed on a regular basis by both the RMG and the relevant governance committee along with the actions taken to mitigate the risk.

The Strategic Risk Register is aligned to the corporate objectives of the Board and is focussed on key strategic risks. The [Strategic Risk Register](#) is published on the Board’s website and is formally reviewed by the Board and Audit and Risk Committee.

A complete review of the corporate risks was undertaken during the year. The revised Strategic Risk Register was approved by the Board at April 2023 meeting. The review includes both issues the Board has full autonomy overall and external factors.

More generally, the Board is committed to continuous development and improvement; developing systems in response to any relevant reviews; and developments in best practice. The Risk Management Summary Report 2022–23 [presented](#) to the April 2023 Board meeting summarises the activities undertaken in 2022–23 and plan for 2023–24.

- **Covid-19 pandemic**

Following the declaration of Covid-19 as a worldwide pandemic the Board [implemented our emergency planning arrangements on 16 March 2020](#), overseen and guided via local and national operational, tactical and strategic response structures. In line with guidance from the Scottish Government, the Board agreed revised governance arrangements. For the duration of the Covid-19 pandemic our local response in response to mitigating the spread of the virus and recovery plans have been adjusted to match. Local guidance has been published on our Covid-19 microsite, our Facebook site and to the local media via [press releases](#).

The Board has worked in partnership with the IJB, SIC, Scottish Ambulance Service, NHS Grampian, NHS National Shared Services, Up Helly Aa committees and local volunteer groups to ensure the health and wellbeing of the Shetland population was paramount in working together to save lives locally. The Board once again takes this opportunity to thank them all for their support during Covid-19 pandemic to keep the local community safe and minimising the impact of the virus in Shetland.

Annual Service Reports

A review of Annual Service Audit Reports is undertaken by National Services Scotland (NSS). These are intended to provide assurance to all Boards around the internal controls frameworks in place for a range of services provided on behalf of NHS Scotland. This includes payments to Practitioners, Information Technology (IT) Services and Finance Ledger Systems. A qualification in a service audit report relates to the design or operating effectiveness of controls in order to meet the stated control objectives rather than indicating that the underlying transactions are necessarily incorrectly processed. An adverse opinion would occur where controls were absent or failed.

NHS Ayrshire and Arran hosts National Single Instance Financial Ledger Services and the annual service audit found it operated effectively throughout the year from 1 April 2022 to 31 March 2023. The previous years' service audit also found that it operated effectively throughout 2021–22.

In 2022–23, the payments to Practitioners service audits reports found controls operated effectively this year. The 2021–22 service audit also found controls operated effectively throughout this year.

National IT Services Service Audit report in 2021–22 audit found it operated throughout the year throughout the year. In respect of 2022–23 service audit it also reached this conclusion.

- **Whistleblowing**

[NHS Shetland whistleblowing policy](#) is NHS Scotland national whistleblowing standard. In February 2020, the Scottish Government appointed an additional non-executive to the Board who is the Board's Whistleblowing Champion. Joe Higgins was appointed to this post during 2022–23 replacing NHS Orkney non-executive lead, Jason Taylor, as interim support.

Whistleblowing Executive Lead, Kirsty Brightwell, Medical Director during 2022–23 [leading](#) on implementing the [national Whistleblowing Standards](#). An annual report is normally presented to June Board meeting.

- **Counter Fraud Services**

NHS Scotland Counter Fraud Services (CFS) carry out work on behalf of all Boards in Scotland with respect to Family Health Services patient exemption checks, to identify claims that may have an administrative error or fraud in the submission.

CFS also provide a central intelligence base for Boards and provide support and training for staff in engendering an anti-fraud culture at the Board. In respect of fraud training, 145 members of staff completed CFS on-line training in Turas in year. At 31 March 2023, 622 members of staff have a valid completion certificate. In addition staff have also completed Procurement fraud awareness eLearning module and Competition and Markets Authority Bid rigging in public procurement eLearning module. CFS also under took Microsoft Team training event that were promoted locally and staff participated in these events.

Information Governance

The Board has put in place a structure and processes for implementing the national Information Governance (IG) standards.

In line with the regulations NHS Shetland has appointed a Data Protection Officer (DPO), a Caldecott Guardian and a Senior Information Risk Owner (SIRO). The DPO is supported by a dedicated team which ensures organisational responsibilities in respect of IG responsibilities under General Data Protection Regulation (EU) 2016/679, Freedom of Information (FOI), Public Records (Scotland) Act 2011 and [Network & Information Systems Regulations 2018](#). The operational delivery of these issues is scrutinized by Information Governance Sub Group (IGSG) that includes the DPO, Caldecott Guardian, SIRO and e-Health lead.

The Board [approved](#) at June 2022 Information Governance Strategy 2022–2027.

The IG work plan is monitored through the Digital Health and Informatics Support Group (DISG) which has lead responsibility for IG. IGSG is accountable to this governance committee.

There are clear links between the IG framework and the clinical governance framework and the IG plan is now presented to the FPC along with an annual review of prior year activities in 2022–23 against the prior year plan with work plan for 2023–24.

Progress has been made in a number of areas however work continues to improve our performance as there have been 88 “near miss” data security incidents during 2022–23 reported to the Board's Data Protection Office, there were 95 “near misses” in 2021–22.

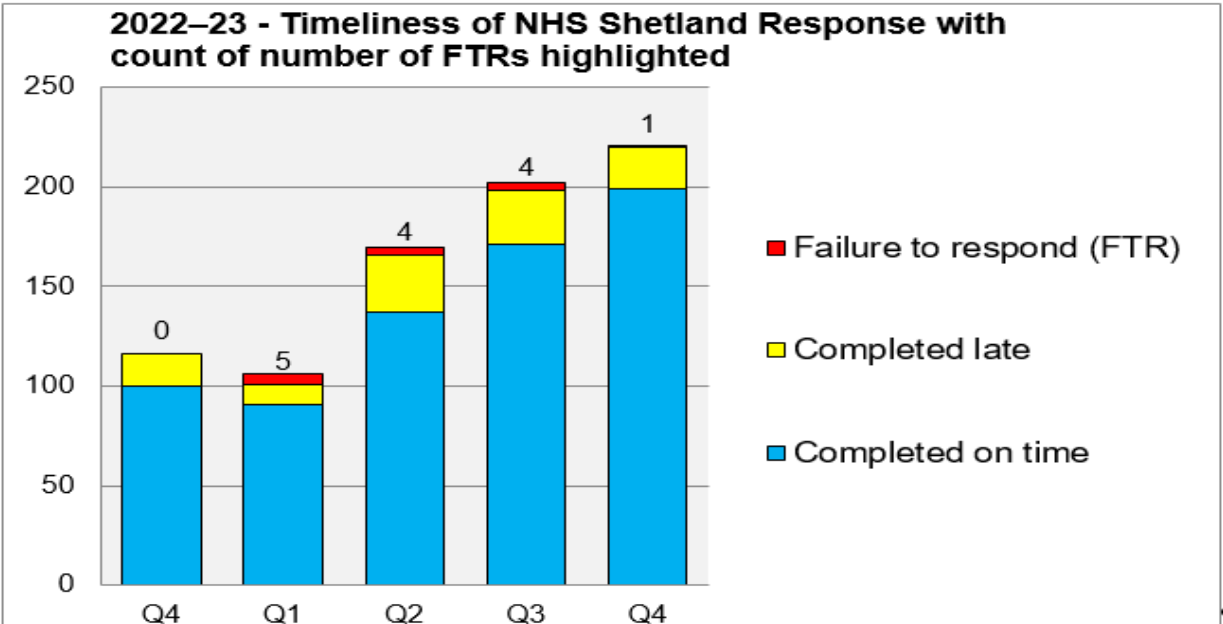
Actions have been taken to improve systems and remind staff of the importance of data security. While the physical security of our data has improved, we continue to work with staff to ensure they understand their responsibilities. During 2022–23 there were five incidents (2021–22, seven) reported to the Information Commissioners Office. These cases have all been closed as the ICO concluded that no further action was necessary. Recommendations were made by ICO for improvements to procedures and, in cases involving human error, highlighted the importance of ensuring staff training was effective and up-to-date.

The ICO started a plan to audit assignment looking at data protection compliance across the wider NHS in Scotland to understand “the extent to which information governance accountability, policies and procedures, and information sharing agreements and logs which comply with the principles of all data protection legislation are in place and in operation throughout the organisation”.

Locally ICO summarised their findings as: “There is a high level of assurance that processes and procedures are in place and are delivering data protection compliance. The audit has identified only limited scope for improvement in existing arrangements and as such it is not anticipated that significant further action is required to reduce the risk of non-compliance with data protection legislation.”

An action plan is in place to address to address these issue was presented to FPC. During 2022–23 the Board submitted an update on its Records Management Plan (RMP) with the Keeper of the Records of Scotland. The feedback report from the Keeper on our [progress](#) was discussed at the December 2022 Board meeting.

Figure 23—Timeliness of NHS Shetland response to Freedom of Information requests



The number of Freedom of Information (FOI) requests significantly increased in 2022–23 to our highest ever total of 612. In respect of the Board’s obligation just under 86% of requests were responded to on time, just under 87% in 2021–22. However as shown in figure 23 and reported to FOISA there are 10 requests that have not yet received a response and are overdue. This figure was also 10 in 2021–22.

Best Value

I can confirm that NHS Shetland 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 seek opportunities to enhance the system of internal control with a 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.

Board Compliance with SPFM

I can confirm that the Board is compliant in all material respects with the aspects of the UK Corporate Governance Code as set out in the guidance issued by the SGHSCD to Chief Executives as being applicable to NHS Boards.

This includes ensuring self-evaluation and KPIs are in place to identify and address the development needs of Executive and Non-Executive Board Members.

Review of Effectiveness

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

- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditor, who submit to the organisation's Audit and Risk Committee regular reports which include Internal Audit's independent and objective opinion on the adequacy and effectiveness of the Board's systems of internal control together with recommendations for improvement;
- comments made by the External Auditor in their management letters and reports;
- and the work of the service auditors in relation to the control frameworks operated by the following, which are reported through the Annual Service Audit Reports:
 - Practitioner and Counter Fraud Services (PCFS) in the discharge of their services to support the payments of family health services practitioners on behalf of NHS Scotland Health Boards
 - Atos and NSS Digital and Security in the discharge of their services to support National IT Services on behalf of NHS Scotland Health Boards
 - NHS Ayrshire and Arran in the discharge of their services to operate the National Single Instance (NSI) financial ledger services on behalf of NHS Scotland Boards.

For the year 2022–23, all three of these Service Audit Report received a clear opinion that relevant controls were properly in place throughout the year.

As part of this process, the Directors and Committee Chairs have provided formal written Certificates of Assurance for their relevant committees/areas of responsibility.

The ultimate test of the effectiveness of this system is the extent to which the Board achieves its corporate objectives. As described above, progress against these objectives is monitored by regular performance reports to the Board and these have demonstrated good progress over the past year. The RMG has maintained an overview of all risks. The Internal Auditor draws up reports that consider various aspects of the Board's control systems and reports findings to the Audit and Risk Committee. These reports consider the extent to which the Board's processes support its system control objectives and offer an opinion as to the degree of risk to which the Board is exposed.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, the Audit and Risk Committee, Staff Governance Committee, CGC and RMG.

Appropriate action is in place to address weaknesses and ensure continuous improvement of the system is in place.

Significant Governance Issues

During the financial year there were no other significant control weaknesses or issues that have arisen, other than those covered below, and no significant failures have arisen in the expected standards for good governance, risk management and control that require to be reported to the Scottish Government.

1. Failure to complete and disclose our Fair Pay report as required by the Equalities Act (210) (Specific Duties) (Scotland) Regulations 2012.

In meeting our obligation to produce these we work in partnership with NHS Grampian. Due staff circumstances at NHS Grampian these were not able to be produced on time. Joint reactive action has now taken place to remedy this unfortunate omission. Relevant reports were produced during June.

Although we work in partnership with NHS Grampian to comply with our disclosure requirements NHS Shetland acknowledges that we retains the responsibility for ensuring these are produced in-line with our obligations.

2. The NHS Scotland's national finance system eFinancials was upgraded from Version 5 to Version 6 in January 2023. Following the upgrade, a number of performance issues were experienced, which resulted in delays to invoice processing and the financial year end closedown procedures. Additional staff resources were deployed to support these tasks; all of which were ultimately completed. National Services Scotland provided additional support during this period and all issues were resolved by June 2023.

Remuneration and Staff Report

Remuneration Report

- **Board Members' and Senior Employees' Remuneration**
- **Remuneration Committee membership (Unaudited)**

The members of the Remuneration Committee are the Chair and Vice-Chair of the Board, as well as the Chair of the Audit and Risk Committee and the Employee Director. The Director of Human Resources and Support Services is the Remuneration Committee's advisor on all matters, except those relating directly to her. The Chief Executive is also in attendance, except when matters pertaining to his own remuneration or performance are being discussed.

The Committee meets as required to conduct its business. The Director of Human Resources and Support Services prepares an annual report for the Board on the work of the Remuneration Committee.

- **Remuneration policy for Senior Executives (Unaudited)**

The Remuneration Committee agrees the annual objectives for the Board Chief Executive, and then agrees with the Chief Executive the annual objectives for the other Executive Directors, as well as staff on the Senior Manager pay scale. The Committee considers performance against objectives, as well as the remuneration of these staff, who are then remunerated in accordance with national guidance and pay scales. The evidence is subject to regular audit and is also made available to the National Performance Management Committee for ratification. The element of remuneration subject to performance conditions is low, averaging under 5%.

All managers in the Executive Cohort are under a National Contract that has a three-month notice period. There is provision in the contract for the Board to make a termination payment equivalent to three-months' salary in lieu of the notice period if it so desires. This option is only used in exceptional circumstances, and no such awards have been made to past senior managers.

The Committee also oversees arrangements for payment of discretionary points to locally employed consultant staff. This includes final payment decisions in individual cases, based upon professional advice and in accordance with current guidance issued by the Scottish Government Health Directorates.

• **NHS Shetland—Year Ended 31 March 2023 (Audited Information)**

Director	Director's Gross Salary (bands of £5,000)	Total Earnings in Year	Pension Benefits	Total Remuneration
Executive Members	£000	£000	£000	£000
Chief Executive: Michael Dickson [1]	145-150	145-150	40	185-190
Medical Director: Kirsty Brightwell	140-145	140-145	(19)	120-125
Director of Nursing: Kathleen Carolan [2]	145-150	145-150	(1)	145-150
Director of Finance: Colin Marsland	85-90	85-90	(28)	55-60
Director of Human Resources and Support Services: Lorraine Hall [3]	120-125	120-125	2	125-130
Director of Public Health: Susan Laidlaw	130-135	130-135	3	135-140
Non-Executive Members	£000	£000	£000	£000
Chair: Gary Robinson	30-35	30-35	0	30-35
Natasha Cornick	5-10	5-10	0	5-10
Malcolm Bell [until 30 April 2022] [4]	0-5	0-5	0	0-5
Jane Haswell	5-10	5-10	0	5-10
Lincoln Carroll	5-10	5-10	0	5-10
Colin Campbell	5-10	5-10	0	5-10
Joseph Higgins [from 8 December 2022] [4]	0-5	0-5	0	0-5

Director	Director's Gross Salary (bands of £5,000)	Total Earnings in Year	Pension Benefits	Total Remuneration
Emma Macdonald [from 4 July 2022] [4]	5-10	5-10	0	5-10
Non-Executive Members	£000	£000	£000	£000
Kathy Hubbard	5-10	5-10	0	5-10
Other Board Members	£000	£000	£000	£000
Chair of Area Clinical Forum: Amanda McDermott [5]	70-75	70-75	8	80-85
Employee Director: Ian Sandilands [until 5 June 2022] [6]	25-30	25-30	(47)	(15-20)
Employee Director: Bruce McCulloch [from 6 June 2022] [7]	35-40	35-40	0	35-40
Other Senior Employees	£000	£000	£000	£000
Director of Community Health and Social Care: Brian Chittick	110-115	110-115	34	145-150
Total			(8)	

Notes in respect of 2022–23 disclosure:

1. The Chief Executive's salary reflects that he was Chief Executive for both NHS Shetland and NHS Orkney. This post is funded 50/50 by NHS Shetland and NHS Orkney.
2. The Director of Nursing's salary is inclusive of arrears of pay relating to 2020-21, £13k and 2021–22, £13k.
3. The Director of Human Resources and Support Services salary reflects that she was performing this role for both NHS Shetland and NHS Orkney. This post is funded 50/50 by NHS Shetland and NHS Orkney.

4. These Non Executive Directors' full year equivalent salaries are £5k-£10k.
5. This Chair of the Area Clinical Forum salary includes £65k in respect of non-Board duties (Chief Nurse Acute).
6. This Employee Director's salary includes £29k in respect of non-Board duties (Clinical Team Leader). This Employee Director left his Non-Executive post on 5 June 2022, full year equivalent salary £5k-£10k. He also left his substantive post on 30 September 2022, full year equivalent salary £45k-£50k.
7. This Employee Director's salary includes £32k in respect of non-Board duties (Service Improvement Lead). This Employee Director commenced his Non-Executive post on 6 June 2022, full year equivalent salary £5k-£10k.
8. No benefits in kind were received in 2022–23.
9. No bonus payments were made in 2022–23.

• **NHS Shetland—Pension Values—Year Ended 31 March 2023 (Audited Information)**

Director	Accrued pension at age 60 as at 31 March 2023 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2023	CETV at 31 March 2022 [3]	Real Increase in CETV
Executive Members	£000	£000	£000	£000	£000
Chief Executive: Michael Dickson	5-10 (0)	2.5-5 (0)	114	75	39
Medical Director: Kirsty Brightwell	50-55 (90-95)	7.5-10 (5-7.5)	773	656	117
Director of Nursing: Kathleen Carolan	35-40 (50-55)	0-2.5 (0)	552	538	14
Director of Finance: Colin Marsland	35-40 (70-75)	0 (0)	687	698	(11)
Director of Human Resources and Support Services: Lorraine Hall	30-35 (60-65)	0-2.5 (0)	529	515	14
Director of Public Health: Susan Laidlaw	45-50 (85-90)	0-2.5 (0)	873	850	23

Director	Accrued pension at age 60 as at 31 March 2023 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2023	CETV at 31 March 2022 [3]	Real Increase in CETV
Non-Executive Members [2]					
Other Board Members	£000	£000	£000	£000	£000
Chair of Area Clinical Forum: Amanda McDermott	15-20 (0)	0-2.5 (0)	186	175	11
Employee Director: Ian Sandilands	20-25 (70-75)	0 (0)	583	633	(50)
Employee Director: Bruce McCulloch	15-20 (35-40)	0 (0)	296	292	4
Other Senior Employees	£000	£000	£000	£000	£000
Director of Community Health and Social Care: Brian Chittick	15-20 (0)	0-2.5 (0)	209	176	33
Total					194

Notes in respect of 2022–23 disclosure:

1. Accrued annual pension and real annual increase stated first followed by lump sum payment inside brackets.
2. Non-executive members are not eligible for membership of NHS pension scheme so the value is nil in all columns for the pension values table.
3. It is not unusual for the disclosed figure for the opening figure in the current year to be different from the 31 March figure in the previous year. Since the real increase in CETV is supposed to reflect the change related to employer contributions only, the figure is worked out using common market valuation factors for the start and end of the period. It follows that the market valuations at the end of the current year may be different from those used in the previous year.

• **NHS Shetland—Year Ended 31 March 2022 (Audited Information)**

Director	Director's Gross Salary (bands of £5,000)	Benefits in Kind	Total Earnings in Year	Pension Benefits	Total Remuneration
Executive Members	£000	£s	£000	£000	£000
Chief Executive: Michael Dickson [1]	140-145	0	140-145	34	175-180
Medical Director: Kirsty Brightwell	130-135	0	130-135	36	165-170
Director of Nursing: Kathleen Carolan	110-115	0	110-115	23	135-140
Director of Finance: Colin Marsland	85-90	0	85-90	31	115-120
Director of Human Resources and Support Services: Lorraine Hall [2]	120-125	0	120-125	39	155-160
Interim Director of Public Health: Susan Laidlaw [from 1 May 2021] [3]	140-145	0	140-145	78	215-220

Director	Director's Gross Salary (bands of £5,000)	Benefits in kind	Total Earnings in Year	Pension Benefits	Total Remuneration
Non-Executive Members	£000	£000	£000	£000	£000
Chair: Gary Robinson	30-35	0	30-35	0	30-35
Natasha Cornick	5-10	0	5-10	0	5-10
Shona Manson [until 31 December 2021] [4]	5-10	0	5-10	0	5-10
Jane Haswell	5-10	0	5-10	0	5-10
Lincoln Carroll	5-10	0	5-10	0	5-10
Colin Campbell	5-10	0	5-10	0	5-10
Malcolm Bell	5-10	0	5-10	0	5-10
Kathy Hubbard [from 17 January 2022] [5]	0-5	0	0-5	0	0-5

Director	Director's Gross Salary (bands of £5,000)	Benefits in kind	Total Earnings in Year	Pension Benefits	Total Remuneration
Other Board Members	£000	£000	£000	£000	£000
Chair of Area Clinical Forum: Amanda McDermott [6]	75-80	0	75-80	34	105-110
Employee Director: Ian Sandilands	65-70	0	65-70	(13)	55-60
Other Senior Employees	£000	0	£000	£000	£000
Director of Community Health and Social Care: Brian Chittick	100-105	0	100-105	29	130-135
Total		0		291	

Notes in respect of 2021–22 disclosure:

1. The Chief Executive's salary reflects that he was Chief Executive for both NHS Shetland and NHS Orkney. This post is funded 50/50 by NHS Shetland and NHS Orkney.
2. The Director of Human Resources and Support Services salary reflects that she was performing this role for both NHS Shetland and NHS Orkney. This post is funded 50/50 by NHS Shetland and NHS Orkney.
3. The Interim Director of Public Health was employed for the full financial year 2021–22 and the salary above represents full year remuneration. Prior to 1 May 2021 they were employed as a Consultant in Public Health Medicine.
4. This Non Executive Director's full year equivalent salary is £5k-£10k.
5. This Non Executive Director's full year equivalent salary is £5k-£10k.
6. This Chair of the Area Clinical Forum salary includes £68k in respect of non-Board duties (Chief Nurse Acute).
7. The Employee Director's salary includes £61k in respect of non-Board duties (Clinical Team Leader).
8. No benefits in kind were received in 2021–22.
9. No bonus payments were made in 2021–22.

• **NHS Shetland—Pension Values—Year Ended 31 March 2022 (Audited Information)**

Director	Accrued pension at age 60 as at 31 March 2022 (bands of £5,000) [2]	Real Increase in Pension at age 60 (bands of £2,500) [2]	CETV at 31 March 2022	CETV at 31 March 2021 [4]	Real Increase in CETV
Executive Members	£000	£000	£000	£000	£000
Chief Executive: Michael Dickson	5-10 (0)	2.5-5 (0)	68	35	33
Medical Director: Kirsty Brightwell	15-20 (0)	2.5-5 (0)	166	135	31
Director of Nursing: Kathleen Carolan	25-30 (45-50)	0-2.5 (0)	442	413	29
Director of Finance: Colin Marsland	30-35 (70-75)	0-2.5 (0-2.5)	631	590	41
Director of Human Resources and Support Services: Lorraine Hall	25-30 (60-65)	2.5-5 (0-2.5)	468	424	44
Interim Director of Public Health: Susan Laidlaw [from 01 May 2021] [1]	40-45 (80-85)	2.5-5 (5-7.5)	772	683	89

Director	Accrued pension at age 60 as at 31 March 2022 (bands of £5,000) [2]	Real Increase in Pension at age 60 (bands of £2,500) [2]	CETV at 31 March 2022	CETV at 31 March 2021 [4]	Real Increase in CETV
Non-Executive Members [3]					
Other Board Members	£000	£000	£000	£000	£000
Chair of Area Clinical Forum: Amanda McDermott	15-20 (0)	0-2.5 (0)	159	136	23
Employee Director: Ian Sandilands	20-25 (70-75)	0 (0)	575	570	5
Other Senior Employees	£000	£000	£000	£000	£000
Director of Community Health and Social Care: Brian Chittick	10-12 (0)	0-2.5 (0)	159	132	27
Total					322

Notes in respect of 2021–22 disclosure:

1. The Interim Director of Public Health was employed for the full financial year 2021–22 and the pension values above represent that. Prior to 1 May 2021 they were employed as a Consultant in Public Health Medicine.
2. Accrued annual pension and real annual increase stated first followed by lump sum payment inside brackets.
3. Non-executive members are not eligible for membership of NHS pension scheme so the value is nil in all columns for the pension values table.
4. It is not unusual for the disclosed figure for the opening figure in the current year to be different from the 31 March figure in the previous year. Since the real increase in CETV is supposed to reflect the change related to employer contributions only, the figure is worked out using common market valuation factors for the start and end of the period. It follows that the market valuations at the end of the year may be different from those used in the previous year.

- **Fair Pay Disclosure (Audited Information)**

The following table compares the banded remuneration of the highest paid Director against the median salary for the workforce in each year.

	2023	2022	Change
	£s		%
Range of staff remuneration	22-328	21-355	(8%)
Highest earning director's remuneration	146,858	141,860	4%
Median (Total pay and benefits)	37,485	34,886	7%
Median (Salary only)	35,365	32,915	7%
Ratio	1:4	1:4	0%
25 th percentile (Total pay and benefits)	28,702	26,420	9%
25 th percentile (Salary only)	25,808	23,603	9%
Ratio	1:5	1:5	0%
75 th percentile (Total pay and benefits)	49,835	47,537	5%
75 th percentile (Salary only)	43,286	40,736	6%
Ratio	1:3	1:3	0%
<p>Commentary: The highest-earning director was the Chief Executive in both 2022–23 and 2021–22.</p> <p>The range of remuneration was higher in 2021–22 due to various medical consultants working extra hours in connection with the mobile theatre project to address the backlog in elective care. This project came to an end in June 2022.</p> <p>The increase in the current year's remuneration compared to the previous year is in line with the NHS Scotland pay award for 2022–23.</p>			

The remuneration figures used for the median and percentile calculations represent the annualised whole time equivalent (WTE) salary figures excluding employer's pension contributions. The figures disclosed earlier in this remuneration report represent actual earnings for the year inclusive of pension costs. In respect of staff with part-time employment the total pay used in the calculation of the median has been grossed-up to a WTE value but staff with contracts of less than two hours were excluded as this can lead to very high annual salaries when grossed up that distort the median result. Arrears of staff pay have also been excluded as this may also distort the median. Agency staff are excluded, as they are not employees and are charged via invoice, not via payroll.

Staff Report

- Number of senior staff by band (Audited Information)**

This information is provided by headcount and represents the Executive Board Members and Other Senior Employees from the Remuneration Report. This information represents full year equivalent salaries of Board Members and Senior Employees still in employment at 31 March 2023.

	2023	2022
Band (bands of £10,000)	Number of Staff	Number of Staff
£80,001 to £90,000	1	1
£100,001 to £110,000	0	1
£110,001 to £120,000	1	1
£120,001 to £130,000	1	1
£130,001 to £140,000	1	1
£140,001 to £150,000	3	2
Total	7	7

- Higher paid employees' remuneration (Audited Information)**

Other employees whose remuneration fell within the following ranges:

2023		2022
Number		Number
	Clinicians	
12	£70,001 to £80,000	8
10	£80,001 to £90,000	10
4	£90,001 to £100,000	5
5	£100,001 to £110,000	4
3	£110,001 to £120,000	2
0	£120,001 to £130,000	2
0	£130,001 to £140,000	2
1	£140,001 to £150,000	2
3	£150,001 to £160,000	4

2023		2022
Number		Number
3	£160,001 to £170,000	2
2	£170,001 to £180,000	0
0	£180,001 to £190,000	0
0	£190,001 to £200,000	0
6	£200,001 and above	6
	Other	
3	£70,001 to £80,000	1
1	£80,001 to £90,000	3
1	£120,001 to £130,000	0

• **Staff costs (Audited Information)**

	Salaries and wages	Social security costs	NHS scheme employers' costs	Inward secondees	Agency and other directly engaged staff	Total
	£000	£000	£000	£000	£000	£000
Executive Board Members	644	106	156	0	0	906
Non-Executive Members	106	3	0	0	0	98
Permanent staff	31,201	3,744	5,743	0	0	40,688
Inward Secondees	0	0	0	271	0	271
Other Staff	0	0	0	0	8,033	8,033
2023 total	29,587	3,853	5,899	271	8,033	49,996
2022 total	32,104	3,525	5,576	429	7,193	48,827

- **Staff Numbers (Audited information except in respect of disabled staff):**

	Whole Time Equivalent
Executive Board Members	6
Non-Executive Members	2
Permanent staff	646
Inward Secondees	0
Other Staff	0
Outward Secondees	0
2023 total	654
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
Included in the total staff numbers above were disabled staff of:	43
Included in the total staff numbers above were Special Advisers of:	0
2022 total	680
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
Included in the total staff numbers above were disabled staff of:	54
Included in the total staff numbers above were Special Advisers of:	0

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are included in [Note 18](#).

- **Staff composition (Unaudited Information)**

Head Count of Staff	2023			2022		
	Male	Female	Total	Male	Female	Total
Executive Directors	2	4	6	2	4	6
Non-Executive Directors and Employee Director	5	5	10	5	4	9
Senior Employees	1	0	1	1	0	1
Other	132	663	795	149	647	800
Total Headcount	140	672	812	157	655	816

- **Sickness absence data (Unaudited Information)**

	2023	2022
Sickness absence rate	4.6%	4.3%

The NHS Scotland AOP compliance standard for Boards to achieve is a sickness absence rate of 4.0% or less. NHS Shetland was 4.6% against this KPI in 2022–23. It was positive in relation to the NHS Scotland average of 6.2% in 2022–23.

The number of hours lost as sickness absence increased from 58,309 in 2021–22 to 60,546 in 2022–23. This increase of 2,237 hours was primarily down to anxiety and stress which remains the top reason for absence.

Area Partnership Forum and Staff Governance Committee monitors sickness absence as part of their standing agenda items. Managers though are responsible for following Board policies ii support staff wellbeing and managing absences.

- **Staff policies applied during the financial year relating to the employment of disabled persons (Unaudited Information):**

- The Board gives full and fair consideration to applications for employment made by disabled persons, having a regard to their particular aptitudes and abilities.
- The Board also continues the employment of and arranges appropriate training for employees of the Board who have become disabled persons during the period when they were employed.
- Policies include ‘Embracing Equality, Diversity and Human Rights’ and ‘Ensuring Safe and Fair Recruitment, Selection and Employment’. You can find the [relevant documentation on NHS Shetland’s external website](#).

- **Exit packages (Audited Information)**

None in 2022–23 or prior year.

- **The Trade Union (Facility Time Publication Requirements) Regulations 2017 (Unaudited Information)**

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. The data is required to be published on a website maintained by or on behalf of the employer before 31 July each year.

- **Relevant Union Officials**

Number of employees who were relevant union officials during the year 1 April 2022 to 31 March 2023	Full time equivalent employee number
14	1

- **Percentage of time spent of facility time**

Percentage of time	Number of representatives
1–50 %	14

- **Percentage of pay bill spent on facility time**

	£000s
Total cost of facility time	5
Total pay bill	47,643
Percentage of the total pay bill spent on facility time	0.01%

- **Paid trade union activities**

Time spent on paid trade union activities as a percentage of total paid facility time hours	2%
--	----

- **Staff Turnover Percentage (Unaudited Information)**

Period	Staff turnover percentage
2022–23	19%
2021–22	8%

The significant increase in 2022–23 was due to the number of Covid-19 temporary contracts ending during the year.

Staff turnover is calculated as follows and has remained reasonably consistent year-on-year:

- Total number of leavers in year/ Average number of staff in year (headcount) x 100

- **Off-Payroll Engagement (Unaudited Information)**

The use of locum agency medical and nursing staff throughout the year is disclosed in the staff costs table above. These staff are either:

1. Remunerated through NHS Shetland's payroll when deemed 'employed for tax purposes' or under IR35 legislation;
2. Remunerated through a third-party payroll service provided by Liaison Financial Services Limited; or
3. Remunerated through the payroll of the Agency provider.

- **Staff Survey (Unaudited Information)**

NHS Shetland participates in [iMatter](#), NHS Scotland's Staff Experience continuous improvement tool.

iMatter is designed to help individuals, teams, Directorates, and Boards understand and improve staff experience. This is a term used to describe the extent to which employees feel motivated, supported, and cared for at work. It is reflected in levels of engagement, motivation and productivity.

The process is based on a staff engagement questionnaire which all staff are asked to respond to, which then generates a Team Report containing the results. The Line Manager discusses the report with the team and agree what the team's main strength is along with up to three improvement actions that are specific for them for the months ahead. This improvement plan is captured on a team 'Storyboard' which the team then uses to monitor progress prior to the next iMatter run. The process is completed annually.

- **Expenditure on Consultancy (Unaudited Information)**

There was one consultancy firm engaged during 2022–23. CGI was appointed through Crown Commercial Service contract RM6100, at a cost of £73k, to support the Board in developing a financial sustainability plan for 2023–24 and beyond.

- **Other Employee Matters (Unaudited Information)**

The Board has policies and procedures in place for other employee matters such as other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships; and human capital management such as career management and employability, and pay policy. Policies include 'Eliminating

Bullying and Harassment', 'Work Life Balance' and 'Health and Safety'. You can find the [relevant documentation on NHS Shetland's external website](#).

- **Parliamentary Accountability Report (Audited Information)**

There are no disclosures applicable, as NHS Shetland is not aware of any attempted fraud or irregular activities during 2022–23 or prior year that incurred a loss and only one payment was made within our delegated limits in respect of a medical negligence claim for £0.3m. The Board as required has provided for CNORIS (Clinical Negligence and Other Risks Indemnity Scheme) claims notified to it and which will be settled at a future date; details of these provisions can be found in [Note 13](#).

Approval and signing of the Accountability Report

Michael Dickson

Signed by Michael Dickson, Chief Executive as Accountable Officer

23 June 2023

Independent auditor's report to the members of NHS Shetland, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of NHS Shetland and its group for the year ended 31 March 2023 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. 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 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my 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 2023 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 2022/23 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

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022–23 to 2026/27. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work I have performed, I 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, I report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risk of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgement thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, 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 operations.

Auditor's responsibilities for the audit of the financial statements

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

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

- using my 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 my 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 my 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 skilfulness 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](#). This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

I have audited the parts of the Remuneration and Staff Report described as audited. In my 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 Overview Report, Performance Analysis Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Overview Report, Performance Analysis Report and 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 Overview Report, Performance Analysis Report and Governance Statement

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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



Brian Howarth

Audit Scotland
8 Nelson Mandela Place
Glasgow
G2 1BT

23 June 2023

NHS Shetland Statements and Summaries

Statement of Consolidated Comprehensive Net Expenditure (SoCNE) for the Year Ended 31 March 2023

2022			2023
£000		Note	£000
48,827	Staff costs	3a	49,996
	Other operating expenditure	3b	
3,321	Independent Primary Care Services		3,442
9,683	Drugs and medical supplies		9,547
66,740	Other health care expenditure		62,427
128,571	Gross expenditure for the year		125,412
(41,390)	Less: operating income	4	(42,363)
(1,073)	Associates and joint ventures accounted for on an equity basis		1,386
86,108	Net expenditure for the year		84,435

- **Other Comprehensive Net Expenditure (will not be reclassified subsequently to the SoCNE)**

2022		2023
£000		£000
16	Net loss on revaluation of investments	42
(1,188)	Net gain on revaluation of property	(1,764)
(1,172)	Other comprehensive expenditure	(1,722)
84,936	Comprehensive net expenditure	82,713

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

Consolidated Statement of Financial Position as at 31 March 2023

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
33,990	33,990	Property, plant and equipment	7a	35,306	35,306
0	0	Right of Use assets	17a	1,428	1,428
		Financial assets:			
1,480	0	Available for sale financial assets	10	1,437	0
2,158	0	Investments in associates and joint ventures		772	0
37,628	33,990	Total non-current assets		38,943	36,734
		Current Assets:			
528	528	Inventories	8	641	641
		Financial assets:			
2,385	2,372	Trade and other receivables	9	5,563	5,553
1,806	190	Cash and cash equivalents	11	1,759	176
0	0	Asset held for sale	7b	150	150
4,719	3,090	Total current assets		8,113	6,520
42,347	37,080	Total assets		47,056	43,254
		Financial liabilities:			
(618)	(618)	Provisions	13a	(562)	(562)
(16,518)	(16,483)	Trade and other payables	12	(12,881)	(12,869)

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
(17,136)	(17,101)	Total current liabilities		(13,443)	(13,431)
25,211	19,979	Non-current assets plus / less net current assets / liabilities		33,613	29,823
		Non-current liabilities			
(1,429)	(1,429)	Provisions	13a	(1,539)	(1,539)
0	0	Trade and other payables	12	(1,277)	(1,277)
(1,429)	(1,429)	Total non-current liabilities		(2,816)	(2,816)
23,782	18,550	Assets less liabilities		30,797	27,007
		Taxpayers' Equity			
5,874	5,874	General fund		13,002	13,002
12,676	12,676	Revaluation reserve		14,005	14,005
2,158	0	Other reserves - associates and joint ventures		772	0
3,074	0	Fund held on Trust		3,018	0
23,782	18,550	Total taxpayers' equity		30,797	27,007

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

The financial statements on pages 80–87 were approved by the Board on 22 June 2023 and signed on their behalf by:

Colin Marland

Director of Finance
23 June 2023

Michael Dickson

Chief Executive
23 June 2023

Consolidated Statement of Cash Flows (CFS) for the Year Ended 31 March 2023

2022			2023	2023
£000		Note	£000	£000
	Cash flows from operating activities			
(86,108)	Net expenditure	SoCTE (Summary of Resource Out-turn)	(84,435)	
760	Adjustments for non-cash transactions	2b	4,006	
32	Investment income		39	
2,770	Movements in working capital	2b	(6,860)	
(82,546)	Net cash outflow from operating activities	21c		(87,250)
	Cash flows from investing activities			
(3,205)	Purchase of property, plant and equipment		(1,680)	
(274)	Investment additions	10	(134)	
275	Receipts from sale of investments		97	
(32)	Interest received		(39)	
(3,236)	Net cash outflow used in investing activities	21c		(1,756)
	Cash flows from financing activities			
85,965	Funding	SoCTE	89,728	
68	Movement in general fund working capital	SoCTE	(14)	
86,033	Cash drawn down		89,714	
0	IFRS 16 – 2022–23 cash lease payment		(755)	
86,033	Net Financing	21c		88,959

2022			2023	2023
£000		Note	£000	£000
251	Net Increase in cash and cash equivalents in the year			(47)
1,555	Cash and cash equivalents at the beginning of the year			1,806
1,806	Cash and cash equivalents at the end of the year			1,759
	Reconciliation of net cash flow to movement in net debt/cash			
251	Increase in cash in year	11		(47)
1,555	Net debt / cash at 1 April			1,806
1,806	Net debt / cash at 31 March			1,759

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

Consolidated Statement of Changes in Taxpayers' Equity for the Year Ended 31 March 2023

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Balance at 1 April 2022		5,874	12,676	2,158	3,074	23,782
Changes in taxpayers' equity for 2022–23						
Net gain on revaluation of property		0	1,764	0	0	1,764
Net loss on revaluation of investments		0	0	0	(42)	(42)
Impairment of equipment		0	(3)	0	0	(3)
Impairment taken to operating costs		0	3	0	0	3
Transfer between reserves		435	(435)	0	0	0
Net operating cost for the year	CFS	(83,035)	0	(1,386)	(14)	(84,435)
Total recognised income and expense for 2022–23		(82,600)	1,329	(1,386)	(56)	(82,713)
Funding:	Note					

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Drawn down	CFS	89,714	0	0	0	89,714
Movement in General Fund creditor	CFS	14	0	0	0	14
Balance at 31 March 2023	SoFP	13,002	14,005	772	3,018	30,797

Consolidated Statement of Changes in Taxpayers' Equity—Prior Year, Ended 31 March 2022

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Balance at 1 April 2021		6,860	11,881	1,085	2,927	22,753
Changes in taxpayers' equity for 2021–22						
Net gain on revaluation of property		0	1,188	0	0	1,188
Net loss on revaluation of investments		0	0	0	(16)	(16)
Impairment of equipment		0	(138)	0	0	(138)

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	£000	£000	£000	£000	£000
Impairment taken to operating costs		0	138	0	0	138
Transfer between reserves		393	(393)	0	0	0
Net operating cost for the year	CFS	(87,344)	0	1,073	163	(86,108)
Total recognised income and expense for 2021–22		(86,951)	795	1,073	147	(84,936)
Funding:	Note					
Drawn down	CFS	86,033	0	0	0	86,033
Movement in General Fund creditor	CFS	(68)	0	0	0	(68)
Balance at 31 March 2022	SoFP	5,874	12,676	2,158	3,074	23,782

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

Note 1—Accounting Policies

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 financial statements have been prepared in accordance with the FReM issued by HM Treasury, which follows IFRSs, IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the financial statements.

The preparation of financial statements in conformity with IFRSs 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 28 below.

Adoption of new and revised Standards

- **Standards, amendments and interpretations effective in the current year**

IFRS16 is the new standard which has been issued and adopted for the year 2022–2023.

- **Standards, amendments and interpretations early adopted this year**

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

- **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 2022–23 financial year.

Standard	Current status
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021. However this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025. IFRS 17 will have no impact on NHS Shetland's financial statements as none of its liabilities involve or will involve a contractual transfer of risk.

Basis of Consolidation

Consolidation

In accordance with IFRS 10 — Consolidated Financial Statements, the financial statements consolidate the NHS Shetland Endowment Funds and the IJB which are both considered material to NHS Shetland.

[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 NHS Shetland Endowment Fund is a Registered Charity with the OSCR and is required to prepare and submit Audited financial statements to OSCR on an annual basis.

The basis of consolidation used is merger accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation. [Note 21](#) details how these consolidated financial statements have been calculated.

Unaudited financial statements for the Endowment Fund and IJB have been used as a basis for the calculations/consolidation.

The IJB was formally constituted on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. The basis of consolidation used is the equity method.

Going Concern

The going concern assumption remains appropriate on the basis of continued service provision as defined in the FReM.

Approximately 95% of NHS Shetland costs are directly funded by allocations received from the Scottish Government. There is currently a general climate of uncertainty across NHS Scotland but there is no indication from the Scottish Government that the structure of Health Boards in Scotland will change. It is therefore likely that NHS Shetland will exist, in its current form, for the foreseeable future.

EU withdrawal continues to be monitored by the Board but is not deemed a significant risk due to the security of the collective national approach being adopted across the country.

Accounting Convention

The financial statements are prepared on a historical cost basis, as modified by the revaluation of property at fair value as determined by the relevant accounting standards and the FReM.

Funding

Most of the expenditure of the Health Board as Commissioner is met from funds advanced by the Scottish Government within an approved RRL. Cash drawn down to fund expenditure within this approved RRL is credited to the general fund.

All other income receivable by the Board 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 financial statements and deducted from operating costs charged against the RRL in the Statement of Resource Out-turn.

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

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

Property, plant and equipment

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

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

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, the Board; 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 £5k.

2. In cases where a new hospital would face an exceptional write-off of items of equipment costing individually less than £5k, the Board 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 £20k in total, or where they are part of the initial costs of equipping a new development and total over £20k.

Measurement

• Valuation

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

All assets are measured subsequently at fair value as follows:

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

Valuations of all land and building assets are reassessed by valuers under a three-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

The Board operates on a three-year programme of professional valuations with the latest full valuation of the estate taking place as at 31 March 2023. The next full valuation of the estate is scheduled to take place at 31 March 2026.

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

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

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

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

- **Subsequent expenditure**

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

- **Revaluations and Impairment**

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

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

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

- **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. Property, Plant and Equipment which has been reclassified as 'Held for Sale' ceases to be depreciated upon the reclassification.
3. Buildings, Dwellings 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.
4. Plant and Machinery, Transport Equipment, IT and Furniture and Fittings are 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
Land		Unlimited
Buildings [*]	Various	As determined by valuer
Dwellings		As above
Transport Equipment		5 to 15 years
Plant and Machinery		5 to 15 Years
IT		5 to 10 years
Furniture and Fittings		5 to 15 years

[*] Buildings (and component parts of buildings) range in life from four years to 85 years as determined by the valuer.

Intangible Assets

• Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board'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 will be provided to, the Board 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 a Board's activities for more than one year and they have a cost of at least £5k.

The main classes of intangible assets recognised are:

• Software

Software which is integral to the operation of hardware, for example 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, for example application software, is capitalised as an intangible asset.

• Measurement

Valuation:

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

- **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.

All intangible assets have been purchased and amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

1. IT Software. Amortised over their expected useful life.

Amortisation is charged on a straight-line basis.

The following asset lives have been used:

Asset Category	Useful Life
Software	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. The accounting treatment, including the method of valuation, follows the rules in the NHS Capital Accounting Manual.

There were no donated assets acquired by the Board during 2022–23.

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

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

Leasing

- **Accounting Policies**

IFRS 16 Leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2021. The cumulative catch-up method has been mandated by the FReM. Consequently, the comparatives for 2021–22 reflect the requirements of IAS 17 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.

- **Transitional arrangements**

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the Statement of Financial Position for 2021–22 reflect the requirements of IAS 17;
- Not to reassess the classification of contracts previously classified as leases or service contracts under IAS 17 and IFRIC 4. However, new contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria;
- For leases previously treated as operating leases:
 - To measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury;
 - To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for that lease;
 - To exclude leases whose term ends within twelve months of first adoption;
 - To use hindsight in assessing remaining lease terms;
- For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision.
- For leases previously treated as finance leases:
 - To use the carrying amount of the lease asset and liability measured immediately before first adoption under IAS 17 as the carrying value of the right-of-use asset and lease liability as at first adoption.
- The 2023–24 FReM has been amended to require reporting entities to record indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023–24. The 2022–23 FReM has not been amended to clarify that this specific aspect of IFRS 16 has been deferred until 2023–24 and therefore does not apply in 2022–23. Where entities have in the past applied the principles of IAS 17 to account for the impact of changes in the relevant indices (e.g. CPI or RPI) in respect of on-balance sheet PPP/PFI contracts with index-linked payments, the application of IFRS 16 requirements is deferred to 1 April 2023.
- **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.

Accounting for leases under IAS 17 (2021–22)

- **Finance leases**

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

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

- **Operating leases**

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

- **Leases of land and buildings**

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

Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is

the higher of an asset's fair value less costs to sell, and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SoCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

General Fund Receivables and Payables

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress (WIP) is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion. There are no WIP at 31 March 2023.

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.

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

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The scheme was revised on

1 April 2015 to extend the retirement age to the State Pension age and to calculate benefits on a career average re-valued earnings basis (CARE).

The previous scheme was split in to two sections, 1995 and 2008, and any benefits earned by members prior to 1 April 2015 are protected and will be paid at the sections 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.

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 a defined contribution scheme, as required by IAS 19 'Employee Benefits'.

As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents 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 Exchequer. The pension cost is assessed every five years by the Government Actuary who 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 Comprehensive Net Expenditure at the time the Board commits itself to the retirement, regardless of the method of payment.

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 CNORIS by the Scottish Government.

NHS Shetland 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 CNORIS 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 Shetland 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.

Related Party Transactions

Material related party transactions are disclosed in [Note 20](#) in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in [Note 4](#).

Value Added Tax (VAT)

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.

Provisions

The Board provides for legal or constructive obligations that are of uncertain timing or amount at the reporting 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.

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.

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.

Financial Instruments

- **Financial assets**

- Business Model:

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

- Classification:

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

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

This is the default basis for financial assets.

- b) Financial assets held at amortised cost.

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

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

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

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

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

- Impairment of financial assets:

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

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

- Recognition and measurement:

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

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

- a) Financial assets at fair value through profit or loss.

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

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

- b) Financial assets held at amortised cost.

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

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

- **Financial Liabilities**

- Classification:

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

- these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- they contain embedded derivatives; and/or

- it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

a) Financial liabilities at fair value through profit or loss

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

b) Financial liabilities held at amortised cost

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

- Recognition and measurement:

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

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

b) Amortised costs

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

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 executive management team of the Board. Operating segments represent the Directorates of the Board which are in line with the internal management and reporting structure.

Cash and cash equivalents

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

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

Key sources of judgement and estimation uncertainty

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

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

Judgements		
Area	Description	Sensitivities
Pensions	The NHS pension is treated as a defined contribution scheme as its assets and liabilities are not separately identifiable.	
Basis of Consolidation	The Endowment funds is a subsidiary due to control and is consolidated on a line by line basis. The Directors of NHS Shetland are also the Trustees of the Endowment funds. 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 50% interest in IJBs using the equity method of accounting.	

Estimates		
Area	Description	Sensitivities
Accruals	The Board has placed significant reliance on estimation and judgement based on best available evidence to quantify amounts accrued in the accounts.	
Provisions - Clinical and Medical Negligence claims (Note 13)	The Board has provided for estimated costs relating to clinical and medical negligence and reliance has been placed on details provided by the NHS Scotland Central Legal Office in order to quantify amounts provided.	There are no outstanding claims at 31 March 2023 but each new claim arising will cost NHS Shetland up to £0.025m in line with the CNORIS threshold (Note 13b).
Non-current Assets – Valuation of land and buildings (Note 7)	The Board commissioned a valuation of land and buildings as part of its three-year rolling program as at 31 March 2023. The valuation report has been used to inform the measurement of assets in these financial statements.	Depreciation for 2022–23 was £0.944m (Note 7). A 1% increase in valuation would increase next year’s depreciation by £0.010m.

Note 2—Notes to the Cash Flow Statement

- **2a. Summary of Resource Out-turn (SoRo) for the Year Ended 31 March 2023**
- **Summary of Core Revenue Resource Out-turn**

		2023
Summary of Core Revenue Resource Out-turn	Note	£000
Net expenditure	<u>SoCNE</u>	84,435
Total non-core expenditure (see below)		(2,801)
Family Health Services non-discretionary allocation		(1,848)
Endowment net expenditure		(14)
Associates and joint ventures accounted for on an equity basis		(1,386)

Total core expenditure		78,386
Core RRL		78,458
Saving against Core RRL		72

- **Summary of Non-Core Revenue Resource Out-turn**

		2023
Summary of Non-Core Revenue Resource Out-turn	Note	£000
Depreciation/amortisation	7a	1,936
Right of Use (RoU) Asset Depreciation	17a	642
Annually Managed Expenditure (AME)—impairments	7a	4
AME—provisions		180
AME—depreciation of donated assets		39
Total Non-Core Expenditure		2,801
Non-Core RRL		2,801
Saving against Non-Core RRL		0

The Notes to the Accounts, numbered 1 to 21, form an integral part of these Accounts.

- **Summary Resource Out-turn**

Summary Resource Out-turn	Resource	Expenditure	Saving/(Excess)
	£000	£000	£000
Core	78,458	78,386	72
Non-Core	2,801	2,801	0
Total	81,259	81,187	72

- **2b. Consolidated adjustments for non-cash transactions**

2022			2023
£000		Note	£000
	Expenditure not paid in cash		
1,661	Depreciation	7a	1,936
36	Depreciation of donated assets	7a	39

2022			2023
£000		Note	£000
	Expenditure not paid in cash		
0	Right of Use (RoU) Remeasurement loss		642
138	Impairments of PPE charged to SoCNE		3
(1,073)	Associates and joint ventures accounted for on an equity basis	SoCNE	1,386
(2)	Retrospective restatement of opening balance of funds held on trust		0
760	Total expenditure not paid in cash	CFS	4,006

• **2c. Consolidated movements in working capital**

2022		2023			
Net movement		Note	Opening balances	Closing balances	Net Movement
£000			£000	£000	£000
	Inventories				
(53)	SoFP	8	528	641	(113)
	Trade and other Receivables				
	Due within one year	9	2,385	5,563	
476	Net (increase)/decrease		2,385	5,563	(3,178)
	Trade and other Payables				
	Due within than one year	12	16,518	12,881	
	Due after more than one year		0	1,277	
	Less: General Fund creditor included in above	12	(190)	(176)	

2022		2023			
Net movement		Note	Opening balances	Closing balances	Net Movement
£000			£000	£000	£000
	Less: lease creditors included in above		0	(1,277)	
2,347	Net decrease/ (increase)		16,328	12,705	(3,623)
	Provisions				
	Statement of Financial Position	13a	2,047	2,101	
0	Net decrease/ (increase)		2,047	2,101	54
2,770	Net movement (decrease)/ increase	CFS			(6,860)

Note 3—Expenditure

- 3a. Staff costs

2022			2023	2023
Total			Board	Consolidated
£000		Note	£000	£000
12,491	Medical and Dental		12,855	12,855
14,695	Nursing		15,780	15,780
21,641	Other Staff		21,361	21,361
48,827	Total	SoCNE	49,996	49,996

- 3b. Other operating expenditures

2022		2023	2023
Total		Board	Consolidated
£000		£000	£000
	Independent Primary Care Services:		
1,222	General Medical Services [1]	1,292	1,292
1,127	Pharmaceutical Services	1,196	1,196
552	General Dental Services [2]	526	526
420	General Ophthalmic Services	428	428
3,321	Total	3,442	3,442
	Drugs and medical supplies:		
4,448	Prescribed drugs Primary Care	4,751	4,751
2,250	Prescribed drugs Secondary Care	2,831	2,831
809	PPE and testing kits	119	119
2,176	Medical Supplies	1,846	1,846
9,683	Total	9,547	9,547
	Other health care expenditure		
40,410	Contribution to IJBs	38,903	38,903

2022		2023	2023
Total		Board	Consolidated
£000		£000	£000
9,452	Goods and services from other NHS Scotland bodies	9,647	9,647
11	Goods and services from other UK NHS bodies	23	23
464	Goods and services from private providers	906	906
36	Goods and services from voluntary organisations	0	0
1,586	Resource Transfer	1,618	1,618
14,624	Other operating expenditure	11,170	11,170
78	External Auditor – statutory audit fee	95	95
14	External Auditor - other services – share of IJB audit fee	0	0
65	Endowment Fund expenditure	0	65
66,740	Total	62,362	62,427
79,744	Total Other Operating Expenditure	75,351	75,416

[1] This figure represents the costs of the independent GP practices only. The total cost of services in 2022–23, including Board run practices, is £6,364 (2021–22, £7,171k).

[2] This figure represents the costs of the independent dental practices only. The total cost of services in 2022–23, including Board run practices, is £3,359k (2021–22, £2,914k).

Note 4—Operating Income

2022			2023	2023
Total			Board	Consolidated
£000		Note	£000	£000
67	Income from Scottish Government		71	71
1,130	Income from other NHS Scotland bodies		1,090	1,090
133	Income from NHS non-Scottish bodies		145	145
37,167	Income for services commissioned by IJB		39,955	39,955
99	Patient charges for primary care		129	129
455	Donations [1]		0	0
88	Contributions in respect of clinical and medical negligence claims		319	319
	Non NHS:			
9	Overseas patients (non-reciprocal)		5	5
228	Endowment Fund Income		0	51
2,014	Other		598	598
41,390	Total Income	SoCNE	42,312	42,363

[1] Donations represent Covid-19 Lateral Flow Devices (LFD) received at no cost from the UK Government. There was no such donation in 2022–23.

Note 5—Segmental Analysis

- 5a. Segmental Analysis 2023

		Net Operating Costs	Total assets	Total liabilities
Directorate of Acute and Specialist Services	£000	24,782	13,811	(4,772)
Directorate of Community Health & Social Care	£000	28,970	16,145	(5,578)
Off-island Clinical Services	£000	12,893	7,185	(2,483)
Public Health	£000	2,516	1,402	(485)
Support Services	£000	15,274	8,512	(2,941)
2023	£000	84,435	47,056	(16,259)

- 5b. Segmental Analysis Previous Year, 2022

		Net Operating Costs	Total assets	Total liabilities
Directorate of Acute and Specialist Services	£000	21,337	9,058	(4,527)
Directorate of Community Health & Social Care	£000	32,998	14,009	(7,001)
Off-island Clinical Services	£000	12,367	5,250	(2,624)
Public Health	£000	3,005	1,279	(637)
Support Services	£000	17,637	7,487	(3,741)
2022	£000	87,344	37,080	(18,530)

Note 6—Intangible Assets

- 6a. Intangible assets (non-current)—Consolidated and Board

		IT Software	Total
	Note	£000	£000
Cost or Valuation:			
At 1 April 2022		97	97
At 31 March 2023		97	97
Amortisation			
At 1 April 2022		97	97
Provided during the year		0	0
At 31 March 2023		97	97
Net book value at 1 April 2022		0	0
Net book value at 31 March 2023		0	0

- 6b. Intangible assets (non-current)—Consolidated and Board—Prior year

		IT Software	Total
	Note	£000	£000
Cost or Valuation:			
At 1 April 2021		97	97
At 31 March 2022		97	97
Amortisation			
At 1 April 2021		97	97
Provided during the year		0	0
At 31 March 2022		97	97
Net book value at 1 April 2021		0	0
Net book value at 31 March 2022		0	0

Note 7a—Property, Plant and Equipment—Consolidated and Board

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2022	577	25,921	1,989	0	8,619	1,769	30	995	39,900
Additions—purchased	0	0	0	0	702	0	0	978	1,680
Transfers between asset categories	85	1,973	(85)	0	0	0	0	(1,973)	0
Transfer to Asset held for sale	(30)	(120)	0	0	0	0	0	0	(150)
Revaluations	0	(1,412)	356	0	0	0	0	0	(1,056)
Disposals—purchased	0	0	0	0	(4)	0	0	0	(4)
Impairment charges	0	0	0	0	(3)	0	0	0	(3)
At 31 March 2023	632	26,362	2,260	0	9,314	1,769	30	0	40,367

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation									
At 1 April 2022	0	1,770	108	0	3,035	967	30	0	5,910
Provided during the year - purchased	0	881	63	0	785	207	0	0	1,936
Provided during the year – donated	0	0	0	0	39	0	0	0	39
Impairment charges	0	0	0	0	0	0	0	0	0
Revaluations	0	(2,650)	(170)	0	0	0	0	0	(2,820)
Disposal - purchased	0	0	0	0	(4)	0	0	0	(4)
Disposals – donated	0	0	0	0	0	0	0	0	0
At 31 March 2023	0	1	1	0	3,855	1,174	30	0	5,061
Net book value at 1 April 2022	577	24,151	1,881	0	5,584	802	0	0	33,990

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2023	632	26,361	2,259	0	5,459	595	0	0	35,306
Asset financing:									
Owned—purchased	632	26,361	2,259	0	5,385	595	0	0	35,232
Owned—donated	0	0	0	0	74	0	0	0	74
Net book value at 31 March 2023	632	26,361	2,259	0	5,459	595	0	0	35,306

Note 7a—Property, Plant and Equipment—Consolidated and Board—Prior Year

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation									
At 1 April 2021	577	24,692	1,461	0	7,925	1,435	30	440	36,560
Additions—purchased	0	0	483	0	1,833	334	0	555	3,205
Revaluations	0	1,229	45	0	0	0	0	0	1,274
Disposals—purchased	0	0	0	0	(635)	0	0	0	(635)
Disposals-donated	0	0	0	0	(504)	0	0	0	(504)
At 31 March 2022	577	25,921	1,989	0	8,619	1,769	30	995	39,900
Depreciation									
At 1 April 2021	0	847	53	0	3,404	794	30	0	5,128
Provided during the year - purchased	0	839	53	0	596	173	0	0	1,661

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Provided during the year – donated	0	0	0	0	36	0	0	0	36
Impairment charges	0	0	0	0	138	0	0	0	138
Revaluations	0	84	2	0	0	0	0	0	86
Disposal - purchased	0	0	0	0	(635)	0	0	0	(635)
Disposals – donated	0	0	0	0	(504)	0	0	0	(504)
At 31 March 2022	0	1,770	108	0	3,035	967	30	0	5,910
Net book value at 1 April 2021	577	23,845	1,408	0	4,521	641	0	440	31,432
Net book value at 31 March 2022	577	24,151	1,881	0	5,584	802	0	995	33,990
Asset financing:									

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Owned—purchased	577	24,151	1,881	0	5,471	802	0	995	33,877
Owned—donated	0	0	0	0	113	0	0	0	113
Net book value at 31 March 2022	577	24,151	1,881	0	5,584	802	0	995	33,990

Note 7b—Assets Held for Sale—Consolidated and Board

	Land and Property	Total
	2023	2023
	£000s	£000s
At 1 April 2022	0	0
Transfers from land and property	150	150
At 31 March 2023	150	150

Asset held for sale—90 St Olaf Street building, which was formerly a dental practice.
Prior year—nil

Note 7c—Property, Plant and Equipment Disclosures

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
		Net book value of property, plant and equipment at 31 March			
33,877	33,877	Purchased		35,232	35,232
113	113	Donated		74	74
33,990	33,990	Total	<u>SoFP</u>	35,306	35,306
577	577	Net book value related to land valued at open market value at 31 March		632	632
24,151	24,151	Net book value related to buildings valued at open market value at 31 March		26,361	26,361

Land and buildings were fully revalued by an independent valuer, Gerald Eve, at 31 March 2023 on the basis of fair value. A full revaluation will be carried out again on 31 March 2026 in line with the Board’s three-year cycle.

The revaluation at 31 March 2023 resulted in a net gain of £1.764m. Indexation of 5% was applied to all buildings at 31 March 2022 on the advice of Gerald Eve. The net impact was an increase of £1.188m. All revaluation gains have been set against the revaluation reserve.

Valuations of land and building assets have been prepared having regard to the contents of the RICS Valuation - Global Standards UK (January 2020) and specifically the appropriate bases of valuation for IFRSs. It is provided within these Standards (and associated RICS Practice Statements) that:

- a) for those properties that are owner-occupied and are of a non-specialised nature, the basis of valuation is Fair Value assuming ongoing operational use,
- b) for properties which are either owned but not occupied by the Board or have been declared surplus, these are also to be valued on the basis of Fair Value. Fair value is defined as “The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date”. (In this context, Fair Value is generally taken to be the equivalent of the RICS definition of Market Value); and
- c) for properties that are owner-occupied but are of a specialist nature, where few, if any, open market transactions involving a continuation of the existing use occur, then the basis of valuation is also Fair Value but the Depreciated Replacement Cost method of valuation is appropriate set against the assumption of a continuation of the existing health care use for the foreseeable future.

Note 7d—Analysis of Capital Expenditure

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
		Expenditure			
3,205	3,205	Acquisition of property, plant and equipment	7a	1,680	1,680
0	0	Donated asset additions		0	0
3,205	3,205	Gross Capital Expenditure		1,680	1,680

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
		Income			
0	0	Net book value on disposal of property, plant and equipment	7a	0	0
0	0	Donated asset income		0	0
0	0	Capital Income		0	0
3,205	3,205	Net Capital Expenditure		1,680	1,680
3,205	3,205	Total capital expenditure		1,680	1,680
3,206	3,206	Total CRL		1,680	1,680
1	1	Saving against Total CRL		0	0

Note 8—Inventories and Work in Progress

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
528	528	Raw materials and consumables		641	641
528	528	Total inventories	SoFP	641	641

Note 9—Trade and Other Receivables

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
		Receivables due within one year			
		NHS Scotland			
510	510	Boards		369	369
		Total NHS Scotland Receivables			
56	56	NHS non-Scottish bodies		59	59
160	160	VAT recoverable		140	140
235	235	Prepayments		689	689
89	89	Accrued income		48	48
851	838	Other receivables		1,206	1,196
50	50	Reimbursement of provisions		317	317
434	434	Other public sector bodies		2,735	2,735
2,385	2,372	Total Receivables		5,563	5,553
510	510	NHS Scotland		369	369
160	160	Central Government bodies		140	140
433	433	Whole of Government bodies		2,735	2,735
56	56	Balances with NHS bodies in England and Wales		59	59

Consolidated	Board			Consolidated	Board
2022	2022			2023	2023
£000	£000		Note	£000	£000
1,226	1,213	Balances with bodies external to Government		2,260	2,250
2,385	2,372	Total		5,563	5,553
		Movements on the provision for impairment of receivables are as follows:			
43	43	At 1 April		53	53
14	14	Provision for impairment		5	5
0	0	Receivables written off during the year as uncollectable		(16)	(16)
(4)	(4)	Unused amounts reversed		(11)	(11)
53	53	At 31 March		31	31

As of 31 March 2023, receivables with a carrying value of £0.031m (2022: £0.053) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated	Board		Consolidated	Board
2022	2022		2023	2023
£000	£000		£000	£000
0	0	3 to 6 months past due	0	0
53	53	Over 6 months past due	31	31
53	53		31	31

The receivables assessed as individually impaired were mainly private individuals and it was assessed that not all of the receivable balance may be recovered.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2023, receivables with a carrying value of £0.909m

(2022: £0.827m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated	Board		Consolidated	Board
2022	2022		2023	2023
£000	£000		£000	£000
783	783	Up to 3 months past due	695	695
25	25	3 to 6 months past due	58	58
19	19	Over 6 months past due	156	156
827	827		909	909

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, Local Authorities, Limited Companies and individuals. 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.

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

Receivables that are neither past due nor impaired are shown by their credit risk below: Consolidated	Board		Consolidated	Board
2022	2022		2023	2023
£000	£000		£000	£000
2,385	2,372	Existing customers with no defaults in the past	5,563	5,563
2,385	2,372	Total neither past due or impaired	5,563	5,563
The maximum exposure to credit risk is the fair value	Board		Consolidated	Board

Receivables that are neither past due nor impaired are shown by their credit risk below: Consolidated	Board		Consolidated	Board
2022	2022		2023	2023
of each class of receivable. The NHS Board does not hold any collateral as security.				
2022	2022		2023	2023
£000	£000		£000	£000
		The carrying amount of receivables are denominated in the following currencies:		
2,385	2,372	Pounds	5,563	5,563
2,385	2,372		5,563	5,563

All current receivables are due within 1 year (2021–22: 1 year) from the reporting date. The carrying amount of short-term receivables approximates their fair value. The fair value of long-term other receivables are £0 (2021–22: £0). The effective interest rate on non-current other receivables is 0% (2021–22: 0%).

Note 10—Investments

Consolidated	Board		Note	Consolidated	Board
2022	2022			2023	2023
£000	£000			£000	£000
1,480	0	Other		1,437	0
1,480	0	Total	SoFP	1,437	0
1,495	0	At 1 April		1,480	0
274	0	Additions	CFS	134	0
(323)	0	Disposals		(100)	0

34	0	Revaluation surplus / (deficit) transferred to equity	SoCTE	(77)	0
1,480	0	At 31 March		1,437	0
1,480	0	Non-current	SoFP	1,437	0
1,480	0	Total		1,437	0

Note 11—Cash and Cash Equivalents

		2023
	Note	£000
Balance at 1 April		1,806
Net change in cash and cash equivalent balances	CFS	(47)
Balance at 31 March	SoFP	1,759
Total Cash—Cash Flow Statement		1,759
The following balances at 31 March were held at:		
Government Banking Service		111
Commercial banks and cash in hand		65
Endowment cash		1,583
Balance at 31 March		1,759

Note 12—Trade and Other Payables

Consolidated	Board		Note	Consolidated	Board
2022	2022			2023	2023
£000	£000			£000	£000
		Payables due within one year			
		NHS Scotland			
2,201	2,201	Boards		2,601	2,601
2,201	2,201	Total NHS Scotland Payables		2,601	2,601
1	1	NHS Non-Scottish bodies		19	19
190	190	Amounts payable to General Fund		176	176
1,318	1,318	FHS practitioners		1,381	1,381
1,564	1,564	Trade payables		653	653
4,896	4,896	Accruals		3,500	3,500
63	63	Deferred income		137	137
0	0	Payments received on account		0	0
1,021	1,021	Income tax and social security		935	935
683	683	Superannuation		712	712
1,149	1,149	Holiday pay accrual		801	801
2,498	2,498	Other public sector bodies		1,169	1,169
35	0	Other payables		12	0
899	899	Pay accrual		785	785
		Payables due after more than one year			

Consolidated	Board		Note	Consolidated	Board
2022	2022			2023	2023
£000	£000			£000	£000
0	0	Net obligation under leases due after 2 years but within 5 years		1,277	1,277
16,518	16,483	Total payables		14,158	14,146
		WGA Classification			
2,201	2,201	NHS Scotland		2,601	2,601
1,704	1,704	Central Government bodies		1,647	1,647
2,498	2,498	Whole of Government bodies		1,169	1,169
1	1	Balances with NHS bodies in England and Wales		19	19
10,114	10,079	Balances with bodies external to Government		8,722	8,710
16,518	16,483	Total		14,158	14,146
		The carrying amount of payables are denominated in the following currencies:			
16,518	16,483	Pounds		14,158	14,146
16,518	16,483			14,158	14,146

Note 13—Provisions

- 13a. Provisions—Consolidated and Board

	Pensions arising from Staff Early Retirement	Clinical and Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2023 Total
	£000	£000	£000	£000	£000
At 1 April 2022	186	116	1,684	61	2,047
Arising during the year	15	0	192	12	219
Utilised during the year	(22)	(13)	0	0	(35)
Unwinding of discount	(27)	0	0	0	(27)
Reversed unutilised	0	(103)	0	0	(103)
At 31 March 2023	152	0	1,876	73	2,101

Further details on Provision are included in [Note 1](#)—Accounting Policies.

- Pensions arising from Staff Early Retirement**

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, currently 1.70% as advised by PES (2022) 08, (2021–22: 1.30%). The Board expects expenditure to be charged to this provision for a period of up to 16 years.

- Clinical and Medical Legal Claims against NHS Board and Participation in CNORIS**

The amounts shown above in relation to Clinical and Medical Legal Claims against NHS Shetland are stated gross and the amount of any expected reimbursements are

separately disclosed as receivables in [note 9](#). Further details are disclosed in [Note 13b](#) along with participation in NHS Scotland CNORIS.

- **Other**

Relating to the Payment As If At Work liability in respect of former employees of NHS Shetland and staff back pay.

- **Analysis of expected timing of discounted flows to 31 March 2023**

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2023 Total
	£000	£000	£000	£000	£000
Payable in one year	21	0	468	73	562
Payable between 2–5 years	80	0	1,141	0	1,221
Payable between 6–10 years	40	0	97	0	137
Thereafter	11	0	170	0	181
At 31 March 2023	152	0	1,876	73	2,101

- Provisions—Consolidated and Board (Prior Year)

	Pensions arising from Staff Early Retirement	<u>Clinical and Medical Legal Claims against NHS Board</u>	<u>Participation in CNORIS</u>	Other	2022 Total
	£000	£000	£000	£000	£000
At 1 April 2021	228	116	1,659	44	2,047
Arising during the year	5	3	68	29	105
Utilised during the year	(21)	0	0	(12)	(33)
Unwinding of discount	2	0	0	0	2
Reversed unutilised	(28)	(3)	(43)	0	(74)
At 31 March 2022	186	116	1,684	61	2,047

The amounts shown above in relation to Clinical and Medical Legal Claims against NHS Shetland are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in [note 9](#).

- Analysis of expected timing of discounted flows to 31 March 2022

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2022 Total
	£000	£000	£000	£000	£000
Payable in one year	21	116	420	61	618
Payable between 2–5 years	88	0	1,023	0	1,111
Payable between 6–10 years	56	0	87	0	143
Thereafter	21	0	154	0	175
At 31 March 2022	186	116	1,684	61	2,047

- 13b. Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

2022		Note	2023
£000			£000
116	Provision recognising individual claims against the NHS Board as at 31 March	13a	0
(50)	Associated CNORIS receivable at 31 March	9	(317)
1,684	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	1,876
1,750	Net Total Provision relating to CNORIS at 31 March		1,559

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 less than this are met

directly from within Boards' own budgets. Participants, for example NHS Boards, contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual 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 for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility to which individual Boards are exposed.

When a legal claim is made against an individual Board, the Board will assess whether a provision or contingent liability for that legal claim is required based upon NHS Central Legal advice. 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 receivable 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 third line above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS. Further information can be found on [the CNORIS website](#).

Note 14—Contingent Liabilities

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

2022		2023
£000		£000
	Nature	
115	Clinical and medical compensation payments	0
115	Total Contingent Liabilities	0

Note 15—Events after the end of the reporting year

None.

Note 16—Commitments

- **Capital Commitments**

The Board has the following capital commitments which have not been provided for in the financial statements:

2022		2023
£000		£000
	Contracted	
0	MRI Scanner	3,010
	Authorised but not Contracted	
508	Estates capital projects	735
581	Statutory compliance & backlog maintenance	285
0	Medical equipment	30
100	ICT Projects (Tangible)	50
1,189	Total	4,110

Note 17—Leases Assets

- **Note 17a—Right of Use Assets (RoU)—Consolidated and Board**

	Buildings	Transport Equipment	Plant & Machinery	Total
	£000s	£000s	£000s	£000s
Cost at 31 March 2023	886	224	960	2,070
Depreciation provided	133	77	432	642
Net book Value at 31 March 2023	753	147	528	1,428

Please see Accounting Policies for further information RoU assets and IFRS 16.

There are seven property leases—one is a GP practice building in Scalloway, one is a mixed residential/office unit, and the remaining five are office space. The significant P&M lease is for a Laboratory Managed Service Contract which expires in July 2024.

- **Note 17b—Lease Liabilities—Consolidated and Board**

	Buildings	Transport Equipment	Plant & Machinery	Total
	£000s	£000s	£000s	£000s
Total Lease liability at 31 March 2023	603	146	528	1,227

- **Amounts recognised in the SoCNE—Consolidated and Board**

	£000s
Depreciation	642
Interest Expense	44
Total	686

- **Note 17c—Prior Year Leases—Consolidated and Board**

- **Operating Leases**

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

- **Obligations under operating leases comprise:**

2021		2022
£000		£000
	Land	
	None	
	Buildings	
63	Not later than one year	143
63	Later than one year, not later than two years	143
136	Later than two year, not later than five years	336
0	Later than five years	538
	Other	
76	Not later than one year	132
33	Later than one year, not later than two years	75
19	Later than two year, not later than five years	21

2021		2022
£000		£000
0	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
210	Hire of equipment (including vehicles)	357
146	Other operating leases	215
356	Total	572

• **Aggregate Rentals Receivable in the year**

2021		2022
£000		£000
66	Total of finance and operating leases	97

Note 18—Pension Costs

	2023	2022
	£000	£000
Pension cost charge for the year	5,899	5,576
Additional costs arising from early retirement	22	21
Provisions / liabilities / prepayments included in the Statement of Financial Position	152	186

Pension Scheme Declaration

The NHS Shetland 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 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% employee contributions.

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

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

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

It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where NHS Shetland 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 2021 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% 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 Shetland level of participation in the scheme is 0.41% based on the proportion of employer contributions paid in 2021–22, 0.40% in 2020-21.

The 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 2017–18 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 previous 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](#).

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 employee contribution is 4.6% of qualifying earnings, with an employer contribution of 3.4%.

Employer contribution to this scheme was £0.011 in 2022–23, £0.010m in 2021–22.

Note 19—Financial Instruments

- 19a. Financial Instruments by Category
- Financial assets

Consolidated		Financial assets at fair value through OCI	Financial assets at amortised cost	Financial assets at fair value through profit/loss	Total
	Note	£000	£000	£000	£000
As at 31 March 2023					
Assets per Statement of Financial Position					
Investments	10	0	0	1,437	1,437
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	4,048	0	0	4,048
Cash and cash equivalents	11	1,759	0	0	1,759
		5,807	0	1,437	7,244

Board		Financial assets at fair value through OCI	Financial assets at amortised cost	Financial assets at fair value through profit/loss	Total
	Note	£000	£000	£000	£000
As at 31 March 2023					
Assets per Statement of Financial Position					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	4,038	0	0	4,038
Cash and cash equivalents	11	176	0	0	176
		4,214	0	0	4,214

Consolidated (prior year)		Financial assets at fair value through OCI	Financial assets at amortised cost	Financial assets at fair value through profit/loss	Total
	Note	£000	£000	£000	£000
As at 31 March 2022					
Assets per Statement of Financial Position					
Investments	10	0	0	1,480	1,480
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,430	0	0	1,430
Cash and cash equivalents	11	1,806	0	0	1,806
		3,236	0	1,480	4,716

Board		Financial assets at fair value through OCI	Financial assets at amortised cost	Financial assets at fair value through profit/loss	Total
	Note	£000	£000	£000	£000
As at 31 March 2022					
Assets per Statement of Financial Position					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,417	0	0	1,417
Cash and cash equivalents	11	190	0	0	190
		1,607	0	0	1,607

- **Financial Liabilities**

Consolidated		Liabilities at Fair Value through profit and loss	Financial liabilities at amortised cost	Total
	Note	£000	£000	£000
As at 31 March 2023				
Liabilities per Statement of Financial Position				
Lease liabilities	12	0	1,277	1,277
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	8,496	8,496
		0	9,773	9,773
Board		Liabilities at Fair Value through profit and loss	Financial liabilities at amortised cost	Total
	Note	£000	£000	£000
As at 31 March 2023				
Liabilities per Statement of Financial Position				
Lease liabilities		0	1,277	1,277
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	8,484	8,484
		0	9,761	9,761

Consolidated (prior year)		Liabilities at Fair Value through profit and loss	Financial liabilities at amortised cost	Total
	Note	£000	£000	£000
As at 31 March 2022				
Liabilities per Statement of Financial Position				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	12,550	12,550
		0	12,550	12,550
Board		Liabilities at Fair Value through profit and loss	Financial liabilities at amortised cost	Total
	Note	£000	£000	£000
As at 31 March 2022				
Liabilities per Statement of Financial Position				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	12,515	12,515
		0	12,515	12,515

- **19b. Financial Risk Factors**
- **Exposure to risk**

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

- a) Credit risk—the possibility that other parties might fail to pay amounts due.
- b) Liquidity risk—the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
- c) 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.
- d) 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.

- Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

- 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 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. All liabilities are due within one year.

- 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.

- a) Cash flow and fair value interest rate risk

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

b) Foreign Currency Risk

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

- Price risk

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

- **19c. Fair value estimation**

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

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

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

Note 20—Related Party Transactions

The Scottish Government (SG) has significant influence over NHS Shetland and provides most of its funding. Core revenue funding received from SG in 2022–23 was £78.458m (2021–22, £83.698m).

The Board had transactions with other government departments and other central government bodies during the year. These transactions were mainly with HM Revenue and Customs, SPPA (Note 18) and other Health Boards. NHS Shetland had material transactions with NHS Grampian during 2022–23.

NHS Shetland's Chief Executive Michael Dickson was also the Chief Executive of NHS Orkney (NHSO) during 2022–23.

Gary Robinson, Malcolm Bell and Emma Macdonald were members of the Board and elected members of SIC during the year. Jane Haswell, also a Board member, was an employee of SIC during 2022–23.

Gary Robinson was also a Non-Executive Director of Lerwick Port Authority (LPA) during 2022–23.

- **Related Party Transactions**

	2022–23 (£m)			
Related party	Due to	Due from	Income from	Expenditure with
NHSO	0.044	0.101	0.424	0.095
NHSG	2.032	0.078	0.167	8.949
SIC	1.169	2.734	3.738	6.855
LPA	0	0	0.001	0.475
	Prior year 2021–22 (£m)			
Related party	Due to	Due from	Income from	Expenditure with
NHSO	0.093	0.173	0.488	0.137
NHSG	1.709	0.071	0.188	9.425
SIC	2.498	0.433	1.556	7.152
LPA	0	0	0	0.297

The Board has Endowment Funds that are managed by Trustees who are also directors of the Board. The total funds held in Endowments at 31 March 2023 were £3.018m (2021–22: £3.074m). As disclosed in note 10 £1.437m (2021–22: £1.480m) of the Endowment Fund is held in investments. These investments are managed by [Evelyn Partners services for charities](#).

The Board had material transactions with the IJB during 2022–23 as detailed in [Note 3](#) and [Note 4](#) of the financial statements. Directors of the Board who were also voting members of the IJB during 2022–23 were Natasha Cornick, Jane Haswell, Kathy Hubbard and Emma Macdonald.

SIC and IJB share the same postal address for correspondence at: 8 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ.

The [Board Members' declarations of interest](#) are publicly available on NHS Shetland's website, or can be viewed in person at the Board's Headquarters in Lerwick. The Endowment Fund shares this same [postal address](#) and [website](#).

Note 21—Consolidation of Subsidiaries and Disclosure of Interest in Associates and Joint Ventures

- 21a. Consolidated statement of comprehensive net expenditure

Consolidated			Board	Endowment	Shetland IJB	Consolidated
2022			2023	2023	2023	2023
£000		Note	£000	£000	£000	£000
	Total income and expenditure					
48,827	Employee expenditure	3a	49,996	0	0	49,996
	Other operating expenditure	3b				
3,321	Independent Primary Care Services		3,442	0	0	3,442
9,683	Drugs and medical supplies		9,547	0	0	9,547
66,740	Other health care expenditure		62,362	65	0	62,427
128,571	Gross expenditure for the year		125,347	65	0	125,412
(41,390)	Less: operating income	4	(42,312)	(51)	0	(42,363)
(1,073)	Associates and joint ventures accounted		0	0	1,386	1,386

Consolidated			Board	Endowment	Shetland IJB	Consolidated
2022			2023	2023	2023	2023
£000		Note	£000	£000	£000	£000
	for on an equity basis					
86,108	Net Expenditure		83,035	14	1386	84,435

- 21b. Consolidated statement of financial position (SoFP)

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2022			2023	2023	2023	2023	2023
£000		Note	£000	£000	£000	£000	£000
	Non-current assets:						
33,990	Property, plant and equipment		35,306	0	0	0	35,306
	Right of Use assets		1,428	0	0	0	1,428
	Financial assets:	SoFP			0	0	
1,480	Investments		0	1,437	0	0	1,437
2,158	Investments in associates and joint ventures	SoFP	0	0	2,158	(1,386)	772
37,628	Total non-current assets	SoFP	36,734	1,437	2,158	(1,386)	38,943
	Current assets:						
528	Inventories		641	0	0	0	641
2,385	Trade and other receivables	SoFP	5,553	10	0	0	5,563
1,806	Cash and cash equivalents	SoFP	176	1,583	0	0	1,759

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2022			2023	2023	2023	2023	2023
£000		Note	£000	£000	£000	£000	£000
0	Asset held for sale	7b	150	0	0	0	150
4,719	Total current assets		6,520	1,593	0	0	8,113
42,347	Total assets		43,254	3,030	2,158	(1,386)	47,056
	Current liabilities:						
(618)	Provisions	SoFP	(562)	0	0	0	(562)
	Financial liabilities:						
(16,518)	Trade and other payables	SoFP	(12,869)	(12)	0	0	(12,881)
(17,136)	Total current liabilities		(13,341)	(12)	0	0	(13,443)
25,211	Non-current assets plus/less net current assets/liabilities		29,823	3,018	2,158	(1,386)	33,613
	Non-current liabilities						
(1,429)	Provisions	SoFP	(1,539)	0	0	0	(1,539)
	Financial liabilities:						
0	Trade and other payables	SoFP	(1,277)	0	0	0	(1,277)

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2022			2023	2023	2023	2023	2023
£000		Note	£000	£000	£000	£000	£000
(1,429)	Total non-current liabilities		(2,816)	0	0	0	(2,816)
23,782	Assets less liabilities		27,007	3,018	2,158	(1,386)	30,797
	Taxpayers' Equity						
5,874	General fund	SoFP	13,002	0	0	0	13,002
12,676	Revaluation reserve	SoFP	14,005	0	0	0	14,005
2,158	Other reserves - joint venture	SoFP	0	0	2,158	(1,386)	772
3,074	Funds Held on Trust	SoFP	0	3,018	0	0	3,018
23,782	Total taxpayers' equity		27,007	3,018	2,158	(1,386)	30,797

- Consolidated statement of financial position continued—Prior Year

Prior Year		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2022	2022	2022	2022	2022
	Note	£000	£000	£000	£000	£000
Non-current assets:						
Property, plant and equipment		33,990	0	0	0	33,990
Financial assets:	SoFP					
Investments		0	1,480	0	0	1,480
Investments in associates and joint ventures	SoFP	0	0	1,085	1,073	2,158
Total non-current assets	SoFP	33,990	1,480	1,085	1,073	37,628
Current assets:						
Inventories		528	0	0	0	528
Trade and other receivables	SoFP	2,372	13	0	0	2,385
Cash and cash equivalents	SoFP	190	1,616	0	0	1,806
Total current assets		3,090	1,629	0	0	4,719

Prior Year		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2022	2022	2022	2022	2022
	Note	£000	£000	£000	£000	£000
Total assets		37,080	3,109	1,085	1,073	42,347
Current liabilities:						
Provisions	SoFP	(618)	0	0	0	(618)
Financial liabilities:						
Trade and other payables	SoFP	(16,483)	(35)	0	0	(16,518)
Total current liabilities		(17,101)	(35)	0	0	(17,136)
Non-current assets plus/less net current assets/liabilities		19,979	3,074	1,085	1,073	25,211
Non-current liabilities						
Provisions	SoFP	(1,429)	0	0	0	(1,429)
Financial liabilities:						
Trade and other payables	SoFP	0	0	0	0	0
Total non-current liabilities		(1,429)	0	0	0	(1,429)

Prior Year		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2022	2022	2022	2022	2022
	Note	£000	£000	£000	£000	£000
	Note	£000	£000	£000	£000	£000
Assets less liabilities		18,550	3,074	1,085	1,073	23,782
Taxpayers' Equity						
General fund	SoFP	5,874	0	0	0	5,874
Revaluation reserve	SoFP	12,676	0	0	0	12,676
Other reserves - joint venture	SoFP	0	0	1,085	1,073	2,158
Funds Held on Trust	SoFP	0	3,074	0	0	3,074
Total taxpayers' equity		18,550	3,074	1,085	1,073	23,782

• 21c. Consolidated Statement Of Cash Flows

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2022		2023	2023	2023	2023	2023
£000		£000	£000	£000	£000	£000
	Cash flow from operating activities					
(86,108)	Net operating expenditure	(83,035)	(14)	0	(1,386)	(84,435)
760	Adjustments for non-cash transactions	2,620	0	0	1,386	4,006
32	Investment income	0	39	0	0	39
2,770	Movements in working capital	(6,878)	18	0	0	(6,860)
(82,546)	Net cash outflow from operating activities	(87,293)	43	0	0	(87,250)
(3,205)	Purchase of plant and equipment	(1,680)	0	0	0	(1,680)
(274)	Investment additions	0	(134)	0	0	(134)
0	Proceeds of disposal of property, plant and equipment	0	0	0	0	0
275	Receipts from sale of investments	0	97	0	0	97
(32)	Interest received	0	(39)	0	0	(39)

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2022		2023	2023	2023	2023	2023
£000		£000	£000	£000	£000	£000
(3,236)	Net cash outflow from investing activities	(1,680)	(76)	0	0	(1,756)
	Cash flows from financing activities					
85,965	Funding	89,728	0	0	0	89,728
68	Movement in general fund working capital	(14)	0	0	0	(14)
86,033	Cash drawn down	89,714	0	0	0	89,714
0	IFRS 16 – 2022–23 cash lease payment	(755)	0	0	0	(755)
86,033	Net Financing	88,959	0	0	0	88,959
251	Net increase in cash and cash equivalents in the year	(14)	(33)	0	0	(47)
1,555	Cash and cash equivalents at the beginning of the year	190	1,616	0	0	1,806
1,806	Cash and cash equivalents at the end of the year	176	1,583	0	0	1,759

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2022		2023	2023	2023	2023	2023
£000		£000	£000	£000	£000	£000
	Reconciliation of net cash flow to movement in net cash					
251	Increase / (decrease) in cash in year	(14)	(33)	0	0	(47)
1,555	Net cash at 1 April	190	1,616	0	0	1,806
1,806	Net cash at 31 March	176	1,583	0	0	1,759

Prior Year	Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
	2022	2022	2022	2022	2022
	£000	£000	£000	£000	£000
Cash flow from operating activities					
Net operating expenditure	(87,344)	163	0	1,073	(86,108)
Adjustments for non-cash transactions	1,833	0	0	(1,073)	760
Investment income	0	32	0	0	32
Movements in working capital	2,770	0	0	0	2,770
Net cash outflow from operating activities	(82,741)	195	0	0	(82,546)
Purchase of plant and equipment	(3,205)	0	0	0	(3,205)
Investment additions	0	(274)	0	0	(274)
Proceeds of disposal of property, plant and equipment	0	0	0	0	0
Receipts from sale of investments	0	275	0	0	275
Interest received	0	(32)	0	0	(32)
Net cash outflow from investing activities	(3,205)	(31)	0	0	(3,236)
Cash flows from financing activities					
Funding	85,965	0	0	0	85,965
Movement in general fund working capital	68	0	0	0	68

Prior Year	Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
	2022	2022	2022	2022	2022
	£000	£000	£000	£000	£000
Cash drawn down	86,033	0	0	0	86,033
Net Financing	86,033	0	0	0	86,033
Net increase in cash and cash equivalents in the year	87	164	0	0	251
Cash and cash equivalents at the beginning of the year	131	1,424	0	0	1,555
Cash and cash equivalents at the end of the year	218	1,588	0	0	1,806
Reconciliation of net cash flow to movement in net cash					
Increase in cash in year	59	192	0	0	251
Net cash at 1 April	131	1,424	0	0	1,555
Net cash at 31 March	190	1,616	0	0	1,806

Glossary of commonly abbreviated terms and acronyms, as well as local terms, in the report

Acronym	Narrative Explanation
A&E	Accident and Emergency Department
AME	Annually managed expenditure (a type of non-core funding allocation received by Boards)
AOP	Annual Operating Plan, replaced local delivery plan
CAMHS	Child and Adolescent Mental Health Services
C Diff	Clostridium difficile, also known as C. difficile or C. diff , is a bacterium that can infect the bowel and cause diarrhoea. The infection most commonly affects people who have recently been treated with antibiotics, but can spread easily to others.
CFS	NHS Scotland Counter Fraud Services , when used in reference to fraud
CFS	Consolidated Statement Of Cash Flows, when referenced in the financial notes
CGC	Clinical Governance Committee
CNORIS	Clinical Negligence and Other Risks Indemnity Scheme
CRL	Capital Resource Limit
DISG	Digital Health and Informatics Support Group
DPO	Data Protection Officer
EU	European Union
FReM	Government Financial Reporting Manual
FPC	Finance and Performance Committee
GP	General Practitioner
HAI	Healthcare Associated Infection
HIS	Healthcare Improvement Scotland
ICO	Information Commissioner's Office
IJB	Shetland Islands Health and Social Care Partnership also referred to as Integration Joint Board
IG	Information Governance
IGSG	Information Governance Sub Group

Acronym	Narrative Explanation
IT	Information Technology
IFRSs	International Financial Reporting Standards
ISAs	International Standards on Auditing
JSCP	Joint Strategic Commissioning Plan
KPIs	Key Performance Indicators
MCN	Managed Clinical Networks or Managed Care Networks
MRI scanner	Magnetic resonance imaging scanner
NHS	National Health Service
NHS Performs	Website on NHS Scotland information that is produced by NHS National Services Scotland
NHS Shetland	Shetland Health Board
NSS	National Services Scotland
OSCR	Office of the Scottish Charity Regulator
PPE	Personal Protective Equipment
RICS	Royal Institution of Chartered Surveyors
RMG	Risk Management Group
RRL	Revenue Resource limit
RTT	Referral to Treatment Target
SoCNE	Statement of Consolidated Comprehensive Net Expenditure
SoCTE	Summary of Resource Out-turn
SoFP	Consolidated Statement of Financial Position
SGHSCD	Scottish Government Health and Social Care Directorate
SIC	Shetland Islands Council
SIRO	Senior Information Risk Owner
SPFM	Scottish Public Finance Manual
Up Helly Aa	A community fire festival event, inspired by Viking history and mythology. A number are held annually around Shetland.
VAT	Value Added Tax
WTE	Whole time equivalent value for NHS staff

Direction by the Scottish Ministers

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 Shetland by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

1. NHS Shetland 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 Shetland must use the NHS Shetland 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 Shetland 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 Shetland 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 Shetland 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 Shetland is a Health Board established under section 2(1) of the National Health Service (Scotland) Act 1978

“NHS Shetland Annual Accounts template” means the Excel spreadsheet issued to NHS Shetland 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 22 March 2022