SHETLAND NHS BOARD
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2018

INDEX

ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2018

PERFORMANCE REPORT

1. Chief Executive Statement

2017/18 has been a year of significant service delivery challenge for NHS Shetland.

However, despite a number of noticeable workforce challenges, arsing from vacancies and difficulties recruiting to fill these positions, our staff have delivered high quality services for the Shetland community.

I am pleased that we have continued to deliver against a range of national performance target as outlined in the performance against Key Non-Financial Targets section. Our performance compares favourably with other health and care systems. This reflects the hard work and commitment of our staff and the wider care system. However it is essential that we acknowledge the significant challenges we face and these have been a key driver in our decision to begin a major service scenario planning process. This will support the Board and Integration Joint Board (IJB) to set out a clear direction for Health & Care services in Shetland and to identify the main areas of redesign and service challenge that we need to address over the next 5 years.

In particular, 2017/18 has seen even greater pressure across our workforce with a significant turnover in senior medical roles in both Primary and Secondary care. This has resulted in both service continuity and financial issues for the Board and sustainability for our workforce is the single most important issue for the future.

However, as a result of the hard work of our staff, we have again balanced our budget and delivered more than £4.6m in savings, although over £2.2m of these were on a one-off basis. To return to recurrent financial balance we know that we will need to redesign our services and deliver ongoing savings.

2. Overview

NHS Shetland is the operating name of Shetland Health Board that was established under the National Health Service (Scotland) Act 1978 and is responsible for commissioning and providing healthcare services for the residents of Shetland Islands as outlined in Table 1 below:

Table 1 NHS Shetland at a glance	
Directly Provided Healthcare	**Commissioned Healthcare Services**
8 GP Practices	2 GP Practices
Community Healthcare Service	3 Ophthalmic Practices
6 Dental Practices	1 Dental Practice
Gilbert Bain Hospital Acute and Maternity Services; 9,800 In patients, 1,820 Day cases, 35,358 Out patients, 108 births and 8,020 A&E Attendances during 2017/18.	5 Pharmacy Contractors
	NHS Grampian Acute and Maternity Services
	NHS Grampian Mental Health Services
Child and Adolescent Community Mental Health Service	NHS Tayside Specialist Mental Health Services for Adults, Children and Adolescents
Adult Community Mental Health Service	Golden Jubilee, Orthopaedic Services
Public Health	Tertiary Specialist Services

NHS Shetland headquarters is based at: Upper Montfield,
Burgh Road,
Lerwick,
Shetland,
ZE1 0LA

and directly provides health care services outlined in table 1, on page one, from fourteen sites across Shetland. Several of these services are co-located across our ten health centres and Gilbert Bain Hospital.

The boundaries of NHS Shetland and Shetland Islands Council are co-terminus. The front cover displays a map of the Shetland Islands which has a population of around 23,000 spread over sixteen of the one hundred islands. These cover a land mass of 567 square miles and surrounded by the North Sea; have a coastline 1,679 miles long.

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

The functions of the unified NHS Board comprise:

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

During 2017/18 the work of the Board has focused on continuing the delivery of the agreed key Corporate Objectives to:

- improve and protect the health of the people of Shetland;
- provide quality, effective and safe services, delivered in the most appropriate setting for the patient;
- continuously redesign services where appropriate, in partnership, to ensure a modern sustainable local health service;
- provide best value for resources and deliver financial balance;
- ensure sufficient organisational capacity and resilience.

To address the first objective, the Board continues to implement a ten-year Public Health Strategy intended to create a step change in the health of the Shetland population.

A range of work has been progressed to improve the quality of service provided. This included work in individual clinical services, the provision of services for older people and primary care and the development of arrangements to support Health & Social Care integration. The Board has continued to focus on using feedback from patients and their families or carers and learning from incidents and adverse events. The Board has continued to work with NHS Grampian and the NHS Waiting Times Centre to provide and develop pathways for patients referred outside Shetland.

The Board continues to progress the efficiency and the redesign of our services through a Transformational Change Board. This includes activity across three work streams of Whole Population, Sustainable Services and Organisational Issues. The first area focuses on our work to improve the overall health of the population, to encourage patients and our community to take greater control of their health and healthcare and also to deliver improvements in the efficiency and effectiveness of our prescribing. The third work stream is delivering efficiencies and improvements in the provision of our support services and in the way in which we support and manage our staff. The work stream on Sustainable Services is where we are focussed on developing long term sustainable services and addressing current and future challenges of workforce, demographics and finance, using the opportunities provided from innovation and new technology.

A major aspect of this work has been the progression of a scenario planning exercise. This has involved over 70 members of staff and is providing the space and structure to

discuss and review how services might be provided in the future. This work will extend into 2018/19 and will lead to the development of key areas of service redesign that need to be progressed.

In 2017/18 NHS Shetland has made the repatriation of services, and the minimising of patients having to travel to the mainland for care and treatment that can be provided locally, a high priority. This has resulted in significant cost avoidance but more importantly reduced travel for a number of patients.

During 2017/18 NHS Shetland has continued to work closely with Shetland Islands Health and Social Care Partnership (IJB) and Shetland Islands Council (SIC) on a number of projects. The most significant area has been implementing our joint strategic commissioning plan, continuing to support the work done to shift the balance of care and to ensure that our scenario planning exercise is focussed on the whole health and care system.

NHS Shetland and Shetland Islands Council have delegated agreed functions to the IJB, and the IJB is wholly responsible for carrying these out. The IJB is required to have regard to the national health & wellbeing outcomes, the integration delivery principles, and the needs of localities within Shetland.

The relevant delegated services are:

- Social Work Functions: Residential Care – Older People, Extra Care Housing and Sheltered Housing (Housing Support provided), Intermediate Care, Supported Housing-Learning Disability, Rehabilitation-Mental Health, Day Services and Local Area Coordination-LD; Older People; Mental Health, Care at Home services and enablement–all client groups, Rapid Response, Telecare, Respite services-all client groups, Quality assurance and Contracts, Assessment and Care Management-including OT services, Specialist Services-Sensory Impairment, Drugs and Alcohol.
- Hospital services: (includes associated services – e.g. allied health professionals) A&E, general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, psychiatry of learning disability, palliative care, hospital services provided by GPs, mental health services provided in a hospital with exception of forensic mental health services, and services relating to an addiction or dependence on any substance.
- Community Health Services: District nursing, services relating to addiction or dependence on any substance, services provided by allied health professionals, public dental service, primary medical services (GP), general dental services, ophthalmic services, pharmaceutical services, out-of-hours primary medical services, community geriatric medicine, palliative care, mental health services, continence services, kidney dialysis, and services to promote public health.

In 2017/18 NHS Shetland has continued to review how its governance and management arrangements should evolve as a result of the new business model.

As a result of the significant strategy and planning role associated with the IJB, NHS Shetland agreed in August 2017 to disband its Strategy and Redesign Committee with the functions reallocated to either the IJB or an alternative governance committee.

NHS Shetland will continue to directly carry out all its functions which have not been delegated to IJB.

Further information on health & social care integration can be accessed through the link below:

http://www.shetland.gov.uk/Health_Social_Care_Integration/default.asp

3. Risk and Uncertainty

The Board's 2017/18 Local Delivery Plan (LDP) summarised the key risks facing NHS Shetland in future years and the actions to be taken to mitigate these.

The LDP focused on improvement and delivery in a number of key areas as set in the context of the Strategic direction agreed within the Joint Strategic Commissioning Plan. The priority areas were:

- Hospital, Acute and Specialist Services;
- Community Health and Social Care Services;
- Public Health and Health Improvement Services.

The LDP recognised that NHS Shetland is working in a challenging context in which there is a need to balance delivery of quality services with ambitious improvement targets and standards, while also living within the financial realities facing public sector.

For 2018/19 the structure of the annual plan (LDP) submission to the Scottish Government has changed and is now referred to as an Operational plan. This reflects the need for Health and Social Care Partnerships to develop a Joint Strategic Commissioning Plan. The annual operational plan required by the Scottish Government is now very focussed on the actions to deliver key targets. Operational plan was reviewed at the 17 April 2018 Board meeting.

At the 18 April 2017 Board Meeting NHS Shetland Risk Management Strategy for 2017-2020 was agreed. The aim of this strategy is to:

- minimise risk and, in particular, the risk of harm to patients;
- create a culture of continuous improvement;
- enable a positive approach to risk management;
- develop and promote policies and procedures that support practitioners and managers in risk decisions;
- provide an educational framework that encourages the sharing of knowledge relating to both risk assessment and risk management.

4. Performance Analysis

The Scottish Government Health and Social Care Directorate continue to set three financial limits at a Health Board level on an annual basis. These limits are:

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

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

	Limit as set by SGHSCD	Actual Outturn	Variance (Over)/Under
	£'000	£'000	£'000
	(1)	(2)	(3)
Core Revenue Resource Limit	56,854	56,766	88
Non-core Revenue Resource Limit	1,901	1,901	0
Total Revenue Resource Limits	**58,755**	**58,667**	**88**
Core Capital Resource Limit	579	574	5
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	**579**	**574**	**5**
Cash requirement	57,988	57,661	327

MEMORANDUM FOR IN YEAR OUT-TURN	**£'000**
Reported surplus from 2016/17	(312)
Deficit against in year total Revenue Resource Limit	**(224)**

The non-core revenue resource limit provides funding for more technical accounting entries that do not directly trigger a cash payment such as the depreciation or impairment of an asset or the creation of a provision for a future liability.

The core capital resource limit covers additions to land and buildings or intangible assets or new equipment with a life greater than one year and a value greater than £5,000.

The core revenue resource limit is the Scottish Government funding the Board receives to cover all its other activities, excluding certain Family Health services payments which are covered centrally by the Scottish Government, an example being the eye sight test fee.

Revenue Resource Limit

The Board delivered an under spend against its Core Revenue Resource Limit (RRL) of £88k for 2017/18. This compares with an under spend of £312k in 2016/17. The under spend from 2016/17 was carried forward and added to the Board's RRL in 2017/18. If the Board had not benefited non-recurrently from the carry forward of the 2016/17 under spend the out-turn position would have been £224k over spent.

However, the Board still carries an underlying recurring deficit in the resource budget for ongoing activities. At the close of 2017/18 this stood at £1,596k down from £1,805k in 2016/17. The efforts of the Board in 2017/18 have reduced the underlying deficit by just under 12% in the year.

The 2017/18 Financial Plan included a recurring savings target of £4,306k, equivalent to 9% of the Board's baseline resource allocation. While there has been some slippage in progress against the recurring target at year end, progress has continued to be made and the overall target was exceeded with the inclusion of non-recurring savings. The in-year recurring savings delivered was £2,375k; in year achievement of rate of 55% of the overall target. The savings achieved were below the original target due to delays in the start dates for some clinical redesign projects.

However the full year effect of the savings achieved is £2,710k, thus achieving 63% of the target, so the consequences of this are that a carry forward recurring savings target of £1,596k that has been included in the ongoing financial plan. Delivery of this remains a key risk for the Board.

In year non-recurrent savings of £2,232k were also achieved that made a key contribution to addressing the £1,931 gap in recurring savings in year and locum staff costs incurred to cover vacant posts as a result of the difficulties in recruitment of permanent clinical staff.

The principle areas causing staff cost pressures as a result of difficulties in recruitment to permanent clinical staff posts were General Practitioners (GPs) vacancies at Board run practices and consultant vacancies at Gilbert Bain Hospital for Physicians and Anaesthetics.

The Board's Financial Plan for the next five years 2018-19 to 2022-23 was discussed at the Board Meeting on 20 February 2018. The Board Meeting on 17 April 2018 discussed the Financial Plan along with the Annual Operating Plan for 2018-19 but has not yet agreed the plan as forecast expenditure exceeds anticipated funding by £1,600k.

The Board recognises its statutory financial obligation under section 85 of the National Health Services (Scotland) 1978 to achieve financial balance at the yearend.

Significant management action is occurring to ensure the achievement of financial balance at the yearend in 2018/19 and a further update to the Board will occur in June 2018.

The financial plan carries a significant degree of uncertainty in view of the overall position of public finances. The plan makes explicit assumptions that were shared with the Scottish Government, which views the assumptions as reasonable based on current knowledge.

The ongoing risk associated with the delivery of the plan has been logged within the Board's corporate risk register.

http://www.shb.scot.nhs.uk/board/riskmanagement.asp

Capital Resource Limit

The Board's gross expenditure on capital assets during 2017/18 was £574k which is £5k below the approved capital resource limit (equivalent to 1%). This compares to the Board's gross expenditure on capital assets during 2016/17 of £736k which was £50k below the approved capital resource limit (equivalent to 8%).

The key components of the capital programme are set out below in table 2.

Table 2: Capital Asset Programme 2017/18 Summary		
Project	**Amount £'000s**	**Narrative**
Gilbert Bain Hospital, Medical Equipment	322	Anaesthetic Monitors £153k, Defibrillator £82k, Theatre Operating Tables £48k, Anaesthetic Pendants £23k, Video laryngoscope £16k.
IT Equipment	118	Patient Management System £58k and other IT Infrastructure £60k.
Gilbert Bain Hospital, Plant and Equipment	134	Boiler Replacement.
Gross Additions Total	**574**	

Balance Sheet

The Board's net assets at 31 March 2018 stood at £22,019k compared with £24,667k at 31 March 2017. This represents a decrease of £2,648k.

The two principal causes of this in year movement are:

1. An increase in trade and other payables of £1,671, Note 12, caused by:
   a. Increase in outstanding treatment recharges from other NHS Boards £463k, primarily caused by late receipt of invoices.
   b. Recognition of £763k in regards to a potential liability for a "payment as if at work" dating back to 2008.
   c. Accruals for outstanding charges due but not yet invoiced by suppliers, £459k.
2. Net value of Property, plant and equipment reduced by £906k due to depreciation charges incurred in 2017/18, Note 7, offset by additions in table 2 above.

As in previous years, the Board's Balance Sheet at 31 March 2018 shows negative net current assets/liabilities balance. The total at 31 March 2018 was £7,553k which is a change of £1,556k from the previous year's value of £5,997k.

At the year end the Board carried four provisions totalling £2,197k for future liabilities:

1. £251k relating to estimated future liabilities associated with premature retirements, Note 13a.
2. £112k relating to potential clinical negligence claims, Note 13b.
3. £1,449k relating to the Board's proportion of NHS Scotland's overall total long term risk share agreement in respect of CNORIS liabilities, Note 13b explains this in detail.
4. £385k relating to the 'payment as if at work' liability relating to staff that have now left employment with NHS Shetland, Note 13a.

In Note 14, page 63, the Board has disclosed contingent liabilities totalling £135k. This is in respect of less than five medical negligence claims ranked as low-risk by the Central Legal Office.

There are no post-balance sheet financial events to be disclosed in the financial statements.

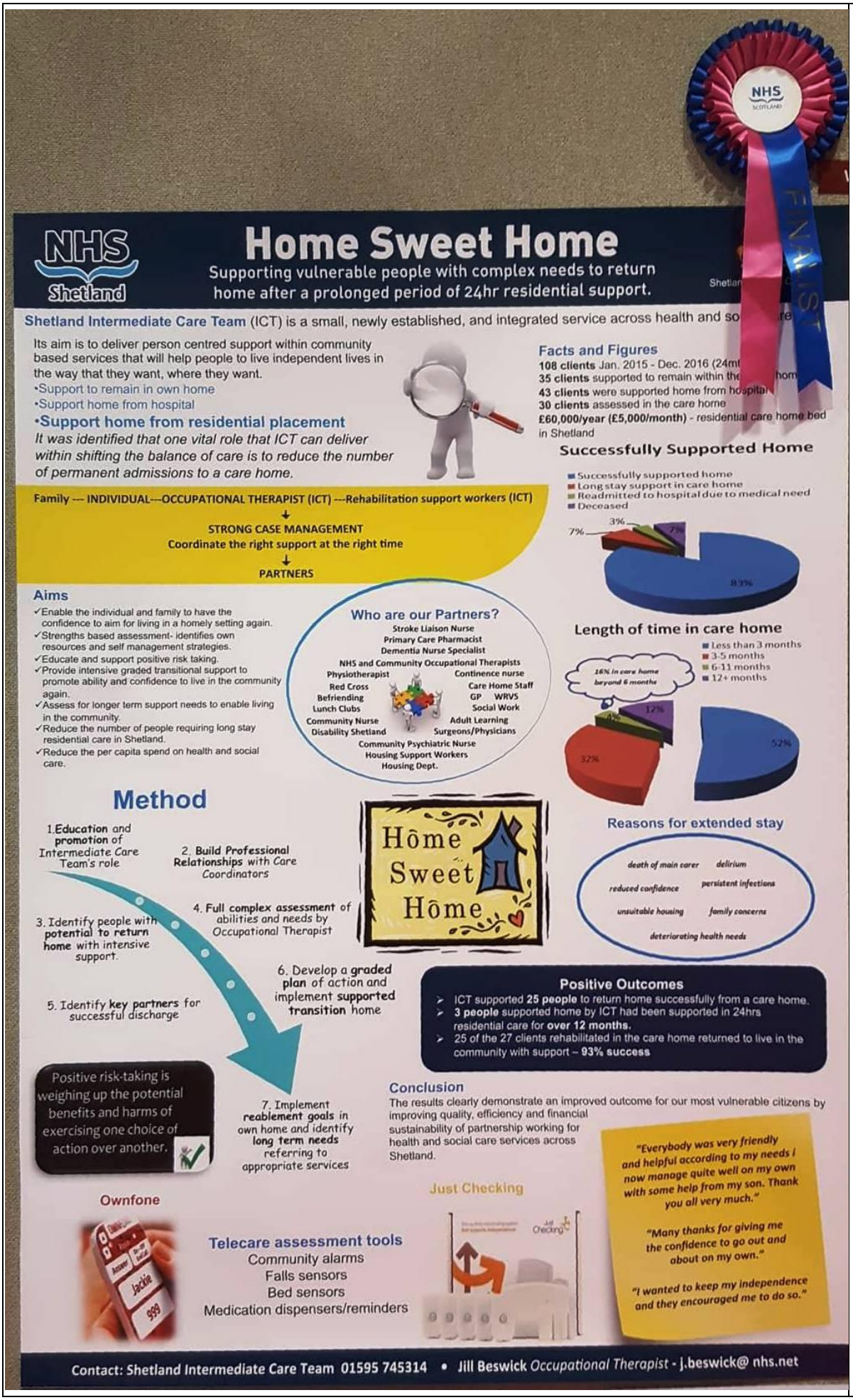
5. Performance against Key Non-Financial Targets

The publication of activity information and performance against national targets has a time delay that does not make information to 31 March 2018 fully available at the time the annual accounts are available. The most up to date information is published at NHS Scotland NHS Performs website: http://www.nhsperforms.scot/hospital-data?hospitalid=18 for selected statistics for NHS Shetland. Information is also published on the ISD Scotland website in more detail at: http://www.isdscotland.org/Publications/index.asp. The June 2018 Board meeting papers will include a performance report for 2017/18 covering all locally and nationally set targets.

Summary of Key Performance Statistics

Compliance	Movement	National Target	2017/18	2016/17
✓	↑	A&E Discharged within 4 hours	96.5%	96.1%
✓	↑	18 weeks from GP referral to out-patient appointment and / or treatment	90.3% (1)	84.2%
✓	↔	The percentage of patients waiting less than six weeks for one or more of the eight key diagnostic tests	99.5%(1)	100.0%
(2)	↓	Average Percentage of Beds Occupied at the Gilbert Bain (Excluding maternity)	53.6%	55.1%
(2)	↑	Delayed Discharges Occupied Bed Days	1,103	1,057
(2)	↓	Delayed Discharges, number of people waiting more than 14 days to be discharged from hospital into a more appropriate care setting in year	8	9
✓	↓	31 day standard from decision to treat to start of treatment for newly diagnosed primary cancers	97.1%(1)	100.0%
✗	↓	62 day standard from receipt of referral to start of treatment for newly diagnosed primary cancers	85.7%(1)	92.9%
✓	↑	18 weeks Referral to Treatment for specialist Child and Adolescent Mental Health Services	95.3%	68.3%
✗	↓	18 weeks Referral to Treatment for Psychological Therapies	52.8%	77.6%
✓	↓	48 Hour access to GP Practice Team	92.6% (3)	93.6%
✗	↓	Advanced Booking access to GP Practice Team	60.7% (3)	76.4%
✓	↓	Staff sickness absence rate	3.9%	4.5%

Note (1): These statistics are as at 31 December 2017 rather than as at 31 March 2018
Note (2): No specific compliance value on Scottish Government website
Note (3): The statics are from Scottish Government GP access survey and not at 31 March 2018



Shifting the Balance of Care

Working in partnership with Shetland Islands Health and Social Care Partnership (IJB) and Shetland Islands Council (SIC) the role of the Intermediate Care Team continues to expand.

The intermediate care aims to support individuals will be supported to:

- remain at home, avoiding unnecessary admission to the hospital or care centre
- return home from a hospital admission
- return home from a care home interim placement

During 2017/18 there was a planned shift from a Hospital based Rehabilitation Service to a Community based Rehabilitation Service.

The work of our Intermediate Care Team won national recognition with their award winning poster from NHS Scotland National Event in June 2017 "Home Sweet Home".

Primary Care

All practices continued to meet the 48-hour access target in 2017/18 with our overall performance at 92.6% being comparable to the NHS Scotland average of 92.7%.

In respect of Advanced Booking access to GP Practice Team more than 48 hours in advance NHS Shetland performance at 60.7% is significantly below the NHS Scotland average of 68.1%.

At Lerwick Health Centre the new workforce model following the introduction of Advanced Nurse Practitioners (ANP) has continued to evolve and there continue to be some issues associated with the availability of GP time for ongoing appointments. This is reflected in the statistics above.

During 2017/18 responsibility for the delivery of GP Practices in Brae, Scalloway, Bixter and Walls health centres transferred from independent contractors to being directly managed by the Board.

Mental Health

We have looked to continue to build on the previous investment the Board has made in our local Mental Health Service. This has remained challenging however with some turnover in the senior medical staff within the service.

Our performance against access to Psychological Therapies within 18 weeks of referral remains significantly below target at 53%. There are a small number of patients who have waited for over 1 year with the longest wait of 65 weeks. This remains an area for focus and it is expected that this will improve in 2018/19 as patients who have waited a long time are finally seen and new arrangements are embedded.

Against the access target of 18 weeks Referral to Treatment for specialist Child and Adolescent Mental Health Services (CAMHS) the overall performance across the year was good with 95% of patients treated within 18 weeks.

We recognise that there remain ongoing issues associated with the fragility of our Mental Health services and we are continue to work on addressing this.

Health Improvement and Tackling Health Inequalities

Shetland has traditionally had a good life expectancy and a level of health amongst the best in Scotland, reflecting the high quality of life in Shetland, as well as the quality of local services. Recently, the year on year improvements in life expectancy have slowed down across the UK, including Shetland. The reason for this slowdown is under investigation by universities and other academic institutions. For men the life expectancy at birth using the three year rolling average for 2014-16 remained at 77.6 years,; and for women it was 82.0 years, down from 82.45. We are yet to reach the ambitious local targets of 79.2 and 86.2 years respectively. Life expectancy is still better than many other parts of Scotland but there are health inequalities within Shetland that are often hidden and not reflected in available data.

Our work is co-ordinated around people at every stage of life, the places they live, work and play whilst tackling poverty to ensure everyone is able to benefit. Whilst the NHS has an exemplar role we will not do this alone and therefore working in partnership is critical to our success.

Given the nature of the public health targets for many we will not know the 2017/18 performance until later in the year.

Smoking: Shetland's rate (based on GP data) has decreased from 15.8% to 14.6%. We continue to make attempts to improve the accuracy and completeness of data recorded on EMIS (the GP data collection system). Despite sustained effort and resource going into our smoking cessation services, we are still not in line with trajectory and may have to aim to meet it over a longer period of time.

We no longer have a government set smoking cessation target, but had achieved 23 quits at 12 weeks by November 2017. The final figures for the year are not available until July.

Alcohol: We have not met the target for delivering Alcohol Brief Interventions (ABI), despite doing well in previous years. In 2017/18 183 ABIs were undertaken against a

target of 261. This reflects a reduction in resources in the Health Improvement Team, who had been delivering the majority of the interventions with very few being done in Primary Care, and a recording issue in Accident & Emergency, which means that activity is not being recorded. Latest national data for alcohol-related admissions shows that the rate reduced during 2016/17. It was 603.4/100,000 against a rate of 671.3 / 100,000 last year and a local target of 500 / 100,000. Work continues to prevent harm relating to substance misuse, including work with the local Licensing Board and commencement of a strategic needs assessment of drug and alcohol needs in Shetland. Our local programme of culture change on alcohol use, known as "Drink Better", has been informed by the result of successful local engagement with the Shetland public, including focus groups.

Keep Well: The National Keep Well Programme has now ended, along with the funding it provided, and Keep Well checks are only delivered locally where significant need has been identified. The service is now entirely funded from local investment in the programme.

Early years: Against the national target of 80% of pregnant women in each Scottish Index of Multiple Deprivation (SIMD) centile booking by 12 weeks, figures from NSS Discovery for the year ending December 2017 show the rate for our lowest SIMD quintile has increased to 75.5% and our overall rate also up to 81.4%. This equates to 171 of 210 pregnant women having booked by the 12th week of gestation. A local audit puts the compliance at a much higher rate. Problems with booking date recording for off-island births have been identified. Work is ongoing with ISD and NHS Grampian to ensure that these data issues are rectified both historically and going forward.

The most recent figures for breastfeeding at 6-8 weeks show that the rate for Shetland is 65.1% (quarterly rolling average at end 2016), above the national target of 50% and our ambitious local target of 58%, and the third best performing Board in Scotland.

Figures for children out with the healthy BMI in Primary 1 vary from year to year, due to small numbers; the figures are 17.9% in 2014, 27.1% in 2015, decreasing again to 22.3 in 2016 and then a further increase to 26.1% in 2017. In order to have an impact on Primary 1 children, risk of overweight and obesity needs to be identified early enough for effective support to be provided. A programme of work is underway with health visitors who undertake the 27-30 month developmental checks and pre-school checks, to ensure accurate measuring and accurate reporting, and that appropriate support is being offered to parents, including the use children's plans where appropriate. The next data available is published in December 2018.

Suicide: Suicide still remains a significant area of concern although the most recent available figures show a sustained reduction from 21.55 per 100,000 population in 2013 to 13.4 in 2017 (5 year rolling average 2012-2016).

A programme of prevention continues including tackling stigma on mental health issues, training and a local audit of all sudden deaths and suicides to help understand local risk factors and target our preventative work.

Cancer screening programme: uptake remains good with all our uptake rates amongst the highest in Scotland. The most recent published figures show uptakes of:

- 66.4% for bowel cancer screening above the target of 60% (Scotland 56%).
- 79.8% for cervical screening slightly below the target of 80% (Scotland 71%).
- 84.4% for breast screening above the target of 80% (Scotland 71.9%).

Immunisation: The most recent immunisation rates show uptake for the calendar year 2017 was slightly below the national target of 95% for primary immunisations of children by the age of one year (94.7% for 5 in 1; 94.9% for PCV and 93.6% for rotavirus and Meningitis B) and by the age of two years remained slightly low (94.1 % for the 5 in 1). Uptake of Hib / MenC and PCV booster (which should be given by 13 months) by age two were also low at 91.1% and 90.7% respectively. Update of first dose of MMR by age two is still low at 89.9% but there has been a very gradual upward trend over the past 10 years.

Uptake of the first dose of MMR by age five years has just reached the target of 95% for the second year in a row, but uptake for the full course (2 doses) that should have been

received by then is still low at 86.1%, although this has steadily increased from 64.6% in 2008. However this is still leaving nearly 15% of children entering school potentially unprotected against measles, mumps and rubella. The uptake for the preschool booster of pertussis, diphtheria, tetanus and polio is also too low by age five at 86.5%, although again this has steadily increased from 2008 when it was 77.2%. There are a number of possible reasons for the continued low uptake in Shetland we are aiming to address these through the Vaccination Transformation Programme, along with continued awareness raising and publicity.

Published figures for the uptake of seasonal flu vaccine are not yet available, but the unpublished figures suggest vaccination rates this year have been broadly similar to last year, but with an increase in the rates for pregnant women and pre-school children. Compared to the rest of Scotland, our rates are higher except for the over 65s. The target level of 75% uptake for over 65 has not been reached again. At the end of the season, a total of 378 NHS staff had been vaccinated, 53.2% of the total workforce. 62.2% of frontline staff was vaccinated and 41.3% of other staff. This compares to 47.3% of frontline staff and 33.2% of other staff being vaccinated in 2016/17, so a continued increase in uptake.

These targets only represent a proportion of the Board's public health and health improvement work. Work on increasing physical activity, especially amongst the most inactive, and healthy diet is continuing but outcomes are difficult to measure on a short term (annual) basis. Health protection and emergency planning (resilience) work has also continued including both strategic planning and reactive work dealing with day to day incidents. There has also been a significant focus on tackling health inequalities and supporting the most vulnerable in our community: including for example partnership working on poverty and exclusion; domestic abuse and sexual violence; early years; black and minority ethnic group needs assessment; mental health issues and community justice.

Waiting Times Targets – Secondary Care

During 2017/18 the Board maintained its comparatively strong performance on waiting times for inpatients and day cases. However there have been some short and medium term pressures that have seen a number of patients exceed the targets.

The Board achieved the 18 Week Referral to Treatment Target of 90% in only two months during 2017/18. Our performance ranged from a low of 74.7% in May to a high of 90.3% in November and December. The overall annual average performance at 83.6% in 2017/18 is lower than the 2016/17 performance of 87.5%. Targets stated in table above are at one specific date in time rather than the annual average in line with national reporting standard.

The Board improved our performance against the 12 week target for out-patients in 2017/18 improved upon 2016/17 but was below prior year standards. As a result at 31 March 2018 there were 229 out patients waiting longer than 12 weeks compared to 400 at 31 March 2017. Of these new out-patients there were 69 patients waiting longer than 26 weeks for their first appointment and this was significantly down on the 179 patients waiting over 26 weeks at 31 March 2017. These were primarily in Orthopaedic (47 cases), Ear Nose and Throat (ENT) (7 cases) and Dermatology (5 cases).

The Cancer Targets require 95% of cases 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". In 2017/18, the Board's joint pathways with NHS Grampian did not maintain 100% compliance with the 31 Day Treatment Target and 62 Day Treatment Target for all twelve months.

The Board continues to actively manage its general waiting times and cancer targets and is working closely with NHS Grampian to reduce delays and improve access. While overall the Board continues to have some of the best access target performance across Scotland we recognise, that particularly where individual visiting services have staffing issues we will continue to experience significant risks in sustaining performance.

The delivery of waiting times targets has been supported by our Performance Management Framework. Performance systems continue to be developed at every level from Board reporting through to discussion at operational meetings.

We are actively participating in the Detecting Cancer Early Program.

There are ongoing risks in maintaining our current performance on access associated, in particular, with recruitment & retention of key staff and because of the impact on performance by services provided by partners, for example NHS Grampian. These are set out for 2018/19 in our annual operational plan and will continue to be monitored through our waiting times group, executive management team and the Board.

Unscheduled Care

In 2017/18, 96.5% of patients attending the Accident and Emergency department were either discharged or admitted to a ward within four hours with performance only falling below 95.0% in three months. 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.

Reversing the trend of the last three years there was a small increase of 2.5% in patient attendances at the Accident and Emergency department in 2017/18.

The Board successfully delivered services through the winter months with no significant disruption and has systems in place to actively monitor and manage services through periods of severe weather.

Delayed Discharges

Reducing the number of patients delayed in hospital has been a key target in 2017/18. This has involved an increased focus through daily reporting and as part of our partnership work we have seen the creation of more dedicated Social Work input to support the hospital and the development of an Intermediate care team using funding from the Integration fund.

However there has been a small increase of 4.4% in the number of days occupied by patients delayed in hospital during 2017/18 along with the number of cases increasing by 10 compared to 2016/17. In respect of the patient's delayed in hospital for longer than 14 days this reduced from 9 cases in 2016/17 to 8 cases in 2017/18. These numbers remain low, however and have not resulted in any significant bed pressures during the year.

Infection Control

Healthcare Associated Infection (HAI) reports are routinely on the Board agenda. Work to prevent Healthcare Associated Infections including Staphylococcus aureus bacteraemia (SAB) and Clostridium difficile (C Diff) continues, with local surveillance and monitoring of every individual case both in hospital and in the community. The headline rate for SAB has decreased to 0.41 per 1,000 occupied bed days in 2017 from 1.03 per 1,000 occupied bed days in 2016.

The local rate for C Diff in 2017 was 0.1 per 1,000 occupied bed days case reported during this period. This is similar to the local rate for C Diff in 2016 of 0.085 per 1,000 occupied bed days.

The regular reports to the Board include audit compliance performance data highlighting trends in Hand Hygiene, Cleaning and Estates Monitoring. Hand Hygiene compliance improved marginally this year to 99.0% from 98.9% last year.

There were 18 cases of E Coli bactereamias in 2017, an increase of 2 cases on 2016.

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 (HEI) report on inspection in year reflects this.

6. Sustainability and Environmental Reporting

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

Further information on the Act, along with copies of prior year national reports, can be found at the following resource:

http://www.keepscotlandbeautiful.org/sustainability-climate-change/sustainable-scotland-network/climate-change-reporting/

The Board is committed to sustainability and to reducing its impact on the environment as laid down in the Scottish Health Technical Memorandum 07-02. In line with this, the Board has taken the following actions:

- Developed a Sustainability and Environmental Management Policy with action plan.
- Ongoing monitoring of electricity and water consumption to reduce where possible.
- Gilbert Bain and Montfield Hospitals, Lerwick Health Centre and Breiwick House continue to use the Shetland Heat Energy and Power (SHEP) district heating system minimising carbon dioxide (CO_2) emissions from heat energy.

The Board continues to develop its Carbon Management plan. We work closely with Health Facilities Scotland (HFS) to provide additional technical expertise and to review options for renewable energy. The boards level of Carbon Dioxide (CO_2) emissions are below the level required to register for EU emissions trading system (EU ETS). The Board does not therefore hold EU Greenhouse Gas Emission Allowances.

7. Approval and signing of the Performance Report

Signed  Date 22 June 2018

By Ralph Roberts, Chief Executive as Accountable Officer

8. Date of Issue

The Accountable Officer authorised these audited financial statements for issue on 22 June 2018 as that was the date the financial statements were approved by the Board.

9. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2016/17 to 2020/21 the Auditor General appointed Deloitte LLP to undertake the audit of Shetland Health Board. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

10. Board membership

Under the terms of the Scottish Health Plan, the Health Board is a Board of Governance whose membership will be conditioned by the functions of the Board. Members of Health Boards are selected on the basis of their position or the particular expertise 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, and reflects 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 names and positions of the board members are set out below:

Executive Board Members	*Position Held*
Ralph Roberts	Chief Executive
Dr Roger Diggle	Medical Director (until 21 April 2017)
Dr Gilbert Ozuzu	Medical Director (From 2 October 2017)
Kathleen Carolan	Director of Nursing and Acute Services
Colin Marsland	Director of Finance
Lorraine Hall	Director of Human Resources and Support Services
Susan Webb	Director of Public Health (From 1 September 2017)
Non-Executive Board Members	
Ian Kinniburgh	Chairman
Malcolm Bell	Vice-Chair (Until 31 May 2017)
Marjorie Williamson	
Natasha Cornick	From 10 July 2017
Shona Manson	From 10 July 2017
Lisa Ward	From 10 July 2017
Jane Haswell	From 1 January 2018
Thomas Morton	Until 30 June 2017
Andrew Glen	Until 25 May 2017
Stakeholder Non Executive Board Members	
Ian Sandilands	Chair, Area Partnership Forum
Edna Watson	Chair, Area Clinical Forum
Cecil Smith	SIC Member (Until 30 April 2017)
Malcolm Bell	Vice Chair / SIC Member (From 1 June 2017)

11. 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 25.

12. 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 2017/18.

13. Pension Liabilities

The accounting policy note and disclosure of the costs is shown within Note 19 and the Remuneration Report.

14. Remuneration for non-audit work

Deloitte LLP did not undertake any non-audit work for the Board in 2017/18. Deloitte LLP nor any other accountancy firm undertook any non-audit work for the Board in 2017/18.

15. Value of Land

The value of land owned by the Board is included at current market value.

16. Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 imposed duties on the Scottish Government and 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. The link below will guide users to the relevant documentation on NHS Shetland's external website. http://www.shb.scot.nhs.uk/board/procurement.asp

17. Personal data related incidents reported to the Information Commissioner

During 2017/18 there were no cases reported to the Information Commissioner's Office (ICO). In comparison during 2016/17 there was one case reported to the ICO. The ICO investigation concluded that no further action is necessary on this occasion.

18. Payment policy

The Scottish Government is committed to supporting business by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies. The statistics below, which relate only to non-NHS suppliers, are calculated using invoice date as opposed to invoice received date.

- In 2017/18 average credit taken was 18 days (compared with 17 days in 2016/17).
- In 2017/18 the Board paid 85.20% by value and 85.93% by volume within 30 days (compared with 88.97% by value and 85.99% by volume in 2016/17).
- In 2017/18 the board paid 68.46% by value and 67.70% by volume within 10 days (compared with 75.43% by value and 70.84% by volume in 2016/17).

19. Disclosure of Information to Auditors

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

20. Events after the end of the reporting period

There were no significant events affecting the Board after the end of the reporting period.

21. Financial instruments

Information in respect of 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 23.

THE STATEMENT OF ACCOUNTABLE OFFICER'S RESPONSIBILITIES

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

This designation carries with it, responsibility for:

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

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

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the financial statements on a going concern basis.
- Confirm that as far as I am aware, there is no relevant audit information of which the entity's auditors are not aware.

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 to me of June 2011.

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 2018 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;
- 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 Healthcare Improvement Scotland (HIS) and other bodies. In 2017/18 this included, a Healthcare Environment Inspectorate, unannounced inspection of the safety and cleanliness of the theatres at the Gilbert Bain Hospital. The inspection found both good practice and some areas that require local improvement. An action plan was implemented to address these and reported to the Board on 23 June 2017.

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 up to the date of approval of the annual report and financial statements.

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 has previously approved a 2020 Vision, Clinical Strategy (2011) and key Corporate Objectives. The 2020 Vision sets out its aim to:

> "deliver sustainable high quality, local health and care services, that are suited to the needs of the population; to make best use of our community strength, community spirit and involvement; for people to make healthy lifestyle choices, and use their knowledge and own capacity to look after themselves and each other."

The Board's five corporate objectives are:

- continue to improve and protect the health of the people of Shetland;
- 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;
- provide best value for resources and deliver financial balance;
- strengthen organisational capacity, capability and resilience.

The delivery of these objectives is set out in four key planning documents.

Our **Local Delivery Plan**, to be replaced by 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 Shetland Island Council (SIC) and Shetland Islands Health and Social Care Partnership (IJB) agreement on the local **Joint Strategic Commissioning Plan** (JSCP). This is now the key strategic document of the new Integration Joint Board and also acts as the strategic planning document for all health services including those directly managed and commissioned by the Health Board. The latest version of the JSCP sets out an updated vision and objectives for Health & Social care services in Shetland.

Finally, the Board, together with our partners in the Shetland Partnership, works to deliver Shetland's **Single Outcome Agreement** (SOA). 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 2016-2000 (LOIP) in May 2016. In 2017/18 work has been progressing to update the LOIP and a revised version of the plan is expected to be agreed in spring / summer 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 met seven times in public during 2017/18 and all the reports and minutes considered by the Board are publicly available on the Board's website.

The Board's governance framework includes the committees outlined on pages 16 to 186 of the Accountability Report plus the Risk Management Group (RMG). The Board outlines the remit, role and responsibilities of these committees in the Corporate Handbook.

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

All strategy developments and policy documents are scrutinised and approved at the Board.

In 2017/18 the Board agreed to remove the Strategy and Redesign Committee as this was increasingly duplicating the work of the IJB. This is in line with the new Joint Governance arrangements for our Health and Community services, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Corporate Governance

In line with Scottish Government policy, in 2017/18, the Board had the following standing committees:

a. Clinical Care and Professional Governance Committee,
b. Audit Committee
c. Endowments Committee
d. Staff Governance Committee
e. General Medical Practitioners Committee
f. Reference Committee (for Primary Care contractors)

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

- Remuneration Committee
- Strategy and Redesign Committee (until May 2017)
- The Board's Corporate Governance handbook also refers to the relationship with the IJB that took on its full duties on 20 November 2015.

2017/18 also saw a significant turnover in non-executive directors and there has therefore been a full review and updating of committee membership and leadership.

The functions of the Board's committees are:

Clinical Care and Professional Governance Committee

The Clinical Care and Professional Governance Committee have 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 Clinical Care and Professional Governance Committee includes five non-executive Board members and in 2017/18 has been chaired by Tom Morton, Shona Manson and Jane Haswell. The Committee met four times in the year.

The committee also provides assurance on social care services to Shetland Islands Council, through the IJB.

Audit Committee

The Audit Committee comprises four non-executive board members and was chaired by Andy Glen, Marjorie Williamson and from September 2017, Natasha Cornick. The Committee's prime function is to provide the Board with assurance that adequate control systems are in place to manage governance effectively. The Committee meets four times per year to consider all aspects of control. The Committee receives and discusses reports from internal and external audit and scrutinises the final financial statements in detail on behalf of the Board. The Committee also meets jointly with Chairs of the other Governance committees for the purpose of considering the draft Directors Report and Governance Statement, as part of the final financial statements process.

Endowment Committee

The Endowment Committee comprises all members of the Board and the chair was Tom Morton and subsequently Lisa Ward. The Committee oversees the management of Shetland Health Board Endowment Fund. The Committee met four times during 2017/18.

The Endowment Fund is registered with the Office of the Scottish Charity Regulator; its charity reference number is SC011513. The Endowment Fund produces its own audited financial statements which are not incorporated within the Board's Financial Statements. Deloitte LLP 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.

Staff Governance Committee

The Staff Governance Committee's function is to ensure appropriate governance and management of all staff and employment issues. The Committee has an important role in ensuring consistency of policy and equity of treatment of all staff.

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 is chaired by Malcolm Bell. During 2017/18 the Committee met on four occasions and also participated in joint work with the Area Clinical Forum and Area Partnership Forum.

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 2017/18. The Committee Chair is a non-executive Director.

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 2017/18 the Committee met on two occasions and is chaired by the Board Chair.

Strategy and Redesign Committee

The Strategy and Redesign Committee comprised all members of the board and was chaired by Board Chairman, Ian Kinniburgh. The committee was disbanded following a review of its activities.

The Committee oversaw policy and strategy development (now delegated to the IJB), has strategic oversight of the redesign of the Board's services (now monitored directly by the Board and executive management team), and provided oversight of the Board's Corporate Risk Register and Risk Management process (now managed through the Audit Committee and Board). In addition, the Committee received regular statements and reports on the financial performance of the Board (now managed through the Board).

The Committee met only once in this year as the committee was dissolved by the Board.

Risk and Control Framework

As Accountable Officer I also have responsibility for reviewing the effectiveness of the system of internal control.

The Board's Corporate Handbook contains the Board's System of Internal Control: Standing Orders, Standing Financial Instructions (SFIs) 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 Scottish Public Finance Manual (SPFM) and must operate a Risk Management Strategy in accordance with relevant guidance issued by Scottish Ministers. The local risk management strategy was reviewed and a revised policy agreed by the Board in April 2017.

Risk arrangements are managed by the Risk Management Group (RMG) and NHS Shetland has a Risk Management Strategy and annual work plan to embed risk management in the organisation. The work of the RMG is now overseen by the Audit Committee with individual corporate risks allocated to the relevant committee and an overall oversight maintained by the Board.

Our risk management process involves a robust prioritisation methodology based on risk ranking as defined in the Australia/New Zealand Risk Management Standards 4360:2004, the international standard required by Healthcare Improvement Scotland. This uses a standard matrix with red, amber, green (RAG) status that has been developed and is utilised organisation-wide. The output from this review is included in the Corporate Risk Register. The corporate 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 Corporate Risk Register is aligned to the corporate objectives of the Board and is focussed on key strategic risks. The Corporate Risk Register is published on the Board's website: http://www.shb.scot.nhs.uk/board/riskmanagement.asp

A small number of new corporate risks have been identified by governance committees and added to the Risk Register during the year.

The Board's risk management arrangements are supported by a staff training programme that includes input into both induction and compulsory refresher training; workplace risk management training and DATIX training.

More generally, the Board is committed to continuous development and improvement developing systems in response to any relevant reviews and developments in best practice. In particular, during the year to 31 March 2018 and up to the signing of the financial statements, the Board has:

- introduced a new format for reporting Risk Management to the Board.
- a comprehensive Risk Management Training Programme, which included providing ten induction and eleven mandatory refresher training sessions held for all employees and specific session(s) which are built into management development;
- a Service Improvement Forum which acts as a learning forum to focus on improvement in connection with LEAN, Quality and Patient Safety and Organisational Development (OD) activities;

Embedding risk management activity

Existing systems are now well embedded and continue to be audited. This includes monitoring the ongoing use of the DATIX Incidents module and implementing the Board's Risk Management Strategy and associated policies and procedures. The Board continues to develop its approach to the recording, investigation and management of incidents and how we learn from adverse events. In line with national guidance, the Board progressed an update of our Incident Reporting, Investigation and Management Policy.

The Board has a Risk Management work plan. Progress against this plan is monitored at each RMG and the Clinical Care and Professional Governance Committee receives quarterly Incident and Risk Management reports that summarise the activities / issues being addressed within clinical risk management for the Board.

Actions undertaken in 2017/18 include:

- Updating the Corporate Risk Register;
- Improving the quality of Departmental Risk Registers;
- Further work on clinical incident risk reviews and reviewing these at RMG;
- Training and development in safety and risk management for staff.

Clinical Governance

The Clinical Care and Professional Governance Committee has the key role in setting and ensuring the framework for clinical governance is in accordance with the policies of the Board, statutory requirements, guidance issued by the Scottish Government and guidance issued by Healthcare Improvement Scotland. The Committee has the overall interest in clinical risk management.

During 2017/18 there was one inspection by Healthcare Environment Inspectorate (HEI), an unannounced safety and cleanliness inspection at the Gilbert Bain Hospital on 10 to 11 April 2017. The report was considered by the Clinical Care and Professional Governance Committee and an action plan identified to address potential areas for improvement.

http://www.healthcareimprovementscotland.org/our_work/inspecting_and_regulating_care/hei_shetland_reports/gilbert_bain_hospital_jun_17.aspx

At each meeting of the Board, in addition to receiving the minutes of the committee, a report is reviewed and considered on the Board's performance against targets on both the Quality Strategy and Healthcare Associated Infection.

The Board has delegated responsibility for service delivery of primary care, mental health and community services to the IJB. During 2017/18 we have continued to progress the way in which we ensure integrated clinical and care governance arrangements cover all our services, including those directly managed by the IJB. This included updating the Terms of Reference for the new joint Clinical Care and Professional Governance Committee.

A number of CCPGC development sessions were run for members of the committee in autumn 2017 and spring 2018 to ensure that the committee was effective and members understood their roles and responsibilities.

The Board's Area Clinical Forum plays an important advisory role on clinical governance representing the multi-professional views and ensuring the involvement of professions across the local NHS system.

Financial Governance

The Board has carried an underlying deficit for a number of financial years. Despite this, the Board has consistently met its financial duties through a combination of recurrent efficiencies and non-recurrent measures.

In 2017/18 the Board has delivered a significant efficiency programme of £2.4m recurrent savings. In addition we have delivered planned non-recurrent savings of £2.2m to offset the overall recurrent deficit in the Board's financial plan and the cost pressures arising from the need to use of locum staff to cover key clinical vacancies in both community and hospital services.

The three most significant underlying service redesign or procurement projects to deliver recurring savings schemes in 2017/18 were the introduction of a community based rehabilitation service and commensurate reduction in Inpatient beds within the Gilbert Bain

Hospital, Patient Travel procurement combined with out-patient redesign to reduce off island travel and prescribing procurement initiatives.

The full year effect of the recurring savings achieved at £2.7m was slightly below the in year target of £3.0m which had been agreed as part of our Financial plan. This was designed to allow the Board to remove the underlying deficit over a three year period. The Board has a transformational change project board to co-ordinate the sustainable redesign of services to address the underlying deficit and release the required future recurring efficiency savings.

Particular challenge has continued in achieving efficiencies within our Clinical Services and responding to the impact of unavoidable cost pressures in small teams. This includes an over spend in the budgets managed by both Acute and Specialised Services and Community Health and Social Care. There are risks associated with this as a significant proportion of these services have been delegated to the IJB.

In January the Board commenced a Scenario Planning exercise to 'help shape the future' of health and care in Shetland. In addition to the NHS the Scenario Planning exercise included our Patient Focus and Public Involvement Group, Shetland Islands Council, Voluntary Action Shetland and the Integration Joint Board working in partnership.

Within the overall context of public finances and in addressing the underlying deficit, the Board will continue to face a major challenge over the next five years and this remains a major risk to the Board. This is dependent on a challenging savings programme and for the next three years a continued reliance on non-recurrent savings. In addressing this and implementing agreed service changes it will also be essential that the Board is well sighted on the impact of this on service & corporate risk, as well as the overall delivery of the Scottish Government's Triple Aim of Better Health and Better Care as well as Better Value.

Role of the Audit Committee and Internal Audit

The Audit Committee agrees the Internal Audit plan and sets its work plan to discharge its governance duties. It is also responsible for providing assurance to the Board based on evidence gained from review, on the adequacy, efficiency and effectiveness of the local governance, risk management and internal control framework.

The Board's Internal Audit function is a contracted-out service, tendered for in partnership with three other health boards across the North of Scotland. Scott Moncrieff are the Internal Auditors until 2019-20. The internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing.

An Annual Report was produced and presented by Internal Audit to the Joint Audit and Governance Chairs Committee meeting on 16 May 2018. Internal Audit's conclusion was NHS Shetland has a framework of controls in place that provides reasonable assurance regarding the organisation's governance and internal control framework, the effective and efficient achievement of objectives and the management of key risks, except in respect of Business Continuity Management where significant improvements are required.

During 2017/18 the Internal Audit plan consisted of five scheduled audit assignments.

At each Audit Committee papers are presented by Internal Audit to outline progress against the annual audit plan and a progress report on the completion of follow-up actions identified from prior audits. At the beginning of the year there were twenty eight outstanding audit actions, twenty two new audit actions were added and twenty three audit actions were closed. This left nineteen audit actions partially complete and nine audit actions were not yet due. Overall, 56.8% of Audit Actions due have been completed in 2017/18 which is a small increase on 53.6% in 2016/17. Work is on-going to improve management's delivery of agreed action plans.

During 2017/18 Internal Audit raised eleven high risk issues. The majority of these were in the Business Continuity Management assignment, with seven high risk issues whilst the Workforce Management audit had three high risk issues. Overall in the five reports there were ten moderate risk issues and one low risk issue.

In respect of twenty eight prior year audit assignment management action points brought in to 2017/18 there are still nineteen outstanding. In respect of these actions ten risks are graded high and nine risks are graded moderate.

Counter Fraud Services

During the year, NHS Scotland Counter Fraud Services (CFS) carried out work to give an indication of the level of Family Health Services income not generated due to incorrect claims by patients for exemption from NHS charges. CFS extrapolation of the sample results for Shetland indicates that the level of income from dental and ophthalmic charges lost in the year to 31 December 2017 potentially increased slightly to £12,092 from £11,468 in the year to 31 December 2016. The estimated potential fraud or error rate for NHS Shetland is below the NHS Scotland average. Shetland accounts for 0.43% of the Scotland population but in the extrapolation projections accounts for only 0.10% of the value for ophthalmic cases and 0.15% of the value for dental cases.

Information Governance

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

The IG work plan is monitored through the Information Support Group (ISG) which has lead responsibility for information governance.

There are clear links between the IG framework and the clinical governance framework and the IG plan is presented at least annually to the Clinical Care and Professional Governance Committee.

Progress has been made in the following areas during 2017/18:

- Submitting the Public Records Management Plan on 29 June 2017;
- The Keeper agreed to accept our Public Records Management Plan on 8 March 2018;
- Information Governance sub-group's continued review of the Board's Information Assurance assessment against national standards, lead on Public Records Act and General Data Protection Regulations (GDPR) implementation plan;
- Creation on new post, Data Protection Officer, in-line with GDPR requirements.

There have been a small number of "near miss" data security incidents during 2017/18. 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. This is done though our Induction and Compulsory Refresher training that covers information on IT security, Data Protection, Confidentiality, Subject Access Requests and the Freedom of Information Act (Scotland) 2002. Progress on implementing the Public Records (Scotland) Act 2011 has been via a project team. A scoping document has been developed to identify the gaps and areas for work required to implement the Act and this will remain a key issue for the Board over the next five years when implementing the plan agreed with the Keeper. The same team were responsible for the implementation GDPR compliance and on-going systems maintenance.

Staff Governance

The Staff Governance Committee's role is to ensure appropriate governance and over-sight of the management of all staff and employment issues. 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 updating relevant policies and work to improve the organisational culture and transparency. I-matters programme rollout has continued in to Clinical Services.

The Trade Union (Facility Time Publication Requirements) Regulations 2017

'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 31st July each year.

Requirements for the data to be disclosed within the annual report and accounts was unclear at the time of issue. The Cabinet Office published supporting guidance on 2 June

2018 which has clarified the data should be disclosed. Due to the timing of this confirmation, we were unable to collate reliable data to publish within the 2017/18 annual report and accounts therefore we will publish from 2018/19 onwards.'

Best Value

During 2017/18 the Board has maintained its approach to Best Value (BV) that provides me, as Accountable Officer, with confidence in our delivery of the nine BV characteristics. Our approach is based on a template developed by NHS Fife with input from the Scottish Government Health & Social Care Directorates (SGHSCD) and the national Corporate Governance and Audit Forum. Responsibility for each characteristic is assigned to committees within the Board. These are primarily the formal sub-committees of the Board with a number of other groups identified as carrying responsibility or joint responsibility where appropriate. The framework has then been populated to identify evidence that could demonstrate our progress against each element. The chair of each committee has then formally confirmed this reflects the work carried out against these elements. I can confirm that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual (SPFM).

Shetland Islands Health and Social Care Partnership

The Cabinet Secretary for Health, Wellbeing and Sport approved the local integration scheme and laid the relevant Order before the Scottish Parliament on 29 May 2015. The services to be covered by the IJB are outlined online at http://www.shetland.gov.uk/Health_Social_Care_Integration/Briefings.asp

The establishment of the partnership as an Integration Joint Board (IJB) was the culmination of a transition programme jointly managed by NHS Shetland and Shetland Island Council.

Following the approval of the Integration scheme and agreement between the parties that the transition plan was appropriately progressed the IJB agreed a Joint Strategic plan for 2016/17 in February 2016 and an update to this plan covering 2017/18 to 2019/20 on 18 April 2017.

In line with the decision of the Board at its meeting 18 August 2015 this allowed the IJB to take on its full responsibilities from 20 November 2015, as required in the Public Sector Reform (Scotland) Act 2010 and set out in the Integration scheme and the Board's revised Corporate Governance handbook.

The development of the IJB and the interaction between decisions made at the Health Board, IJB and Shetland Island Council is an area of potential risk and therefore requires continued attention as experience is gained. To mitigate this risk the 3 parties have established a liaison group of senior members and officers that can meet as required to address and resolve any potential conflicts. This group meets on an as required basis and also provides an opportunity to review our progress in delivering benefits of Integration.

Board Compliance with Scottish Public Finance Manual

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 Scottish Government Health and Social Care Directorate to Chief Executives as being applicable to NHS Boards.

This includes ensuring self-evaluation and Key Performance Indicators 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 auditors, who submit to the organisation's Audit 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; and

- comments made by the External Auditors in their management letters and reports.

As part of this process, the Directors and Committee Chairs have provided Certificates of Assurance for their relevant committees / areas of responsibility. This has highlighted a number of areas for further development and focus. These include the arrangements in place for oversight of "commissioned" services, agreement with Shetland Islands Council of the scope of the Clinical Care & Professional Governance committee in relation to Children's Social care.

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 Auditors draw up reports that consider various aspects of the Board's control systems and report their findings to the Audit 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 Committee, the Clinical Care and Professional Governance Committee and RMG.

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

Disclosures

During the financial year, other than the internal audit report on Business Continuity Management highlighted above there is no other significant control weakness or issues have arisen, 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.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

Remuneration Committee membership

The members of the Remuneration Committee are the Chairman and Vice-Chairman of the Board plus the Chairman of the Audit 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 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 Management

The 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 and staff on the Senior Manager pay scale. The Committee considers the performance against objectives and 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 out at under five per cent). 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. No such awards have been made to past senior managers.

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

SHETLAND NHS BOARD

YEAR ENDED 31 MARCH 2018

Director	**Directors Gross Salary (bands of £5,000)**	**Total Earnings in Year**	**Pension Benefits**	**Total Remuneration (bands of £5,000)**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Executive Members				
Chief Executive: Ralph Roberts	100-105	100-105	29	130-135
Medical Director: Dr Roger Diggle [until 21/04/2017][1]	5-10	5-10	1	10-15
Medical Director: Dr Gilbert Ozuzu [from 02/10/2017] [2]	70-75	70-75	15	85-90
Director of Nursing : Kathleen Carolan	85-90	85-90	15	100-105
Director of Finance: Colin Marsland	70-75	70-75	20	90-95
Director of Human Resources and Support Services: Lorraine Hall	75-80	75-80	18	90-95
Director of Public Health: Susan Webb [6]	95-100	95-100	29	125-130
Non-Executive Members				
The Chair: Ian Kinniburgh	20-25	20-25	0	20-25
Marjorie Williamson	5-10	5-10	0	5-10
Malcolm Bell	5-10	5-10	0	5-10
Cecil Smith [until 30/04/2017] [5]	0-5	0-5	0	0-5
Andrew Glen [until 25/05/2017] [5]	0-5	0-5	0	0-5
Thomas Morton [until 30/06/2017] [5]	0-5	0-5	0	0-5
Natasha Cornick [from 10/07/2017] [5]	5-10	5-10	0	5-10
Shona Manson [from 10/07/2017] [5]	5-10	5-10	0	5-10
Lisa Ward [from 10/07/2017] [5]	5-10	5-10	0	5-10
Jane Haswell [01/01/2018] [5]	0-5	0-5	0	0-5
Other Board Members				
Chair of Area Clinical Forum: Edna Watson [3]	65-70	65-70	0	65-70
Employee Director: Ian Sandilands [4]	50-55	50-55	2	55-60
Other Senior Employees				
Director of Clinical Services: Simon Bokor-Ingram	90-95	90-95	14	105-110
Total			**143**	

Notes in respect of 2017/18 disclosure:

[1] This Medical Director's salary includes £4k in respect of non-Board duties (General Practitioner). Full year equivalent salary is £150-£155.

[2] This Medical Director's salary includes £48k in respect of non-Board duties (Ophthalmologist). Full year equivalent salary is £145-£150.

[3] The Chair of the Area Clinical Forum salary includes £61k in respect of non-Board duties (Chief Nurse Community).

[4] The Employee Director's salary includes £47k in respect of non-Board duties (Clinical Team Leader).

[5] Seven Non-Executive Board members were appointed or left during 2017/18. The full year equivalent salary for these posts is £5k-£10k.

[6] The Director of Public Health is a joint post between NHS Shetland (NHSS) and NHS Grampian (NHSG). They are employed by NHSG and provide services to NHSS through a Service Level Agreement (SLA). The annual cost of the SLA is included in the table above.

[7] No bonus payments were made in 2017/18

[8] No benefits in kind payments were made in 2017/18

SHETLAND NHS BOARD					
PENSION VALUES (AUDITED INFORMATION)					
YEAR ENDED 31 MARCH 2018					
Director	**Accrued pension at age 60 as at 31/03/2018 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500)**	**CETV at 31/03/2018**	**CETV at 31/03/2017**	**Real Increase in CETV**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Executive Members					
Chief Executive: Ralph Roberts	35-40 (110-115)	0-2.5	768	720	48
Medical Director: Dr Roger Diggle	5-10 (0)	0-2.5	142	136	6
Medical Director: Dr Gilbert Ozuzu	0-5 (0)	0-2.5	17	0	17
Director of Nursing: Kathleen Carolan	15-20 (40-45)	0-2.5	279	259	20
Director of Finance: Colin Marsland	20-25 (55-60)	0-2.5	406	379	27
Director of Human Resources and Support Services: Lorraine Hall	10-15 (40-45)	0-2.5	274	246	28
Director of Public Health: Susan Webb	35-40 (100-105)	0-2.5	709	662	47
Non-Executive Members [2]					
Other Board Members					
Chair of Area Clinical Forum: Edna Watson	20-25 (70-75)	0-2.5	432	415	17
Employee Director: Ian Sandilands	15-20 (50-55)	0-2.5	385	369	16
Other Senior Employees					
Director of Clinical Services: Simon Bokor-Ingram	25-30 (70-75)	0-2.5	529	501	28
Total					**254**

Notes in respect of 2017/18 disclosure:

[1] Accrued annual pension 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.

SHETLAND NHS BOARD				
YEAR ENDED 31 MARCH 2017				
Director	**Directors Gross Salary (bands of £5,000)**	**Total Earnings in Year**	**Pension Benefits**	**Total Remuneration (bands of £5,000)**
	£'000s	**£'000s**	**£'000s**	**£'000s**
Executive Members				
Chief Executive: Ralph Roberts	100-105	100-105	13	115-120
Medical Director: Dr Roger Diggle [1]	125-130	125-130	58	185-190
Director of Nursing : Kathleen Carolan	85-90	85-90	28	115-120
Director of Finance: Colin Marsland	65-70	65-70	18	85-90
Director of Human Resources and Support Services: Lorraine Hall	70-75	70-75	11	85-90
Non-Executive Members				
The Chair: Ian Kinniburgh	20-25	20-25	0	20-25
Drew Ratter [until 31/08/2016][4]	0-5	0-5	0	0-5
Dr Catriona Waddington [until 10/01/2017][4]	5-10	5-10	0	5-10
Keith Massey [until 31/05/2016][4]	0-5	0-5	0	0-5
Marjorie Williamson	5-10	5-10	0	5-10
Malcolm Bell	5-10	5-10	0	5-10
Cecil Smith	5-10	5-10	0	5-10
Andrew Glen [from 24/11/2016][4]	0-5	0-5	0	0-5
Thomas Morton [from 20/06/2016][4]	5-10	5-10	0	5-10
Daisy Leask [from 01/09/2016 until 11/11/2016][4]	0-5	0-5	0	0-5
Other Board Members				
Chair of Area Clinical Forum: Edna Watson [2]	65-70	65-70	7	75-80
Employee Director: Ian Sandilands [3]	50-55	50-55	7	60-65
Other Senior Employees				
Director of Clinical Services: Simon Bokor-Ingram	90-95	90-95	18	110-115
Director of Public Health: Susan Webb [5]	35-40	35-40	0	35-40
Total			**160**	

Notes in respect of 2016/17 disclosure:

[1] The Medical Director's salary includes £88k in respect of non-Board duties (General Practitioner).

[2] The Chair of the Area Clinical Forum salary includes £61k in respect of non-Board duties (Chief Nurse Community).

[3] The Employee Director's salary includes £46k in respect of non-Board duties (Clinical Team Leader).

[4] Six Non-Executive Board members were appointed or left during 2016/17. The full year equivalent salary for these posts is £5k-£10k.

[5] The Director of Public Health is a joint post between NHS Shetland (NHSS) and NHS Grampian (NHSG). They are employed by NHSG and provide services to NHSS through a Service Level Agreement (SLA). The full annual salary is included in the table above.

[6] No bonus payments were made in 2016/17

[7] No benefits in kind payments were made in 2016/17

SHETLAND NHS BOARD					
PENSION VALUES (AUDITED INFORMATION)					
YEAR ENDED 31 MARCH 2017					
Director	**Accrued pension at age 60 as at 31/03/2017 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500)**	**CETV at 31/03/2017**	**CETV at 31/03/2016**	**Real Increase in CETV**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Executive Members					
Chief Executive: Ralph Roberts	35-40 (110-115)	0-2.5	728	666	62
Medical Director: Dr Roger Diggle	5-10 (0)	2.5-5	132	82	50
Director of Nursing: Kathleen Carolan	15-20 (40-45)	0-2.5	250	212	38
Director of Finance: Colin Marsland	20-25 (55-60)	0-2.5	367	332	35
Director of Human Resources and Support Services: Lorraine Hall	10-15 (35-40)	0-2.5	239	209	30
Non-Executive Members [2]					
Other Board Members					
Chair of Area Clinical Forum: Edna Watson	20-25 (65-70)	0-2.5	403	367	36
Employee Director: Ian Sandilands	15-20 (50-55)	0-2.5	359	330	29
Other Senior Employees					
Director of Clinical Services: Simon Bokor-Ingram	25-30 (70-75)	0-2.5	485	446	39
Total					**319**

Notes in respect of 2016/17 disclosure:

[1] Accrued annual pension 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.

Relationship between the Highest Paid Director and the workforce median remuneration

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

2017/18		2016/17	
Range of staff remuneration (£000s)	17-156	Range of staff remuneration (£000s)	16-186
Highest Earning Director's Total Remuneration (£000s)	145-150	Highest Earning Director's Total Remuneration (£000s)	125-130
Median Total Remuneration (£s)	30,761	Median Total Remuneration (£s)	29,813
Ratio	1:5	Ratio	1:4

The remuneration figures used for this calculation represent the annualised whole time equivalent 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 whole time equivalent value (WTE) but staff with contracts of less than 2 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 is excluded, as they are not employees and are charged via invoice, not via payroll.

The increase in the median salary value is the result of pay inflation uplift applied in 2017/18.

STAFF REPORT

a) Number of senior staff by band

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 31/03/2018.

	2018	2017
Band (bands of £5,000)	**Number of Staff**	**Number of Staff**
60-65	0	0
65-70	0	2
70-75	1	1
75-80	1	0
85-90	1	1
90-95	1	1
95-100	1	0
100-105	1	1
125-130	0	1
130-135	0	0
145-150	1	0
150-155	0	0
Total	**7**	**7**

(b) Higher paid employees remuneration

Other employees whose remuneration fell within the following ranges:

2017		2018
Number		**Number**
	Clinicians	
9	£70,001 to £80,000	10
2	£80,001 to £90,000	8
1	£90,001 to £100,000	3
3	£100,001 to £110,000	2
1	£110,001 to £120,000	1
5	£120,001 to £130,000	3
2	£130,001 to £140,000	2
1	£140,001 to £150,000	1
1	£150,001 to £160,000	2
0	£160,001 to £170,000	0
0	£170,001 to £180,000	0
1	£180,001 to £190,000	0
0	£190,001 to £200,000	0
0	£200,000 and above	0
	Other	
4	£70,001 to £80,000	0
2	£80,001 to £90,000	0
1	£90,001 to £100,000	0
1	£100,001 to £110,000	0
0	£110,001 to £120,000	0
0	£120,001 to £130,000	0
0	£130,001 to £140,000	0
0	£140,001 to £150,000	0
0	£150,001 to £160,000	0
0	£160,001 to £170,000	0
0	£170,001 to £180,000	0
0	£180,001 to £190,000	0
0	£190,001 to £200,000	0
0	£200,000 and above	0

(c) Staff costs

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2018 TOTAL	2017 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
STAFF COSTS								
Salaries and wages	424	185	22,652	0	0	0	**23,261**	21,241
Social security costs	53	17	2,206	0	0	0	**2,276**	2,146
NHS scheme employers' costs	60	15	2,793	0	0	0	**2,868**	2,831
Other employers' pension costs	0	0	0	0	0	0	**0**	
Inward secondees	0	0	0	209	0	0	**209**	546
Agency and other directly engaged staff	0	0	0	0	3,506	0	**3,506**	2,407
	537	**217**	**27,651**	**209**	**3,506**	**0**	**32,120**	**29,171**
Compensation for loss of office/early retirement	0	0	0	0	0	0	**0**	0
Pensions to former Board members	0	0	0	0	0	0	**0**	0
Total	**537**	**217**	**27,651**	**209**	**3,506**	**0**	**32,120**	**29,171**
STAFF NUMBERS								
Whole time equivalent (WTE)	6	9	564	0	0	0	**579**	**559**
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:							0	0
Included in the total staff numbers above were disabled staff of:							45	29
Included in the total staff numbers above were Special Advisers of:							0	0

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme are included in Note 19

d) Staff composition

Head Count of Staff	2018				2017			
	Male	Female	Prefer not to say	**Total**	Male	Female	Prefer not to say	**Total**
Executive Directors	3	3	0	**6**	3	2	0	**5**
Non-Executive Directors and Employee Director	2	5	0	**7**	5	1	0	**6**
Senior Employees	1	0	0	**1**	1	0	0	**1**
Other	118	578	0	**696**	117	558	0	**675**
Total Headcount	124	586	0	**710**	126	561	0	**687**

e) Sickness absence data

	2018	**2017**
Sickness absence rate	3.9%	4.5%

f) Staff policies applied during the financial year relating to the employment of disabled persons:
For giving full and fair consideration to applications for employment by the Board made by disabled persons, having a regard to their particular aptitudes and abilities;
For continuing the employment of, and for arranging appropriate training for, employees of the Board who have become disabled persons during the period when they were employed by the Board;
Otherwise for the training, career development and promotion of disabled persons employed by the Board;

Policies include 'Embracing Equality, Diversity & Human Rights' and 'Ensuring Safe and Fair Recruitment, Selection and Employment'. The link below will guide users to the relevant documentation on NHS Shetland's external website.
http://www.shb.scot.nhs.uk/board/policies.asp

g) Exit packages

None in 2017/18 or prior year.

Approval and signing of the Accountability Report

Signed  Date 22 June 2018

By Ralph Roberts, Chief Executive as Accountable Officer

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Shetland Health Board and its group for the year ended 31 March 2018 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Financial Position, the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Cashflows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2018 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

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

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)

110 Queen Street
Glasgow
G1 3BX
United Kingdom
June 2018

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2018

2017			2018
£000		Note	£000
29,171	Staff costs	3a	32,120
	Other operating expenditure	3b	
3,985	Independent Primary Care Services		3,169
6,980	Drugs and medical supplies		7,331
45,029	Other health care expenditure		45,985
85,165	Gross expenditure for the year		88,605
(26,923)	Less: operating income	4	(28,358)
(62)	Associates and joint ventures accounted for on an equity basis		(120)
58,180	**Net expenditure for the year**		**60,127**
OTHER COMPREHENSIVE NET EXPENDITURE			
2017			**2018**
£000			**£000**
(3,572)	Net gain on revaluation of property, plant and equipment		0
(3,572)	**Other comprehensive expenditure**		0
54,608	**Comprehensive net expenditure**		**60,127**

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

The presentation of the Statement of Consolidated Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of NHS Shetland. The comparative information in respect of 2016/17 has been presented above in the new format.

Full details of changes to the presentation of the Statement of Comprehensive Net Expenditure are disclosed in Note 20.

SHETLAND NHS BOARD

SUMMARY OF RESOURCE OUTTURN

FOR THE YEAR ENDED 31 MARCH 2018

		2018	2018
SUMMARY OF CORE REVENUE RESOURCE OUTTURN	**Note**	**£000**	**£000**
Net expenditure	SoCNE		**60,127**
Total non core expenditure (see below)			(1,901)
Family Health Services non-discretionary allocation			(1,580)
Donated assets income			0
Endowment net expenditure			0
Associates and joint ventures accounted for on an equity basis			120
Total core expenditure			**56,766**
Core Revenue Resource Limit			56,854
Saving against Core Revenue Resource Limit			**88**
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Capital grants to / (from) other bodies		0	
Depreciation / amortisation		1,450	
Annually Managed Expenditure - impairments		0	
Annually Managed Expenditure - creation of provisions		323	
Annually Managed Expenditure - depreciation of donated assets	2a	39	
Annually Managed Expenditure - pension valuation		14	
Additional Scottish Government non-core funding		75	
IFRS PFI expenditure		0	
Total Non Core Expenditure			**1,901**
Non Core Revenue Resource Limit			1,901
Saving / (excess) against Non Core Revenue Resource Limit			**0**

SUMMARY RESOURCE OUTTURN		**Resource**	**Expenditure**	**Saving / (Excess)**
		£000	**£000**	**£000**
Core		56,854	56,766	88
Non Core		1,901	1,901	0
Total		**58,755**	**58,667**	**88**

SHETLAND NHS BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
31,926	31,926	Property, plant and equipment	7c	31,020	31,020
27	27	Intangible assets	6a	18	18
		Financial assets:			
0	0	Available for sale financial assets	10	0	0
62	0	Investments in associates and joint ventures		182	0
0	0	Trade and other receivables	9	0	0
32,015	**31,953**	**Total non-current assets**		**31,220**	**31,038**
		Current Assets:			
431	431	Inventories	8	432	432
0	0	Intangible assets		0	0
		Financial assets:			
1,137	1,137	Trade and other receivables	9	1,542	1,542
88	88	Cash and cash equivalents	11	150	150
0	0	Available for sale financial assets	10	0	0
0	0	Derivatives financial assets	24	0	0
0	0	Assets classified as held for sale	7b	0	0
1,656	**1,656**	**Total current assets**		**2,124**	**2,124**
33,671	**33,609**	**Total assets**		**33,344**	**33,162**
		Current liabilities			
(324)	(324)	Provisions	13a	(731)	(731)
		Financial liabilities:			
(7,329)	(7,329)	Trade and other payables	12	(8,946)	(8,946)
0	0	Derivatives financial liabilities	24	0	0
(7,653)	**(7,653)**	**Total current liabilities**		**(9,677)**	**(9,677)**
26,018	**25,956**	**Non-current assets plus / less net current assets / liabilities**		**23,667**	**23,485**
		Non-current liabilities			
(1,289)	(1,289)	Provisions	13a	(1,466)	(1,466)
		Financial liabilities:			
0	0	Trade and other payables	12	0	0
0	0	Liabilities in associates and joint ventures		0	0
(1,289)	**(1,289)**	**Total non-current liabilities**		**(1,466)**	**(1,466)**
24,729	**24,667**	**Assets less liabilities**		**22,201**	**22,019**
		Taxpayers' Equity			
11,350	11,350	General fund		9,151	9,151
13,317	13,317	Revaluation reserve		12,868	12,868
0	0	Other reserves		0	0
62	0	Other reserves - associates and joint ventures		182	0
0	0	Fund held on Trust		0	0
24,729	**24,667**	**Total taxpayers' equity**		**22,201**	**22,019**

Signed  Director of Finance Date 22 June 2018

Signed  Chief Executive Date 22 June 2018

SHETLAND NHS BOARD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

2017			2018	2018
£000		Note	£000	£000
	Cash flows from operating activities			
(58,180)	Net expenditure	SoCTE	(60,127)	
1,335	Adjustments for non-cash transactions	2a	1,369	
1,643	Movements in working capital	2c	1,733	
(55,202)	**Net cash outflow from operating activities**	27c		**(57,025)**
	Cash flows from investing activities			
(736)	Purchase of property, plant and equipment		(574)	
261	Proceeds of disposal of property, plant and equipment		0	
(475)	**Net cash outflow from investing activities**	27c		**(574)**
	Cash flows from financing activities			
55,676	Funding	SoCTE	57,599	
(54)	Movement in general fund working capital	SoCTE	62	
55,622	Cash drawn down		57,661	
0	Interest paid		0	
55,622	**Net Financing**	27c		**57,661**
(55)	**Net (decrease)/Increase in cash and cash equivalents in the period**			62
143	**Cash and cash equivalents at the beginning of the period**			88
88	**Cash and cash equivalents at the end of the period**			**150**
	Reconciliation of net cash flow to movement in net debt/cash			
(55)	(decrease)/Increase in cash in year	11		62
143	Net debt / cash at 1 April			88
88	**Net debt / cash at 31 March**			**150**

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts

SHETLAND NHS BOARD

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

		General Fund	Revaluation Reserve	Other Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2017		11,350	13,317	0	62	0	24,729
Prior year adjustments for changes in accounting policy and material errors	22	0	0	0	0	0	**0**
Restated balance at 1 April 2017		**11,350**	**13,317**	**0**	**62**	**0**	**24,729**
Changes in taxpayers' equity for 2017/18							
Transfers between reserves		449	(449)	0	0	0	0
Net operating cost for the year	CFS	(60,247)	0	0	120	0	(60,127)
Total recognised income and expense for 2017/18		(59,798)	(449)	0	120	0	(60,127)
Funding:							
Drawn down	CFS	57,661	0	0	0	0	57,661
Movement in General Fund creditor	CFS	(62)	0	0	0	0	(62)
Balance at 31 March 2018	SoFP	**9,151**	**12,868**	**0**	**182**	**0**	**22,201**

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR - RESTATED

FOR THE YEAR ENDED 31 MARCH 2017

		General Fund	Revaluation Reserve	Other Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2016		13,386	10,275	0	0	0	**23,661**
Prior year adjustments for changes in accounting policy and material errors	22	0	0	0	0	0	**0**
Restated balance at 1 April 2016		**13,386**	**10,275**	**0**	**0**	**0**	**23,661**
Changes in taxpayers' equity for 2016/17							
Net gain on revaluation of property, plant and equipment	7a	0	3,572	0	0	0	3,572
Impairment of property, plant and equipment		0	(159)	0	0	0	(159)
Revaluation and impairments taken to operating costs	2a	0	159	0	0	0	159
Transfers between reserves		530	(530)	0	0	0	0
Net operating cost for the year	CFS	(58,242)	0	0	62	0	(58,180)
Total recognised income and expense for 2016/17		(57,712)	3,042	0	62	0	(54,608)
Funding:							
Drawn down	CFS	55,622	0	0	0	0	55,622
Movement in General Fund debtor	CFS	54	0	0	0	0	54
Balance at 31 March 2017	SoFP	**11,350**	**13,317**	**0**	**62**	**0**	**24,729**

The Notes to the Accounts, numbered 1 to 27, form an integral part of these Accounts.

Note 1 - ACCOUNTING POLICIES

1. Authority

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in section 28 below.

(a) Standards, amendments and interpretations effective in 2017/18

There are no new standards, amendments or interpretations effective for the first time.

(b) Standards, amendments and interpretation early adopted in 2017/18

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

(c) Standards, amendments and interpretation not yet adopted in 2017/18

IFRS 9 Financial Instruments – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted although the Board is not anticipating any significant impact as a result of the new standard

IFRS 15 Revenue from Contracts with Customers – Application required for accounting periods beginning on or after 1 January 2018, but not yet adopted by the FReM: early adoption is not therefore permitted

IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and is applicable for accounting periods beginning on or after 1 January 2019. This means that for NHS Shetland, the standard will be effective for the year ending 31 March 2020. IFRS 16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector, and has not been included in the FReM. As such it is not yet possible to quantify the impact of IFRS 16 accurately.

2. Basis of Consolidation

Consolidation

In accordance with IAS 27 – Separate Financial Statements, the Financial Statements consolidate the Shetland Integration Joint Board.

The basis of consolidation used is IFRS 11 - Joint Arrangements. Note 27 to the Financial Statements details how these consolidated Financial Statements have been calculated.

The IJB was formally constituted on 27 June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB approved the 2017/18 Strategic Commissioning Plan on 10 March 2017. The basis of consolidation used is a joint venture under IFRS 11.

The reporting period of the IJB financial statements is consistent with that of NHS Shetland (01 April 2017 to 31 March 2018).

3. Prior Year Adjustments

The presentation of the Statement of Comprehensive Net Expenditure (SOCNE) has been changed following a review of our financial statements in order to provide information which is more reliable and better reflects the activities of NHS Shetland. The comparative information in respect of 2016/17 has been presented in the new format in the SoCNE.

Changes to the presentation of the SoCNE affect expenditure and income categories. Staff costs and expenditure on drugs and medical supplies have been removed from previous expenditure categories and are now shown on the face of the SoCNE. This provides greater transparency over the nature of NHS Shetland's expenditure. Further information on the composition of expenditure categories is disclosed in Note 3. Income is now shown as a single figure with further details disclosed at Note 4.

Note 20 shows the prior year income and expenditure categories, as published, reconciled to the new presentation.

4. Going Concern

The financial statements are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. Approximately 95% of NHS Shetland costs are directly funded by allocations received from the Scottish Government. Local knowledge of Scottish Government policy on NHS re-organisation or their risk assessment rating for NHS Shetland indicates the organisation will continue to exist for the foreseeable future.

5. Accounting Convention

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

6. Funding

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

All other income receivable by 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 outwith 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 Outturn.

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

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

7. Property, plant and equipment

The treatment of capital assets in the 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.

7.1 Recognition

Property, Plant and Equipment is capitalised where: it is held for use in delivering services or for administrative purposes; it is probable that future economic benefits will flow to, or service potential be provided to, 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 £5,000.
2) In cases where a new hospital would face an exceptional write off of items of equipment costing individually less than £5,000, 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 £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

Non specialised land and buildings, such as offices, are stated at fair value.

Valuations of all land and building assets are reassessed by valuers under a 3-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 changed from a 5-year to a 3–year programme of professional valuations during 2013/14 with the latest full valuation of the estate taking place as at 31st March 2017. This programme was deemed to be the most economically advantageous option during the contract renewal process. This will also ensure the value of the asset base more accurately reflects movements in the market. The next full valuation of the estate is scheduled to take place at 31st March 2020.

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.

7.3 Depreciation

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

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

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

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 & Machinery		5 to 15 Years
Information Technology		5 to 10 years
Furniture and Fittings		5 to 15 years

[*] Buildings (and component parts of buildings) range in life from 4 years to 85 years as determined by the valuer

8. Intangible Assets

8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of 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 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 £5,000.

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Board intends to complete the asset and sell or use it;
- the Board has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Board to complete the development and sell or use the asset; and
- the Board can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

Software:

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

Software licences:

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

8.2 Measurement

Valuation:

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

Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Revaluation and impairment:

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

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

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

8.3 Amortisation

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

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) Information Technology 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

9. Non-current assets held for sale

At the balance sheet date there were no assets held that met the definition of non-current assets held for sale.

10. Donated Assets

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

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

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

12. Leasing

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 IAS17.

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.

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

Where 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.

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. 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 and determines the rate of contributions required. The most recent actuarial valuation published was on 20 January 2015. This actuarial valuation was for scheme as at 31 March 2012. The consequence of this review was that the Employers contribution increased from 13.5% to 14.9% from 1 April 2015. The next valuation will be based on scheme data as at 31st March 2016. Any changes arising from that valuation will apply from 1 April 2019.

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.

18. Clinical and Medical Negligence Costs

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

NHS 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.

19. Related Party Transactions

Material related party transactions are disclosed in Note 25 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 4.

20. Value Added Tax

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

21. Provisions

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

22. 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.

23. 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.

24. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

Financial assets carried at fair value through profit or loss is 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 is 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) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

Financial Liabilities

Classification

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

(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. NHS Shetland does not trade in derivatives and does not apply hedge accounting.

(b) Other financial liabilities

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

Recognition and measurement

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

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

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

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

Financial liabilities carried at fair value through profit or loss is 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) Other financial liabilities

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

25. Segmental reporting

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

26. Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, cash balances held with the Government Banking Service, balances held in commercial banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Where the Government Banking Service is using Royal Bank of Scotland Group to provide the

banking services, funds held in these accounts should not be classed as commercial bank balances.

27. Third party assets

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

However, they are disclosed in Note 26 to the financial statements in accordance with the requirements of HM Treasury's Financial Reporting Manual.

28. Key sources of judgement and estimation uncertainty

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

The Board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Board makes judgements in applying accounting policies.

Estimates and uncertainties mainly relate to the value of property and provisions for future liabilities.

The value of fixed assets is based on valuations provided by a professional valuer. The full revaluation of the fixed assets occurs every three years and assets are measured subsequently at fair value as outline in paragraph 7 above. The Board currently has no plans to replace the Gilbert Bain Hospital with a new hospital. However the commercial resale value of the site is unlikely to reflect the current fair value for current use and redevelopment on the current site whilst maintain existing services would be challenging.

The two recurring key provisions in the financial statements relate to the future costs of former employees that have retired prematurely and potential negligence claims. However neither of these is considered material.

In respect of pensions, the future costs are estimated based on the current costs to the Board of these pensions spread over the expected life of the pensioner (based on actuarial life-expectancy tables) and then discounted at the current rate as set by the Treasury. However changes to these are currently fully funded via non-core revenue resource limit.

For negligence claims, the future costs are estimated based on information received from the Central Legal Office. However under the CNORIS NHS Scotland risk share scheme only the first £25k of a claim is met by NHS Shetland.

The principle material judgement made in accounts is in respect of recognising the Board's potential liabilities in respect of payment as if at work legislation (PAIAW) from 1 October 2008 to 31 October 2017. There is no expected future potential liability in respect of employment claims for work undertaken after 1 November 2017 as NHS Shetland now use a module in Scottish Standard Payroll System (SSTS) that was designed to automatically calculate PAIAW entitlements.

NHS Shetland intends during 2018/19 to work with staff side to implement a process for staff to resolve any PAIAW entitlement claims they believe there may be a legitimate claim to ensure any current or former member of staff receives correct remuneration due under PAIAW in 2018/19.

Analysis has been undertaken of enhanced shift payments for work undertaken from 1 October 2008 to 31October 2017 to establish the value actually paid in that period and estimate the future liability by applying annual leave entitlement assumption to calculate a potential liability. In respect of potential payments two thirds of the cost involves staff who are still employed by NHS Shetland and a third are who no longer employed. Although there is also a potential liability for on call payments from 2014 these are not considered material as a number of staff on the introduction of the new on-call model either received short-term pay protection payments or are still in receipt of these pay protection.

Note 2 – NOTES TO THE CASH FLOW STATEMENT

2a. Consolidated adjustments for non-cash transactions

2017			2018
£000		Note	£000
	Expenditure not paid in cash		
1,282	Depreciation	7a	1,441
9	Amortisation	6	9
83	Depreciation of donated assets	7a	39
159	Impairments on PPE charged to SoCNE		0
(136)	Loss / (profit) on disposal of property, plant and equipment		0
(62)	Associates and joint ventures accounted for on an equity basis	SoCNE	(120)
1,335	**Total expenditure not paid in cash**	CFS	**1,369**

2b. Interest payable recognised in operating expenditure

2017			2018
£000			£000
0	**Interest payable**		0

2c. Consolidated movements in working capital

2017					2018
Net movement		Note	Opening balances	Closing balances	Net Movement
£000			£000	£000	£000
	INVENTORIES				
(37)	SoFP	8	431	432	
(37)	**Net increase**				**(1)**
	TRADE AND OTHER RECEIVABLES				
174	Due within one year	9	1,137	1,542	
0	Due after more than one year	9	0	0	
174			1,137	1,542	
174	**Net decrease / (increase)**				**(405)**
	TRADE AND OTHER PAYABLES				
994	Due within one year	12	7,329	8,946	
0	Due after more than one year	12	0	0	
0	Less: General Fund creditor included in above	12	(88)	(150)	
			7,241	8,796	
1,048	**Net decrease**				**1,555**
	PROVISIONS				
458	Statement of Financial Position	13a	1,613	2,197	
0	Transfer from provision to General Fund		0	0	
			1,613	2,197	
458	**Net decrease**				**584**
1,643	**Net movement increase**	CFS			**1,733**

Note 3 – EXPENDITURE

3a. Staff costs				
2017			2018	2018
Total			Board	Consolidated
£000			£000	£000
7,329	Medical and Dental		8,655	8,655
9,149	Nursing		9,000	9,000
12,693	Other Staff		14,465	14,465
29,171	**Total**	SoCNE	**32,120**	**32,120**
Further detail and analysis of employee costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.				

3b. Other operating expenditure				
2017			2018	2018
Total			Board	Consolidated
£000		Note	£000	£000
	Independent Primary Care Services:			
2,238	General Medical Services [1]		1,181	1,181
892	Pharmaceutical Services		910	910
422	General Dental Services [2]		632	632
433	General Ophthalmic Services		446	446
3,985	**Total**		**3,169**	**3,169**
	Drugs and medical supplies:			
4,578	Prescribed drugs Primary Care		4,794	4,794
1,101	Prescribed drugs Secondary Care		1,205	1,205
1,301	Medical Supplies		1,332	1,332
6,980	**Total**		**7,331**	**7,331**
	Other health care expenditure			
25,267	Contribution to Integration Joint Boards		26,779	26,779
8,182	Goods and services from other NHS SCOTLAND bodies		8,487	8,487
64	Goods and services from other UK NHS bodies		17	17
227	Goods and services from private providers		152	152
69	Goods and services from voluntary organisations		56	56
1,452	Resource Transfer		1,474	1,474
0	Loss on disposal of assets		0	0
9,693	Other operating expenses		8,946	8,946
75	External Auditor's remuneration - statutory audit fee		74	74
0	Endowment Fund expenditure		0	0
45,029	**Total**		**45,985**	**45,985**
55,994	**Total Other Operating Expenditure**		**56,485**	**56,485**

[1] This figure represents the costs of the independent GP practices only. The total cost of services in 2017/18, including Board run practices, is £5,617k.

[2] This figure represents the costs of the independent dental practices only. The total cost of services in 2017/18, including Board run practices, is £3,394k.

Note 4 – OPERATING INCOME

2017			2018	2018
Total			Board	Consolidated
£000		Note	£000	£000
0	Income from Scottish Government		0	0
663	Income from other NHS Scotland bodies		954	954
113	Income from NHS non-Scottish bodies		114	114
0	Income from private patients		0	0
24,252	Income for services commissioned by Integration Joint Board		25,354	25,354
449	Patient charges for primary care		295	295
136	Profit on disposal of assets		1	1
34	Contributions in respect of clinical and medical negligence claims		62	62

2017			2018	2018
Total			Board	Consolidated
£000		Note	£000	£000
	Non NHS:			
40	Overseas patients (non-reciprocal)		94	94
1,236	Other		1,484	1,484
26,923	**Total Income**	**SoCNE**	**28,358**	**28,358**

Note 5 – SEGMENTAL ANALYSIS

	Directorate of Acute & Specialist Services	Directorate of Community Health & Social Care	Off Island Clinical Services	Public Health	Support Services	2018
	£000	£000	£000	£000	£000	£000
Net operating cost	14,028	23,293	12,200	607	9,999	**60,127**
If reported to Senior Management also disclose;						
Total assets	7,779	12,917	6,765	337	5,546	**33,344**
Total liabilities	(2,600)	(4,317)	(2,261)	(113)	(1,852)	**(11,143)**

SEGMENTAL ANALYSIS - PRIOR YEAR						
	Directorate of Acute & Specialist Services	Directorate of Community Health & Social Care	Off Island Clinical Services	Public Health	Support Services	2017
	£000	£000	£000	£000	£000	£000
Net operating cost	14,132	20,311	10,659	617	12,461	**58,180**
If reported to Senior Management also disclose;						
Total assets	8,179	11,755	6,169	357	7,211	**33,671**
Total liabilities	(2,172)	(3,122)	(1,638)	(95)	(1,915)	**(8,942)**

Note 6 – INTANGIBLE ASSETS

6a. INTANGIBLE ASSETS (NON-CURRENT) – CONSOLIDATED AND BOARD			
		IT - software	Total
	Note	£000	£000
Cost or Valuation:			
At 1 April 2017		97	97
At 31 March 2018		**97**	**97**
Amortisation			
At 1 April 2017		70	70
Provided during the year		9	9
At 31 March 2018		**79**	**79**
Net book value at 31 March 2017		**27**	**27**
Net book value at 31 March 2018	SoFP	**18**	**18**

6a. INTANGIBLE ASSETS (NON-CURRENT) – CONSOLIDATED AND BOARD – PRIOR YEAR			
		IT - software	Total
	Note	£000	£000
Cost or Valuation:			
At 1 April 2016		97	97
Transfers between asset categories		10	10
Disposals		(10)	(10)
At 31 March 2017		**97**	**97**

		IT - software	Total
	Note	£000	£000
Amortisation			
At 1 April 2016		61	61
Provided during the year		9	9
Transfers between asset categories		10	10
Disposals		(10)	(10)
At 31 March 2017		**70**	**70**
Net book value at 31 March 2016		**36**	**36**
Net book value at 31 March 2017	SoFP	**27**	**27**

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 2017	589	27,237	1,484	23	5,394	988	30	32	35,777
Additions – purchased	0	0	0	0	428	118	0	28	574
Disposals – purchased	0	0	0	0	(497)	(12)	0	0	(509)
At 31 March 2018	**589**	**27,237**	**1,484**	**23**	**5,325**	**1,094**	**30**	**60**	**35,842**
Depreciation									
At 1 April 2017	0	0	0	23	3,228	570	30	0	3,851
Provided during the year - purchased	0	951	45	0	325	120	0	0	1,441
Provided during the year – donated	0	0	0	0	39	0	0	0	39
Disposals – purchased	0	0	0	0	(497)	(12)	0	0	(509)
At 31 March 2018	**0**	**951**	**45**	**23**	**3,095**	**678**	**30**	**0**	**4,822**
Net book value at 31 March 2017	**589**	**27,237**	**1,484**	**0**	**2,166**	**418**	**0**	**32**	**31,926**
Net book value at 31 March 2018	**589**	**26,286**	**1,439**	**0**	**2,230**	**416**	**0**	**60**	**31,020**
Open Market Value of Land in Land and Dwellings Included Above	589	0	1,439	0	0	0	0	0	
Asset financing:									
Owned – purchased	589	26,286	1,439	0	2,137	416	0	60	30,927
Owned - donated	0	0	0	0	93	0	0	0	93
Net book value at 31 March 2018	**589**	**26,286**	**1,439**	**0**	**2,230**	**416**	**0**	**60**	**31,020**

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 2016	614	26,312	1,338	8	5,625	1,158	37	32	35,124
Additions - purchased	0	85	0	0	489	162	0	0	736
Transfers between asset categories	0	0	0	24	112	(146)	0	0	(10)
Transfers (to) / from non-current assets held for sale	0	0	138	0	0	0	0	0	138
Revaluations	0	925	114	0	0	0	0	0	1,039
Impairment charges	0	(85)	0	0	(73)	(1)	0	0	(159)
Disposals - purchased	(25)	0	(106)	(9)	(715)	(185)	(7)	0	(1,047)
Disposals – donated	0	0	0	0	(44)	0	0	0	(44)
At 31 March 2017	**589**	**27,237**	**1,484**	**23**	**5,394**	**988**	**30**	**32**	**35,777**
Depreciation									
At 1 April 2016	0	1,629	79	8	3,481	761	37	0	5,995
Provided during the year - purchased	0	794	37	0	311	140	0	0	1,282
Provided during the year - donated	0	0	0	0	83	0	0	0	83
Transfers between asset categories	0	0	0	24	112	(146)	0	0	(10)

	Land	Buildings	Dwellings	Trans Equip	Plant & Machinery	ICT	Furniture & Fittings	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revaluations	0	(2,423)	(110)	0	0	0	0	0	(2,533)
Disposals - purchased	0	0	(6)	(9)	(715)	(185)	(7)	0	(922)
Disposals – donated	0	0	0	0	(44)	0	0	0	(44)
At 31 March 2017	**0**	**0**	**0**	**23**	**3,228**	**570**	**30**	**0**	**3,851**
Net book value at 31 March 2016	**614**	**24,683**	**1,259**	**0**	**2,144**	**397**	**0**	**32**	**29,129**
Net book value at 31 March 2017	**589**	**27,237**	**1,484**	**0**	**2,166**	**418**	**0**	**32**	**31,926**
Open Market Value of Land in Land and Dwellings Included Above	460	0	1,484	0	0	0	0	0	
Asset financing:									
Owned – purchased	589	27,237	1,484	0	2,034	418	0	32	31,794
Owned – donated	0	0	0	0	132	0	0	0	132
Net book value at 31 March 2017	**589**	**27,237**	**1,484**	**0**	**2,166**	**418**	**0**	**32**	**31,926**

Note 7b - NON-CURRENT ASSETS HELD FOR SALE – CONSOLIDATED AND BOARD

		Property, Plant & Equipment	Intangible Assets	Total
	Note	£000	£000	£000
At 1 April 2017		**0**	**0**	**0**
At 31 March 2018	SoFP	**0**	**0**	**0**

Note 7b - NON-CURRENT ASSETS HELD FOR SALE – CONSOLIDATED AND BOARD – PRIOR YEAR

		Property, Plant & Equipment	Intangible Assets	Total
		£000	£000	£000
At 1 April 2016		**138**	**0**	**138**
Transfers to property, plant and equipment		(138)	0	**(138)**
At 31 March 2017	SoFP	**0**	**0**	**0**

Note 7c - PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated	Board			Consolidated	Board
2017	2017			2018	2018
£000	£000		Note	£000	£000
		Net book value of property, plant and equipment at 31 March			
31,794	31,794	Purchased		30,927	30,927
132	132	Donated		93	93
31,926	**31,926**	**Total**	SoFP	**31,020**	**31,020**
589	589	Net book value related to land valued at open market value at 31 March		589	589
27,237	27,237	Net book value related to buildings valued at open market value at 31 March		26,286	26,286
		Total value of assets held under:			
0	0	Finance Leases		0	0
0	0	Hire Purchase Contracts		0	0
0	0	PFI and PPP Contracts		0	0
0	0			0	0

Consolidated	Board			Consolidated	Board
2017	2017			2018	2018
£000	£000		Note	£000	£000
		Total depreciation charged in respect of assets held under:		0	0
0	0	Finance leases		0	0
0	0	Hire Purchase Contracts		0	0
0	0	PFI and PPP contracts		0	0
0	0			0	0

Note 7d ANALYSIS OF CAPITAL EXPENDITURE

Consolidated	Board			Consolidated	Board
2017	2017			2018	2018
£000	£000		Note	£000	£000
		Expenditure			
736	736	Acquisition of property, plant and equipment	7a	574	574
736	**736**	**Gross Capital Expenditure**		**574**	**574**
		Income			
125	125	Net book value of disposal of property, plant and equipment	7a	0	0
125	**125**	**Capital Income**		**0**	**0**
611	**611**	**Net Capital Expenditure**		**574**	**574**
		SUMMARY OF CAPITAL RESOURCE OUTTURN			
611	611	Core capital expenditure included above		574	574
661	661	Core Capital Resource Limit		579	579
50	**50**	**Saving against Core Capital Resource Limit**		**5**	**5**
0	0	Non core capital expenditure included above		0	0
0	0	Non core Capital Resource Limit		0	0
0	**0**	**Saving against Non Core Capital Resource Limit**		**0**	**0**
611	611	Total capital expenditure		574	574
661	661	Total Capital Resource Limit		579	579
50	**50**	**Saving against Total Capital Resource Limit**		**5**	**5**

Note 8 – INVENTORIES AND WORK IN PROGRESS

Consolidated	Board			Consolidated	Board
2017	2017			2018	2018
£000	£000		Note	£000	£000
431	431	Raw materials and consumables		432	432
431	**431**	**Total inventories**	SoFP	**432**	**432**

Note 9 – TRADE AND OTHER RECEIVABLES

Consolidated	Board			Consolidated	Board
2017	2017			2018	2018
£000	£000		Note	£000	£000
		Receivables due within one year			
		NHS Scotland			
0	0	Scottish Government Health & Social Care Directorate		0	0
135	135	Boards		199	199
135	**135**	**Total NHS Scotland Receivables**		**199**	**199**
9	9	NHS non-Scottish bodies		62	62
44	44	VAT recoverable		55	55
214	214	Prepayments		176	176

Consolidated 2017 £000	Board 2017 £000			Consolidated 2018 £000	Board 2018 £000
116	116	Accrued income		185	185
560	560	Other receivables		524	524
0	0	Reimbursement of provisions		62	62
59	59	Other public sector bodies		279	279
1,137	**1,137**	**Total Receivables due within one year**	SoFP	**1,542**	**1,542**
		Receivables due after more than one year			
		NHS Scotland			
0	0	Scottish Government Health & Social Care Directorate		0	0
0	0	Boards		0	0
0	**0**	**Total NHS Scotland Receivables**		**0**	**0**
0	0	Other Public Sector Bodies		0	0
0	0	Prepayments		0	0
0	0	Accrued income		0	0
0	0	Other receivables		0	0
0	0	Reimbursement of provisions		0	0
0	**0**	**Total Receivables due after more than one year**	SoFP	**0**	**0**
1,137	**1,137**	**TOTAL RECEIVABLES**		**1,542**	**1,542**
100	100	The total receivables figure above includes a provision for impairments of :		28	28
		WGA Classification			
135	135	NHS Scotland		199	199
44	44	Central Government bodies		55	55
59	59	Whole of Government bodies		279	279
9	9	Balances with NHS bodies in England and Wales		62	62
890	890	Balances with bodies external to Government		947	947
1,137	**1,137**	**Total**		**1,542**	**1,542**

Consolidated 2017 £000	Board 2017 £000			Consolidated 2018 £000	Board 2018 £000
		Movements on the provision for impairment of receivables are as follows:			
116	116	At 1 April		100	100
100	100	Provision for impairment		4	4
0	0	Receivables written off during the year as uncollectable		(75)	(75)
(116)	(116)	Unused amounts reversed		(1)	(1)
100	**100**	At 31 March		**28**	**28**

As of 31 March 2018, receivables with a carrying value of £28,166 (2017: £99,696) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2017 £000	Board 2017 £000			Consolidated 2018 £000	Board 2018 £000
0	0	3 to 6 months past due		0	0
100	100	Over 6 months past due		28	28
100	**100**			**28**	**28**

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 2018, receivables with a carrying value of £441,000 (2017: £133,000) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2017 £000	Board 2017 £000			Consolidated 2018 £000	Board 2018 £000
119	119	Up to 3 months past due		381	381
4	4	3 to 6 months past due		15	15
10	10	Over 6 months past due		45	45
133	**133**			**441**	**441**

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 2017 £000	Board 2017 £000			Consolidated 2018 £000	Board 2018 £000
		Counterparties with external credit ratings			
0	0	A		0	0
0	0	BB		0	0
0	0	BBB		0	0
0	0	Counterparties with no external credit rating:		0	0
0	0	New customers		0	0
1,137	1,137	Existing customers with no defaults in the past		1,542	1,542
0	0	Existing customers with some defaults in the past		0	0
1,137	**1,137**	Total neither past due or impaired		**1,542**	**1,542**

		The maximum exposure to credit risk is the fair value of each class of receivable. The NHS Board does not hold any collateral as security.			
Consolidated 2017 £000	**Board 2017 £000**			**Consolidated 2018 £000**	**Board 2018 £000**
		The carrying amount of receivables are denominated in the following currencies:			
1,137	1,137	Pounds		1,542	1,542
0	0	Euros		0	0
0	0	US Dollars		0	0
1,137	**1,137**			**1,542**	**1,542**

All current receivables are due within 1 year (2016/17: 1 year) from the balance sheet date.

The carrying amount of short term receivables approximates their fair value.

The fair value of long term other receivables are £0 (2016/17: £0).

The effective interest rate on non-current other receivables is 0% (2016/17: 0%). Pension liabilities are discounted at 0.10% (2016/17: 0.24%).

Note 10 – AVAILABLE FOR SALE FINANCIAL ASSETS

None

Note 11 – CASH AND CASH EQUIVALENTS

	Note	2018 £000	2017 £000
Balance at 1 April		88	143
Net change in cash and cash equivalent balances	CFS	62	(55)
Balance at 31 March	SoFP	**150**	**88**
Overdrafts		0	0
Total Cash - Cash Flow Statement		**150**	**88**
The following balances at 31 March were held at:			
Government Banking Service		102	43
Commercial banks and cash in hand		48	45
Balance at 31 March		**150**	**88**

Note 12 – TRADE AND OTHER PAYABLES

Consolidated 2017 £000	Board 2017 £000		Note	Consolidated 2018 £000	Board 2018 £000
		Payables due within one year			
		NHS Scotland			
1,269	1,269	Boards		1,732	1,732
1,269	**1,269**	**Total NHS Scotland Payables**		**1,732**	**1,732**
21	21	NHS Non-Scottish bodies		1	1
88	88	Amounts payable to General Fund		150	150
1,304	1,304	FHS practitioners		1,308	1,308
305	305	Trade payables		278	278
1,613	1,613	Accruals		2,072	2,072
88	88	Deferred income		66	66
18	18	Payments received on account		11	11
542	542	Income tax and social security		636	636
390	390	Superannuation		398	398
168	168	Holiday pay accrual		906	906
819	819	Other public sector bodies		876	876
704	704	Other significant payables (pay accrual)		512	512
7,329	**7,329**	**Total Payables due within one year**	SoFP	**8,946**	**8,946**
		Payables due after more than one year			
		NHS Scotland			
0	0	Boards		0	0
0	**0**	**Total NHS Scotland Payables**		**0**	**0**
0	0	Other public sector bodies		0	0
0	0	Accruals		0	0
0	0	Deferred income		0	0
0	0	Other payables		0	0
0	**0**	**Total Payables due after more than one year**	SoFP	**0**	**0**
7,329	**7,329**	**TOTAL PAYABLES**		**8,946**	**8,946**
		WGA Classification			
1,269	1,269	NHS Scotland		1,732	1,732
932	932	Central Government bodies		1,034	1,034
819	819	Whole of Government bodies		876	876
21	21	Balances with NHS bodies in England and Wales		1	1
4,288	4,288	Balances with bodies external to Government		5,303	5,303
7,329	**7,329**	**Total**		**8,946**	**8,946**

Consolidated 2017 £000	Board 2017 £000		Consolidated 2017 £000	Board 2017 £000
		Borrowings included above comprise:		
0	0	Bank overdrafts	0	0
0	**0**		**0**	**0**
		The carrying amount and fair value of the non-current borrowings are as follows		
0	**0**	**Carrying amount**	**0**	**0**

2017	2017		2018	2018
Fair value	Fair value	The carrying amount and fair value of the non-current borrowings are as follows	Fair value	Fair value
£000	£000	**Fair value**	£000	£000
0	**0**		**0**	**0**

Consolidated 2017 £000	Board 2017 £000		Consolidated 2018 £000	Board 2018 £000
		The carrying amount of short term payables approximates their fair value.		
		The carrying amount of payables are denominated in the following currencies:		
7,329	7,329	Pounds	8,946	8,946
0	0	Euros	0	0
0	0	US Dollars	0	0
7,329	**7,329**		**8,946**	**8,946**

Note 13 – PROVISIONS

13a. PROVISIONS - CONSOLIDATED AND BOARD

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2018 Total
	£000	£000	£000	£000	£000
At 1 April 2017	261	25	1,327	0	1,613
Arising during the year	201	92	285	385	963
Utilised during the year	(24)	(5)	(53)	0	(82)
Unwinding of discount	(5)	0	(5)	0	(10)
Reversed unutilised	(182)	0	(105)	0	(287)
At 31 March 2018	**251**	**112**	**1,449**	**385**	**2,197**

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 0.10% as advised by PES (2017) 10 , (2016/17: 0.24%). The Board expects expenditure to be charged to this provision for a period of up to 18 years.

Clinical & Medical Legal Claims against NHS Board and Participation in CNORIS

The amounts shown above in relation to Clinical & 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.

Analysis of expected timing of discounted flows to 31 March 2018

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2018 Total
	£000	£000	£000	£000	
Payable in one year	24	112	210	385	731
Payable between 2 - 5 years	94	0	820	0	914
Payable between 6 - 10 years	102	0	29	0	131
Thereafter	31	0	390	0	421
At 31 March 2018	**251**	**112**	**1,449**	**385**	**2,197**

PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2017 TOTAL
	£000	£000	£000	£000	£000
At 1 April 2016	270	60	825	0	1,155
Arising during the year	21	5	502	0	528
Utilised during the year	(27)	(40)	0	0	(67)
Unwinding of discount	9	0	0	0	9
Reversed unutilised	(12)	0	0	0	(12)
At 31 March 2017	**261**	**25**	**1,327**	**0**	**1,613**

The amounts shown above in relation to Clinical & 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 2017					
	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2017 TOTAL
	£000	£000	£000	£000	£000
Payable in one year	25	25	274	0	324
Payable between 2 - 5 years	100	0	593	0	693
Payable between 6 - 10 years	103	0	28	0	131
Thereafter	33	0	432	0	465
At 31 March 2017	**261**	**25**	**1,327**	**0**	**1,613**

13b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)

2017		Note	2018
£000			£000
25	Provision recognising individual claims against the NHS Board as at 31 March	13a	112
0	Associated CNORIS receivable at 31 March	9	(62)
1,327	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	1,449
1,352	**Net Total Provision relating to CNORIS at 31 March**		**1,499**

The Clinical Negligence and Other Risks Scheme (CNORIS) have 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 e.g. 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 that individual boards are exposed to.

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 on the scheme can be found at: http://www.clo.scot.nhs.uk/our-services/cnoris.aspx

Note 14 – CONTINGENT LIABILITIES

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

2017		2018
£000		£000
	Nature	
20	Clinical and medical compensation payments	135
20	**TOTAL CONTINGENT LIABILITIES**	**135**

The Board has also entered into the following unquantifiable contingent liabilities by offering guarantees, indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37, since the possibility of a transfer of economic benefits in settlement is too remote.

CONTINGENT ASSETS

None

Note 15 –EVENTS AFTER THE END OF THE REPORTING PERIOD

None

NOTE 16 – COMMITMENTS

Capital Commitments			
The Board has the following capital commitments which have not been provided for in the accounts			
2017		**Property, plant and equipment Intangible assets**	**2018**
£000		**£000**	**£000**
	Contracted		
	Authorised but not Contracted		
291	Estates capital projects	409	409
425	Statutory compliance & backlog maintenance	432	432
131	Medical equipment	64	64
150	ICT Projects (Tangible)	115	115
0	ICT Projects (Intangible)	47	47
997	**Total**	**1,067**	**1,067**

NOTE 17 – COMMITMENTS UNDER LEASES

Operating Leases		
Total future minimum lease payments under operating leases are given in the table below for the each of the following periods:		
Obligations under operating leases comprise:		
2017		**2018**
£000		**£000**
	Land	
	None	
	Buildings	
53	Not later than one year	53
53	Later than one year, not later than 2 years	53
80	Later than two year, not later than five years	27
0	Later than five years	0
	Other	
58	Not later than one year	60
21	Later than one year, not later than 2 years	38
5	Later than two year, not later than five years	54
0	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
198	Hire of equipment (including vehicles)	159
71	Other operating leases	83
269	**Total**	**242**
	Contingent rents recognised as an expense in the period were:	
0	Contingent rents	0
Finance Leases		
Total future minimum lease payments under finance leases are given in the table below for the each of the following periods:		
Obligations under Finance leases comprise:		
None, Prior Year: None		
Aggregate Rentals Receivable in the year		
2017		**2018**
£000		**£000**
68	Total of finance & operating leases	73

NOTE 18 – COMMITMENTS UNDER PFI / PPP CONTRACTS

None

NOTE 19 – PENSION COSTS

	2018	2017
	£000	£000
Pension cost charge for the year	2,868	2,831
Additional costs arising from early retirement	25	30
Provisions / liabilities / prepayments included in the Statement of Financial Position	251	261
Pension costs for the year for staff transferred from local authority	0	0

NOTE 20 – PRESENTATION OF STATEMENT OF CONSOLIDATED EXPENDITURE

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which is more reliable and better reflects the activities of NHS Shetland. The comparative information in respect of 2016/17 has been presented in the new format in the SoCNE. No retrospective restatements were required.

Changes to the presentation of the SoCNE affect expenditure and income categories. Staff costs and expenditure on drugs and medical supplies have been removed from previous expenditure categories and are now shown on the face of the SoCNE. This provides greater transparency over the nature of NHS Shetland's expenditure. Further information on the composition of expenditure categories is disclosed in Note 3.

Income is now shown as a single figure. Further details are disclosed in Note 4.

2016/17 expenditure as published	**2017**
Hospital and Community	65,082
Family Health	14,368
Administration Costs	1,763
Other Non-Clinical Services	3,952
Gross expenditure for the year	**85,165**
2016/17 expenditure conforming to the new presentation	**2017**
Staff Costs	29,171
Other expenditure	
Independent Primary Care Services	3,985
Drugs and medical supplies	6,980
Other health care expenditure	45,029
Gross expenditure for the year	**85,165**
Movement in gross expenditure for the year	**0**
2016/17 income as published	**2017**
Hospital and Community Income	26,106
Family Health Income	561
Administration Income	86
Other Operating Income	170
Gross income for the year	**26,923**
2016/17 income conforming to the new presentation	**2017**
Operating income	26,923
Gross income for the year	**26,923**
Movement in gross income for the year	**0**

NOTE 21 – RETROSPECTIVE RESTATEMENTS

None

NOTE 22 – RESTATED STATEMENT OF FINANCIAL POSITION, SOCNE AND STATEMENT OF CASHFLOWS

None

NOTE 23 – FINANCIAL INSTRUMENTS

23a. FINANCIAL INSTRUMENTS BY CATEGORY					
Financial Assets					
CONSOLIDATED AND BOARD		**Loans and Receivables**	**Assets at Fair Value through profit and loss**	**Available for sale**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
AS AT 31 MARCH 2018					
Assets per balance sheet					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,050	0	0	1,050
Cash and cash equivalents	11	150	0	0	150
		1,200	**0**	**0**	**1,200**
CONSOLIDATED AND BOARD (Prior Year)		**Loans and Receivables**	**Assets at Fair Value through profit and loss**	**Available for sale**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
At 31 March 2017					
Assets per balance sheet					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	744	0	0	744
Cash and cash equivalents	11	88	0	0	88
		832	**0**	**0**	**832**
Financial Liabilities					
CONSOLIDATED AND BOARD			**Liabilities at Fair Value through profit and loss**	**Other financial liabilities**	**Total**
	Note		**£000**	**£000**	**£000**
AS AT 31 MARCH 2018					
Liabilities per balance sheet					
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		0	6,114	6,114
			0	**6,114**	**6,114**
CONSOLIDATED AND BOARD (Prior Year)			**Liabilities at Fair Value through profit and loss**	**Other financial liabilities**	**Total**
	Note		**£000**	**£000**	**£000**
At 31 March 2017					
Liabilities per balance sheet					
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12		0	5,040	5,040
			0	**5,040**	**5,040**
23b. FINANCIAL RISK FACTORS					
Exposure to Risk					
The NHS Board's activities expose it to a variety of financial risks:					
Credit risk - the possibility that other parties might fail to pay amounts due.					
Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.					
Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.					

Because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

a) Credit Risk

Credit risk arises from cash and 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 period and no losses are expected from non-performance by any counterparties in relation to deposits.

b) Liquidity Risk

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

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

		Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
AS AT 31 MARCH 2018		**£000**	**£000**	**£000**	**£000**
PFI Liabilities		0	0	0	0
Finance lease liabilities		0	0	0	0
Derivative financial instruments		0	0	0	0
Trade and other payables excluding statutory liabilities		0	0	0	0
Total		**0**	**0**	**0**	**0**
		Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
At 31 March 2017		**£000**	**£000**	**£000**	**£000**
PFI Liabilities		0	0	0	0
Finance lease liabilities		0	0	0	0
Derivative financial instruments		0	0	0	0
Trade and other payables excluding statutory liabilities		0	0	0	0
Total		**0**	**0**	**0**	**0**

c) Market Risk

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

i) 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.

ii) Foreign Currency Risk

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

iii) Price risk

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

23c FAIR VALUE ESTIMATION

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

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 24 – DERIVATIVE FINANCIAL INSTRUMENTS

None

NOTE 25 – RELATED PARTY TRANSACTIONS

The Board had material transactions with Shetland Islands Council during 2017/18. The Board's expenditure with Shetland Islands Council was £4,544k (of which £876k owed at year end). Malcolm Bell and Cecil Smith were members of the Board and elected members of Shetland Islands Council during the year. The Board has Endowment Funds that are managed by Trustees who are also directors of the Board. The total funds held in Endowments at the beginning of 2017/18 were £1,332k. The Board had material transactions with the Shetland Integration Joint Board (IJB) during 2017/18 as detailed in Notes 3 and 4 of the accounts. Directors of the Board who were also voting members of the IJB during 2017/18 were Ms M Williamson, Ms N Cornick, Ms S Manson and Mr T Morton.

The Board members declarations of interest are publicly available on NHS Shetland's internet site at http://www.shb.scot.nhs.uk/board/interests.asp or can be viewed in person at the Board's Headquarters in Lerwick.

NOTE 26 – THIRD PARTY ASSETS

No third party assets are held. NHS Shetland does not currently hold any balances on patients' private funds.

NOTE 27 – CONSOLIDATION OF SUBSIDIARIES AND DISCLOSURE OF INTEREST IN ASSOCIATES AND JOINT

27a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group			Board	Shetland IJB	Consolidated
2017			2018	2018	2018
£000		Note	£000	£000	£000
	Total income and expenditure				
29,171	Staff costs	3	32,120	0	32,120
	Other operating expenditure	3			
3,985	Independent Primary Care Services		3,169	0	3,169
6,980	Drugs and medical supplies		7,331	0	7,331
45,029	Other health care expenditure		45,985	0	45,985
85,165	Gross expenditure for the year		88,605	0	88,605
(26,923)	Less: operating income	4	(28,358)	0	(28,358)
(62)	Associates and joint ventures accounted for on an equity basis		0	(120)	(120)
58,180	**Net Expenditure**		**60,247**	**(120)**	**60,127**

27b. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated			Board	Shetland IJB	Consolidated
2017			2018	2018	2018
£000		Note	£000	£000	£000
	Non-current assets:				
31,926	Property, plant and equipment	SoFP	31,020	0	31,020
27	Intangible assets	SoFP	18	0	18
	Financial assets:				
0	Available for sale financial assets	SoFP	0	0	0
62	Investments in associates and joint ventures	27a	0	182	182
0	Trade and other receivables	SoFP	0	0	0
32,015	**Total non-current assets**		**31,038**	**182**	**31,220**

Consolidated 2017 £000		Note	Board 2018 £000	Shetland IJB 2018 £000	Consolidated 2018 £000
	Current Assets:				
431	Inventories	SoFP	432	0	432
0	Intangible assets	SoFP	0	0	0
	Financial assets:				
1,137	Trade and other receivables	SoFP	1,542	0	1,542
88	Cash and cash equivalents	SoFP	150	0	150
0	Available for sale financial assets	SoFP	0	0	0
0	Derivatives financial assets	SoFP	0	0	0
0	Assets classified as held for sale	SoFP	0	0	0
1,656	**Total current assets**		**2,124**	**0**	**2,124**
33,671	**Total assets**		**33,162**	**182**	**33,344**
	Current liabilities				
(324)	Provisions	SoFP	(731)	0	(731)
	Financial liabilities:				
(7,329)	Trade and other payables	SoFP	(8,946)	0	(8,946)
0	Derivatives financial liabilities	SoFP	0	0	0
(7,653)	**Total current liabilities**		**(9,677)**	**0**	**(9,677)**
26,018	**Non-current assets plus / less net current assets/liabilities**		**23,485**	**182**	**23,667**
	Non-current liabilities				
(1,289)	Provisions	SoFP	(1,466)	0	(1,466)
	Financial liabilities:				
0	Trade and other payables	SoFP	0	0	0
0	Investments in associates and joint ventures	27a	0	0	0
(1,289)	**Total non-current liabilities**		**(1,466)**	**0**	**(1,466)**
24,729	**Assets less liabilities**		**22,019**	**182**	**22,201**
	Taxpayers' Equity				
11,350	General fund	SoFP	9,151	0	9,151
13,317	Revaluation reserve	SoFP	12,868	0	12,868
0	Other reserves	SoFP	0	0	0
62	Other reserves - joint venture	SoFP	0	182	182
0	Funds Held on Trust	SoFP	0	0	0
24,729	**Total taxpayers' equity**		**22,019**	**182**	**22,201**

		Board 2017 £000	Shetland IJB 2017 £000	Consolidated 2017 £000
PRIOR YEAR				
Non-current assets:				
Property, plant and equipment	SoFP	31,926	0	31,926
Intangible assets	SoFP	27	0	27
Financial assets:				
Available for sale financial assets	SoFP	0	0	0
Investments in associates and joint ventures		0	62	62
Trade and other receivables	SoFP	0	0	0
Total non-current assets		**31,953**	**62**	**32,015**
Current Assets:				
Inventories	SoFP	431	0	431
Intangible assets	SoFP	0	0	0

		Board	Shetland IJB	Consolidated
PRIOR YEAR		**2017**	**2017**	**2017**
		£000	**£000**	**£000**
Financial assets:				
Trade and other receivables	SoFP	1,137	0	1,137
Cash and cash equivalents	SoFP	88	0	88
Available for sale financial assets	SoFP	0	0	0
Derivatives financial assets	SoFP	0	0	0
Assets classified as held for sale	SoFP	0	0	0
Total current assets		**1,656**	**0**	**1,656**
Total assets		**33,609**	**62**	**33,671**
Current liabilities				
Provisions	SoFP	(324)	0	(324)
Financial liabilities:				
Trade and other payables	SoFP	(7,329)	0	(7,329)
Derivatives financial liabilities	SoFP	0	0	0
Total current liabilities		**(7,653)**	**0**	**(7,653)**
Non-current assets plus / less net current assets/liabilities		**25,956**	**62**	**26,018**
Non-current liabilities				
Provisions	SoFP	(1,289)	0	(1,289)
Financial liabilities:				
Trade and other payables	SoFP	0	0	0
Liabilities in associates and joint ventures		0	0	0
Total non-current liabilities		**(1,289)**	**0**	**(1,289)**
Assets less liabilities		**24,667**	**62**	**24,729**
Taxpayers' Equity				
General fund	SoFP	11,350	0	11,350
Revaluation reserve	SoFP	13,317	0	13,317
Other reserves	SoFP	0	0	0
Other reserves - joint venture	SoFP	0	62	62
Funds Held on Trust	SoFP	0	0	0
Total taxpayers' equity		**24,667**	**62**	**24,729**

27c. CONSOLIDATED STATEMENT OF CASHFLOWS				
Consolidated		**Board**	**Shetland IJB**	**Consolidated**
2017		**2018**	**2018**	**2018**
£000		**£000**	**£000**	**£000**
	Cash flows from operating activities			
(58,180)	Net operating expenditure	(60,247)	120	(60,127)
1,335	Adjustments for non-cash transactions	1,489	(120)	1,369
0	Add back: interest payable recognised in net operating expenditure	0	0	0
0	Deduct: interest receivable recognised in net operating expenditure	0	0	0
0	Investment income	0	0	0
1,643	Movements in working capital	1,733	0	1,733
(55,202)	**Net cash outflow from operating activities**	**(57,025)**	**0**	**(57,025)**
	Cash flows from investing activities			
(736)	Purchase of property, plant and equipment	(574)	0	(574)
261	Proceeds of disposal of property, plant and equipment	0	0	0
(475)	**Net cash outflow from investing activities**	**(574)**	**0**	**(574)**

Consolidated		Board	Shetland IJB	Consolidated
2017		**2018**	**2018**	**2018**
£000		**£000**	**£000**	**£000**
	Cash flows from financing activities			
55,676	Funding	57,599	0	57,599
(54)	Movement in general fund working capital	62	0	62
55,622	Cash drawn down	57,661	0	57,661
55,622	**Net Financing**	**57,661**	**0**	**57,661**
(55)	**Net (decrease)/Increase in cash and cash equivalents in the period**	62	0	62
143	**Cash and cash equivalents at the beginning of the period**	88	0	88
88	**Cash and cash equivalents at the end of the period**	**150**	**0**	**150**
	Reconciliation of net cash flow to movement in net debt / cash			
(55)	Increase / (decrease) in cash in year	62		62
143	Net debt / cash at 1 April	88	0	88
88	**Net debt / cash at 31 March**	**150**	**0**	**150**

	Board	Shetland IJB	Consolidated
PRIOR YEAR	**2017**	**2017**	**2017**
	£000	**£000**	**£000**
Cash flows from operating activities			
Net operating expenditure	(58,242)	62	(58,180)
Adjustments for non-cash transactions	1,397	(62)	1,335
Movements in working capital	1,643	0	1,643
Net cash outflow from operating activities	**(55,202)**	**0**	**(55,202)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(736)	0	(736)
Proceeds of disposal of property, plant and equipment	261	0	261
Net cash outflow from investing activities	**(475)**	**0**	**(475)**
Cash flows from financing activities			
Funding	55,676	0	55,676
Movement in general fund working capital	(54)	0	(54)
Cash drawn down	55,622	0	55,622
Net Financing	**55,622**	**0**	**55,622**
Net Increase / (decrease) in cash and cash equivalents in the period	(55)	0	(55)
Cash and cash equivalents at the beginning of the period	143	0	143
Cash and cash equivalents at the end of the period	**88**	**0**	**88**
Reconciliation of net cash flow to movement in net debt / cash			
Increase / (decrease) in cash in year	(55)	0	(55)
Net debt / cash at 1 April	143	0	143
Net debt / cash at 31 March	**88**	**0**	**88**

Note 28 NHS Endowments

The Shetland Health Board Endowment Funds have not been consolidated into the Board's group financial statements. This is because these funds are considered non material in nature for the following reason:

1. The net expenditure on the SOCNE for 2017/18 is £60,127k. The projected net income from endowments of £32k in 2017/18 equates to only 0.053% of the SOCNE which would not have a material impact if consolidated.

2. The value of total assets on the Board's balance sheet at 31 March 2018 is £33,344k. The value of the Endowments Funds of £1,370k as at 31 March 2018 equates to only 4% of the Board's total assets.

DIRECTION BY THE SCOTTISH MINISTERS

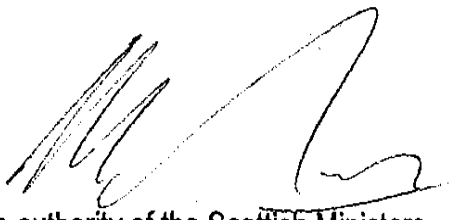
1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

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

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

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

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



Signed by the authority of the Scottish Ministers

Dated 10/2/2006