SHETLAND NHS BOARD
ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2019

INDEX

ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2019

PERFORMANCE REPORT

1. Chief Executive's Statement

2018-19 has been a year of significant service delivery challenges for NHS Shetland.

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

I am pleased that we have continued to deliver against a range of national performance targets as outlined in the 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 that these have been a key driver in our decision to work with our partners in a major service scenario planning process. This will support the Board and Integration Joint Board (IJB) to set out a clear direction for health and care services in Shetland and to identify the main areas of redesign to address the service challenges over the next four years. These areas of redesign have been included in the revised Joint Strategic Commissioning Plan 2019-22, which was approved by the IJB in March 2019.

In particular, 2018-19 has seen even greater pressure across our workforce with significant vacancies in senior medical roles in both Primary and Secondary care. This has resulted in both service continuity and financial risk for the Board, and the sustainability of our workforce must be the single most important issue for the future.

As a result of the hard work of all our staff, we have again balanced our budget and delivered more than £3.8m in savings, although over £2.2m of these savings were non-recurrent.

To return to recurrent financial balance we know that we will need to significantly redesign our services and emphasise preventative actions to deliver ongoing savings to ensure the sustainability of NHS Shetland. Some of this work is illustrated in the Performance Against Key Non-Financial Targets on page 9, which are the early results from the work undertaken as a consequence of scenario planning workshops in early 2018.

We would like to thank our previous Chief Executive, Ralph Roberts, who was in post until 21 April 2019, for his service to the Board and wish him all the very best for his new role as Chief Executive of NHS Borders.

2. Overview

The purpose of the Overview is to give the user a short summary that provides sufficient information to understand NHS Shetland, our purpose, the key risks to the achievement of our objectives, and our performance during 2018-19.

NHS Shetland is the operating name of Shetland Health Board that was established under the National Health Service (Scotland) Act 1978.

NHS Shetland is domiciled in Scotland and headquarters are based at:

Upper Montfield,
24 Burgh Road,
Lerwick,
Shetland,
ZE1 0LA

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 16 of the 100 islands. These islands cover a land mass of 567 square miles, are surrounded by the North Sea and have a coastline 1,679 miles long.

NHS Shetland is responsible for commissioning and providing healthcare services for the residents of Shetland Islands as outlined in Table 1, on page 2. This includes NHS Shetland directly providing health care services from 15 sites across Shetland. Several of these services are co-located across our 10 health centres and Gilbert Bain Hospital.

Table 1 NHS Shetland at a glance	
Directly Provided Healthcare	**Commissioned Healthcare Services**
8 GP Practices, 19,440 registered patients	2 GP Practices, 3,490 registered patients
Community Healthcare Service	3 Ophthalmic Practices
Dental Services from 6 locations	1 Dental Practice
Gilbert Bain Hospital Acute and Maternity Services; 9,519 In patients bed days, 2,572 Day cases, 38,795 Out patients, 91 births and 8,101 A&E Attendances during 2018-19.	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 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; and
- performance management.

During 2018-19 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; and
- ensure sufficient organisational capacity and resilience.

To address the first objective, the Board continues to implement a 10-year Public Health Strategy intended to create a step-change in the health of the local population.

The Annual Operating Plan (AOP) identified the priorities that have 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 and 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. Resultant areas of redesign can be seen in Section 5 below and is also incorporated into the recently agreed Joint Strategic Commissioning Plan 2019-22.

In 2018-19 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 over 800 patients.

As part of the preventative health agenda the national award winning Falls prevention scheme was expanded across the whole of Shetland.

During 2018-19 NHS Shetland has continued to work closely with Shetland Islands Health and Social Care Partnership, however commonly referred to in Shetland as the 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 focused on the whole health and care system. This culminated in a revised joint Strategic Commissioning Plan for 2019-2022 agreed by the IJB in March 2019, NHS Shetland in April 2019 and SIC in May 2019.

The plan sets out our shared Shetland Health and Care Vision which is that by 2025 everyone is supported in their community to live longer, healthier lives and we will have reduced health inequalities. There are now five new key objectives to deliver.

SIC and NHS Shetland 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 and 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 2018-19 NHS Shetland has continued to review how its governance and management arrangements should evolve as a result of the new business model. As part of this review the Board completed the National Blueprint for Corporate Governance Self Assessment process and published this report in April 2019.

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

Further information on health and 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 2018-19 Annual Operating Plan (AOP) summarised the key risks facing NHS Shetland in future years, the actions to be taken to mitigate these, and the KPIs that will be used to measure progress. Performance against these KPIs in 2018-19, plus mitigating issues and actions to address and resolve these, is outlined in section 5, Performance Against Key Non-Financial Targets.

The AOP focused on improvement and delivery in a number of key areas as set out 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; and
- Public Health and Health Improvement Services.

The AOP recognised that NHS Shetland is working in a challenging context, with partners, 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 the public sector.

This reflects the need for Health and Social Care Partnerships to develop a Joint Strategic Commissioning Plan. The AOP required by the Scottish Government is now very focussed on the actions to deliver key targets. The AOP was reviewed at the 17 April 2018 Board meeting and agreed at the 22 June 2018 Board meeting.

During 2018-19, to mitigate and manage risks that may arise from the United Kingdom withdrawal from the European Union (EU) a specific risk sub-committee was established and the Board had a briefing at their December meeting on risks and mitigation.

At the 22 June 2018 Board Meeting, NHS Shetland's Risk Management Strategy for 2017-2020 was reviewed and changes 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; and
- provide an educational framework that encourages the sharing of knowledge relating to both risk assessment and risk management.

Throughout 2018-19 the Board and Governance Committee have continued to monitor risk with the interim annual report discussed at the Board meeting on 16 April 2019.
The recruitment and retention of staff is the most significant risk to both the delivery of quality services and sustainable recurring financial balances. The use of agency and locum staff to fill essential clinical posts continues to be a financial cost pressure and challenges in maintaining continuity in a patient's pathway. To address this key issue NHS Shetland has:

- engaged international recruitment specialists via NHS Scotland initiatives;
- created a remote and rural GP recruitment hub that Shetland is hosting in partnership with three other North of Scotland Boards;
- been engaging locums on NHS national contract rates using a direct engagement model that is provided via a third party partner Tempre to reduce costs;
- increased the number of temporary medical staff engaged as NHS bank staff to ensure essential services have no gaps.
- attended recruitment fairs and professional bodies' events to promote vacancies in Shetland;
- used the Island Medics BBC television series to promote vacancies in Shetland; and
- worked with the Promote Shetland website in addition to the standard NHS recruitment website.

The outcome of future discussions and international agreements the United Kingdom may or may not make on the ability to recruit overseas staff to the NHS following Brexit will have to be reflected in our future recruitment strategy when this becomes clear.
To develop staff, NHS Shetland continues to work with NHS Education for Scotland (NES) and the Open University developing training opportunities in a variety of clinical settings and courses. This is to address the skills gap in our remote and rural setting. NES also assists local training in Shetland through the visits of their mobile skills unit.

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 on page 5:

	Limit as set by SGHSCD	Actual Outturn	Variance Under/(over)
	£'000	£'000	£'000
	(1)	(2)	(3)
Core Revenue Resource Limit	59,456	59,295	161
Non-core Revenue Resource Limit	1,441	1,441	0
Total Revenue Resource Limits	**60,897**	**60,736**	**161**
Core Capital Resource Limit			
Non-core Capital Resource Limit	705	699	6
Total Capital Resource Limits	**705**	**699**	**6**
Cash requirement	62,494	62,118	376

Memorandum for In Year Outturn	**£'000**
Reported Surplus in 2018-19	161
Approved Brought-forward Surplus from previous financial year	88
Surplus against in year total Revenue Resource Limit	**73**

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 eyesight test fee.

Revenue Resource Limit

The Board delivered a £161k underspend against its Core Revenue Resource Limit (RRL) for 2018-19. This compares with £88k underspend in 2017-18. This underspend from 2017-18 was carried forward and added to the Board's RRL in 2018-19. If the Board had not benefited non-recurrently from the carry forward of the 2017-18 underspend the out-turn position would reduce to £73k under spend. In respect of this underspend £77k was planned to carry forward as relates to Waitlist Access Initiatives sessions that are planned for April and May but are funded from the 2018-19 funding stream.

In total the NHS Shetland received £460k in respect of the Waitlist Access Initiatives allocations in 2018-19.

Although the services delegated to the IJB initially overspent the original delegated budget allocated by NHS Shetland, additional funding to bridge the gap was made in 2018-19. In 2018-19 the Scottish Government increased the allocation funding for Primary Care by £1,200k that as a service, delegated to IJB, these funds were passed on to the IJB. This brought direct funding NHS Shetland receives for Primary Care in-line with NHS Orkney.

The NHS Shetland financial plan for 2019-20 as agreed by the Board assumes that this £1,200k will also be received for Primary Care and that these funds will be delegated to the IJB.

The IJB also carried forward £554k of resources originally allocated to NHS Shetland by the Scottish Government for services delegated to the IJB. This included £171k in respect of hosting the remote and rural GP recruitment hub while working in partnership with NHS Highland, NHS Orkney and NHS Western Isles.

However, the Board still carries an underlying recurring deficit in the resource budget for ongoing activities. At the close of 2018-19 this stood at £1,861k up from £1,596k in 2017-18. The Board's underlying deficit has increased by 17% in the year.

The Financial Plan for 2018-19 included a recurring savings target of £3,455k, equivalent to 7% 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 £1,591k; in year achievement rate of 46% of the overall target. The savings achieved were below the original target due to delays in the start dates for some clinical redesign projects.

The full year effect of the savings achieved is £1,594k, still just 46% of the target, so the consequences of this are that a carry-forward recurring savings target of £1,861k has been included in the ongoing financial plan. Delivery of this remains a key risk for the Board.

In year non-recurrent savings of £2,239k were also achieved that made a key contribution to addressing the £1,864k 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 principal 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, consultant Mental Health post and consultant vacancies at Gilbert Bain Hospital for Physicians, Obstetricians and Anaesthetics.

Figure 1, on page 7, illustrates how the overall expenditure of the Board was spent in 2018-19 and also provides a comparison to 2017-18. The use of locum and bank consultants to fill consultant vacancies at Gilbert Bain Hospital is the primary cause for Acute Services on island increasing between these two years. The other factor causing on island Acute Services expenditure to grow was the repatriation of services from off island to on island that are highlighted in case studies on page 10. Use of locums is also part of the reason for the increase for the increase in Mental Health expenditure, however in addition to that there was planned investment arising from the Scottish Government earmarked funding to deliver the Mental Health Strategy 2017-27 commitments.

One of NHS Shetland strategic objectives is to shift the balance of care and deliver services in the most appropriate setting to patients. Table 2 highlights over the last year a step change in that direction with expenditure in the community setting growing as a share of our overall expenditure.

Table 2: Analysis of NHS Shetland shifting the balance of care

	Acute	Community	Support Services
2018-19	41.3%	45.4%	13.3%
2017-18	40.7%	43.9%	15.5%
Movement	**0.6%**	**1.5%**	**-2.2%**

The Board's Financial Plan for the next five years 2019-20 to 2022-23 was first discussed at the Board meeting on 19 February 2019 prior to approving the revised plan at the Board Meeting on 16 April 2019. The Financial Plan was discussed along with the Draft Annual Operating Plan for 2018-19 that at this time awaited formal Scottish Government feedback.

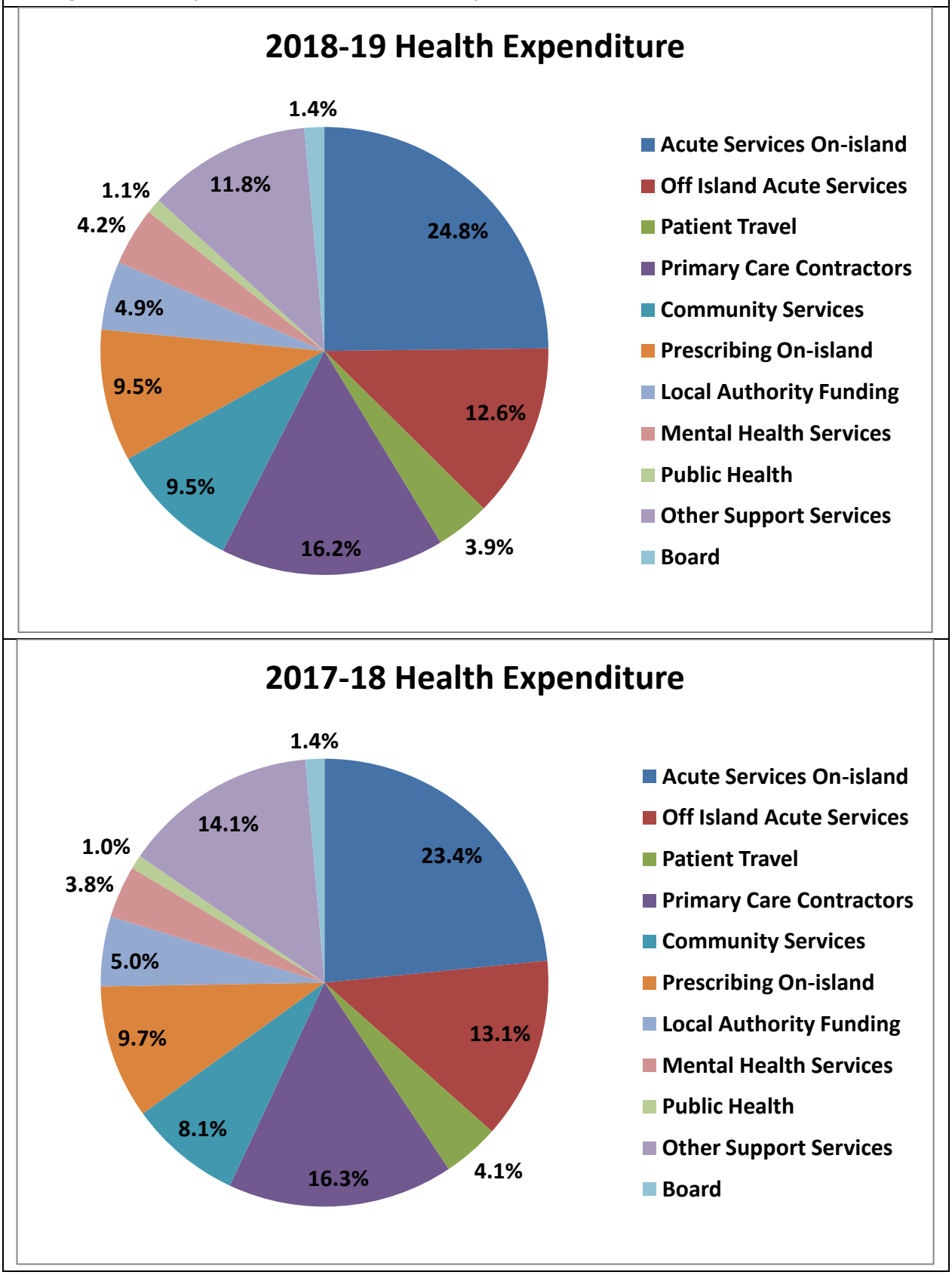
The Board recognises its statutory financial obligation under section 85 of the National Health Services (Scotland) 1978 to achieve financial balance at the year end.

Significant management action continues to ensure the achievement of financial balance at the year-end in 2019-20 and further updates to the Board on performance against the plan will occur throughout 2019-20. As agreed during scenario planning events the redesign of clinical pathways will involve clinical staff and apply the principles of realistic medicine.

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

Figure 1: Comparison of NHS Shetland Expenditure between 2018-19 to 2017-18



Capital Resource Limit

The Board's gross expenditure on capital assets during 2018-19 was £699k which is £6k below the approved capital resource limit (equivalent to 1%). This compares to the Board's gross expenditure on capital assets during 2017-18 of £574k which was £5k below the approved capital resource limit (equivalent to 1%).

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

Table 2: Capital Asset Programme 2018-19 Summary		
Project	**Amount £'000s**	**Narrative**
Gilbert Bain Hospital, Medical Equipment	204	Colposcope/Endoscopes £120k, Ultrasound Machine £45k and various other low value equipment
IT Equipment	153	Wireless infrastructure upgrade £49k and other low value IT equipment and software
Gilbert Bain Hospital, Plant and Equipment	342	Boiler replacement £74k, Washer Disinfectors £233k and other low value equipment
Gross Additions Total	**699**	

Balance Sheet

The Balance Sheet contains investments relating to Shetland Health Board Endowment Funds of £1,347k and an interest in the Shetland IJB of £453k. These figures have been excluded from the financial commentary below as they represent only 5% of the total assets.

The Board's net assets, excluding Endowments and IJB, at 31 March 2019 stood at £21,682k compared with £22,019k at 31 March 2018. This represents a decrease of £337k.

The two principal causes of this in year movement are:

1. Net value of property, plant and equipment reduced by £726k due to depreciation charges incurred in 2018-19, Note 7, offset by additions in table 2 above.
2. Offset by a reduction in provisions, Note 13a, of £426k primarily due to a reduction in the payment as if at work accrual.

As in previous years, the Board's Balance Sheet at 31 March 2019 shows negative net current assets/liabilities balance. The total at 31 March 2019 was £7,312k which is a change of £241k from the previous year's value of £7,553k.

At the year-end the Board carried four provisions totalling £1,771k for future liabilities:

1. £239k relating to estimated future liabilities associated with premature retirements, Note 13a.
2. £1,417k 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.

In Note 14 the Board has disclosed contingent liabilities totalling £120k. 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.

In respect of significant non financial events affecting the Board after the end of the reporting period, the Chief Executive left in April 2019 to take up the post of Chief Executive at Borders Health Board.

In the interim Simon Bokor Ingram has been appointed Chief Executive and his substantive post as Chief Officer of Shetland's Health and Social Care Partnership has successfully been recruited to on an interim basis in May 2019.

5. Performance against Key Non-Financial Targets

The publication of activity information and performance against national targets has a time delay that does not always make information to 31 March 2019 fully available at the time the annual accounts are prepared. The most up-to-date information is published at NHS Scotland NHS Performs website for selected statistics. Information is also published on the Information Services Division website (ISD Scotland) in more detail. An educational video has been published to explain how hospital waiting times are calculated. The June 2019 Board meeting will receive an annual Performance Report on all 2018-19 non financial targets. In addition to performance reports the Board regularly receives Quality Reports.

Summary of Key Performance Statistics

Compliance	Movement	National Target	2018-19	2017-18
✖	↓	18 weeks from GP referral to out-patient appointment and / or treatment	83.6%	84.1%
✓	↑	The percentage of patients waiting less than six weeks for one or more of the eight key diagnostic tests	100.0%	98.6%
(1)	↑	Average percentage of beds occupied at the Gilbert Bain (Excluding maternity)	60.5%	56.8%
✓	↑	31 day standard from decision to treat to start of treatment for newly diagnosed primary cancers	98.6%	98.1%
✖	↓	62 day standard from receipt of referral to start of treatment for newly diagnosed primary cancers	78.2%	90.6%
✓	↓	A&E discharged within 4 hours	*96.3%*	96.5%
(1)	↑	Delayed discharges occupied bed days	1,375	1,103
(1)	↑	Delayed Discharges, number of people waiting more than 14 days to be discharged from hospital into a more appropriate care setting in year at census dates	14	8
✓	↑	Mental Health: 18 weeks referral to treatment for specialist Child and Adolescent Mental Health Services	97.8%	96.1%
✖	↑	Mental Health: 18 weeks referral to treatment for Psychological Therapies	59.3%	54.8%
✓	↔	Drug and alcohol patients seen within three weeks	100.0%	100.0%
✓	↔	Primary Care - 48 hour access to GP Practice Team	92.6% (2)	92.6% (2)
✖	↔	Primary Care - Advanced booking access to GP Practice team	60.7% (3)	60.7% (3)
✖	↑	Staff sickness absence rate	4.3%	3.9%

All clinical KPIs above compliance standard are 90%, except A&E and Cancer which are 95%.

Note (1): No specific compliance value on Scottish Government website

Note (2): The statistics are from Scottish Government GP access survey and not at 31 March 2019

Summary highlights of some key events and achievements at NHS Shetland during 2018-19

Repatriation of services to Shetland

The Gilbert Bain Hospital had a new tele-health suite in the out-patients department opened in May 2018. This will enable more patients to access specialist care via a live video link instead of them travelling to hospitals outside Shetland. In 2018-19 tele-health clinics prevented 801 off-island appointments as outlined below:

Speciality	Orthopaedics	Pre-Assessment	Oncology	Haematology	Sleep Apnoea	Others
Attendance	341	118	107	99	51	85

In March an additional dedicated tele-health facility was also installed for the oncology and haematology service located in the former Ronas ward.

NHS Shetland plan to bring the injection service for "wet" age-related macular degeneration (AMD) and glaucoma to the Gilbert Bain Hospital in January 2019 has been delayed. However progress has been made for the service to start in May 2019. Plans for the service provision in Lerwick have been discussed with the newly-formed local branch of the Macular Society.

In addition the Board has begun implementing the Attend Anywhere system that will eventually allow remote island residents to have video conference appointments without leaving their island to Gilbert Bain and UK mainland hospitals.

Repatriating Vascular Surgery to Shetland

In September 2018, Ms Beatrix Weber, Consultant Surgeon, and the Outpatient nursing team, started to offer a new, minimally invasive treatment for varicose veins. Endovenous Laser Therapy for Varicose Veins (EVLT), as it is called, does not require a general anaesthetic and the patient can go home straight from Outpatients. This means that most patients will now be eligible for laser therapy which was only previously available in Aberdeen.

"Excellence in Care" celebration

NHS Shetland celebrated the success of our nursing staff in July to showcase examples of the improvements to patient care that nurses, health visitors and midwives have undertaken over the last year. The event showcased nine examples of the improvements to patient care that had been implemented.

Shetland school nurse Keri Ratter, in addition to winning an award at the celebration event, has also been named as one of 21 people to be awarded the prestigious Queen's Nurse title this year. Keri works as the lead school nurse of a newly developed team and she is striving for an active and accessible service for all schools and home-schooled children right across Shetland was awarded the historic title at a ceremony in Edinburgh in November.

Director of Pharmacy, Chris Nicolson, was recognised with a lifetime achievement award at the Scottish Pharmacy Awards in early November. The Special Recognition Award honoured persistent work in enhancing patient care.

Medical Symposiums

On 31 May 2018, sponsored by Shetland Health Board Endowment Fund, over 100 Clinicians attended the Remote and Rural Medical Education Symposium in Lerwick. The event reinforced the health board's drive to make professional learning opportunities accessible despite the remote working locations of many staff. Several medical professionals from the mainland addressed the meeting which included doctors, dentists, nurses, pharmacists, paramedics and students. The Realistic Medicine group hosted an educational symposium on 20 March 2019 to raise the profile of the concept of realistic medicine in Shetland and what that might mean for the way in which we deliver care now and how it might change in the future (by investing more in public health approaches). The event was well attended and included a wide range of topics from primary prevention, early years care and reducing waste and variation.

Shifting the Balance of Care

Working in partnership with the IJB and 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 2018-19 the national award winning scheme on Falls Prevention has expanded from the Unst pilot to tour around the whole of Shetland.

Over eight weeks participants are expected to realise improved strength and balance, to increase self confidence and independence that enables them to live longer, healthier, lives at home or in a homely setting by reducing falls.

Summary Analysis of Clinical Key Performance Statistics

Primary Care

The statistics in the table are from the Scottish Government GP access *survey* and not at 31 March 2019. The national access survey only occurs every two years.

In 2018-19 all practices continued to meet the 48-hour access target.

In respect of advanced booking, access to the GP Practice Team NHS Shetland continues to perform below the NHS Scotland target.

NHS Shetland is now responsible for operating eight out of the 10 practices in Shetland. There are currently a number of vacancies in practices resulting in the use of locums. In addition to recruitment to these posts substantively the Board, as part of an initiative funded by the Scottish Government, has created a remote and rural GP recruitment hub for both short-term and substantive in partnership with three other North of Scotland Boards to address our common challenge. NHS Shetland hosts the hub and has recruited GPs to some of the vacant posts as a result of this initiative.

Primary Care Improvement funding is being used to redesign local services in line with the new GP contract to improve access and quality of service provision across the isles. The purpose of this initiative is to create a focus on sustainable multi-disciplinary team working.

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 difficulties in recruiting to substantively fill all the senior medical staff posts within the service.

Our performance against access to Psychological Therapies within 18 weeks of referral remains significantly below target at 59% although this is an improvement on last year's value of 55%. There were 11 patients who have waited for over one year for treatment with the longest wait of 92 weeks. At the end of March there were 51 patients waiting more than a year with the longest wait 91.9 weeks. The service remains an area for focus and it is expected that this will improve in 2019/20 as patients who have waited a long time are finally seen and new arrangements are embedded. The Psychological Therapies team is recruiting new staff and moving to new dedicated premises in 2019/20.

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 at just under 98% of patients treated within 18 weeks. The average waiting period in 2018-19 was 10.2 weeks with the longest wait being 18.4 weeks. At the end of March 2019 the longest wait on the waiting list was 13.9 weeks.

We recognise that there remain ongoing issues associated with the fragility of our Mental Health services and we are continuing to work on addressing this with additional investment being received to implement the Scottish Government Mental Health Strategy 2017-2027.

Delayed Discharges

Reducing the number of patients delayed in hospital has been a key target in 2018-19. 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 an increase of 25% in the number of days occupied by patients delayed in hospital during 2018-19 along with the number of cases increasing by 10 compared to 2017-18. In respect of the patients delayed in hospital for longer than 14 days, on census days, this increased from 8 cases in 2017-18 to 14 cases in 2018-19. These numbers remain low, however, and have not resulted in any significant bed pressures during the year.

In comparison to the rest of Scotland, Shetland's bed days lost to delays; readmission rates and over 75 bed days, we are very favourable. 2018-19 reflects the impact of an ageing population, more complex cases, and a small number variation. Acute and community services are continuing to work collaboratively to minimise delays, and to move upstream with early intervention and reablement programmes.

While there has been some deterioration in year-on-year performance in 2018-19, the system is still coping despite the bed reductions made across the acute and community

services. Locally a more important driver is getting people back to the most appropriate community setting rather than a rapid discharge to avoid delay figures, which would otherwise result in more inappropriate use of residential care.

The Professional Alliance is now starting work to look at how we can make unscheduled care more effective, which will impact positively on admission avoidance.

Unscheduled Care

In 2018-19, 96.3% 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 two 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.

There was a small increase of 0.1% in patient attendances at the Accident and Emergency department in 2018-19 compared to 2017-18 but still averages 22 patients a day.

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.

Waiting Times Targets – Secondary Care

During 2018-19 the Board attempted to maintain its historic 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.

During 2018-19, we have had significant challenges in meeting the 12 week access target to first outpatient appointment at 95%. This has meant that we have also not been able to meet the Referral to Treatment Target (RTT) in a number of specialities which has impacted on our overall performance against the RTT.

At the year-end the Board performance against the 12-week target for out-patients in 2018-19 dipped compared to 2017-18. As at 31 March 2019 there were 264 out-patients waiting longer than 12 weeks compared to 229 at 31 March 2018. Of these new out-patients there were 72 patients waiting longer than 26 weeks for their first appointment which is slightly up on the 69 patients waiting over 26 weeks at 31 March 2018. These were primarily in orthopaedics (45 cases), ophthalmology (62 cases), rheumatology (51 cases) and Ear Nose and Throat (ENT) (67 cases).

Recovery plans are in place to reduce the number of patients waiting over 12 weeks which commenced in March 2019 and will continue into 2019-20 using additional allocations from the Scottish Government that are ring-fenced to improve our access targets.

The impact of the outpatient target meant the Board failed to achieve the 18 week RTT of 90% in every month during 2018-19. Our performance ranged from a low of 74.0% in December to a high of 89.7% in May. The overall annual average performance at 83.6% in 2018-19 is lower than the 2017-18 performance of 84.1%.

In respect of patients waiting less than six weeks for one or more of the eight key diagnostic tests the Board was compliant with the waiting list target at the end of the latest available quarter with 100% compliance. However there have been 32 patients who had to wait longer than six weeks, primarily in respect of non-obstetric ultrasound. So 98.6% of all patients who received treatment received their key diagnostic tests within six weeks.

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 2018-19, the Board's joint pathways with NHS Grampian did not maintain 100% compliance with the 62-day Treatment Target for all twelve months as 12 patients treatment time exceeded 62 days. Access to diagnostic service provided by NHS Grampian was a principle factor behind the non compliant activity and NHS Grampian is actively working to improve patient flow in this pathway for all health boards cancer pathways they manage. Compliance with the 31-day Treatment Target was met.

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 Programme.

There are ongoing risks in maintaining our current performance on access associated, in particular, with recruitment and 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.

Summary Analysis of other Non Financial Indicators

Public Health including Health Improvement and Tackling Health Inequalities

Shetland has traditionally had a good life expectancy and experience of health among the best in Scotland, reflecting the high quality of life in Shetland, as well as the quality of local services. For men, the life expectancy at birth, using the three-year rolling average for 2015-17, increased to 78.3 years (from 77.6) and for women it increased to 83.2 (from 82) years. 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 (life expectancies overall for Scotland are 77 years for men and 81.1 years for women).

The performance indicators highlighted below (smoking to infection control) only represent a proportion of the Board's public health and health improvement work. Other health improvement work includes increasing physical activity (especially among the most inactive); promoting a healthy diet, type 2 diabetes prevention, falls prevention and mental health and wellbeing. Outcomes for these areas of work 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. In addition the Public Health team has been leading on realistic medicine within a multi-agency steering group since September 2018.

Given the nature of public health targets and indicators, we will not know the 2018-19 performance for most areas until later in the year, or next year.

Smoking: Shetland's rate (based on GP data) has remained at 14.6% in 2018-19, the same as last year, however we know that the accuracy and completeness of data recorded on EMIS (the GP data collection system) is improving. Tackling smoking is multi-factorial requiring multi-agency working, but Government monitoring focuses on 3 month quit rates for the more deprived areas in the Health Board (as measured by SIMD which is not a good reflection of deprivation in Shetland). We will not have the 3 month quit rates for smoking cessation 2018-19 until after June 2019.

Alcohol: Tackling harmful alcohol use is also a multifactorial, multi-agency issue, but Government monitoring for the NHS focuses on alcohol brief interventions (ABIs). These are interventions taken once an individual is identified as having harmful drinking behaviour. We have not met the target for delivering ABIs again this year, despite doing well in earlier years. In 2018-19 only 153 ABIs were undertaken against a target of 261. This reflects a lack of activity in the primary care setting (where only 8 were undertaken). The latest national data for alcohol-related admissions shows that the rate increased during 2017-18. It was 631.1 out of 100,000 in 2017-18 against a rate of 603.4 in 2016-17 and a local target of 500. Work continues to prevent harm relating to substance misuse, including work with the local Licensing Board and work on a strategic needs assessment of drug and alcohol needs in Shetland.

Early years: There is a national target of 80% for pregnant women booking by 12 weeks (in each of the SIMD centiles). For year ending March 2019, 84.8% of women in the most

deprived centile had booked by 12 weeks, with 81% in both the next most deprived and the least deprived. 75.5% and 76.3% had booked in the other two centiles. It should be noted that there has been an issue with the date of delivery overwriting the date of booking for some babies born in Aberdeen (this has happened in other Boards). This means that the true percentages are higher.

The most recent annual figures for breastfeeding at 6-8 weeks show that the rate for breastfeeding in Shetland for year ending March 2019 was 59.7% (exclusive breastfeeding was 47.4%). This is a drop, but still above the national target of 50% and just above our ambitious local target of 58%. The overall Scottish rate was 41.7% (30.7% for exclusive breastfeeding).

Figures for children out with the healthy BMI (i. both potentially under and overweight) in Primary 1 vary from year to year, due to small numbers. The baseline was 19.5% in 2008-09; there was a peak in 2014-15 of 27.2% and the rate had reduced again to 25.3% in 2017-18. 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 most recent immunisation rates for babies and young children show uptake for the calendar year 2018 were well below the national target of 95% for primary immunisations of children by the age of one year (between 86% and 88% for the different vaccinations). This appears to be due to recording problems at one health centre. There was a similar picture for the uptake recorded at 2 years, with rates of between 86% and 89% for the different vaccines. Uptake of pre-school booster measured at age 5 years has been low for a number of years, and remains the same. However uptake of one dose of MMR is now sustained at over 95% when measured at age 5 (95.5% in 2018).

The issue with recording are being addressed and problems with continued low uptake of pre-school booster and MMR in particular will be tackled through the Vaccination Transformation Programme, along with continued awareness raising and publicity.

Suicide: Mental health is a significant area of concern in Shetland but we do not have good ways of measured mental health and wellbeing in the community. Suicide is therefore used as a proxy measure. 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 2013-2017).

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:

- 67.9% for bowel cancer screening, an increase and above the target of 60% (Scotland 57.5%).
- 78.9% for cervical screening, a decrease and slightly below the target of 80% (Scotland 70.5%).

Flu immunisation:

Published figures for the uptake of seasonal flu vaccine are not yet available, but the unpublished figures suggest vaccination rates for 2018-19 for over 65s, at risk pregnant women and children have increased slightly compared to last year, the others have fallen slightly. Compared to Scotland, the uptake rates are all slightly higher in Shetland except for 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 483 NHS staff had been vaccinated, representing 65.5% of the total workforce, and 74.3% of frontline staff. This is another big increase, from 53.2% and 62.2% respectively last year. In addition for the first time there was a more pro-active approach to vaccinating local authority care staff. 183 were vaccinated but further analysis of the figures is awaited.

Further information on Public Health activity is available through the Public Health Annual reports: www.shb.scot.nhs.uk/board/publichealth/phars.asp

Infection Control

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

Work to prevent Healthcare Associated Infections including Staphylococcus aureus bacteraemia (SAB), Clostridium difficile (C Diff) and E Coli Bacteraemias continues with local surveillance and monitoring of every individual case both in hospital and in the community.

Regular reports to the Board also include audit compliance performance data highlighting trends in hand hygiene, cleaning and estates monitoring.

Overall the data demonstrates a high standard of infection prevention and control in place in NHS Shetland with a strong audit programme to demonstrate compliance to national standards. Positive Healthcare Environment Inspectorate (HEI) reports on inspection across the years reflect this.

As requested by Scottish Government, we have also reviewed our HAI performance and governance arrangements against the recommendations and requirements from the findings of the inspection at Queen Elizabeth University Hospitals, NHS Greater Glasgow and Clyde. The self assessment did not identify any new local issues and the lessons learnt are being taken through our usual infection control governance arrangements and back out to staff working directly with patients and supporting the built environment.

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 resources: https://sustainablescotlandnetwork.org/home and

https://www.keepscotlandbeautiful.org/sporta/overview-of-climate-change-reporting/

The Board's climate change reports are available at https://sustainablescotlandnetwork.org/reports/nhs-shetland

NHS Shetland has performed well in a new assessment of environmental impact compared to the other 21 health Boards in NHS Scotland sustainability assessment tool.

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:

- Continued to implement our 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;
- Reduced patient travel flights off island; and
- Trialing an e-bike scheme for staff travel in Lerwick.

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. 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 all suppliers, are calculated using invoice received date as opposed to invoice date.

- In 2018-19 average credit taken was 17 days (compared with 18 days in 2017-18).
- In 2018-19 the Board paid 89.39% by value and 88.95% by volume within 30 days (compared with 85.20% by value and 85.93% by volume in 2017-18).
- In 2018-19 the board paid 75.03% by value and 73.40% by volume within 10 days (compared with 68.46% by value and 67.70% by volume in 2017-18).

8. Pension Liabilities

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

9. Events after the end of the reporting period

There were no significant events affecting the Board after the end of the reporting period other than the Chief Executive leaving to take up that role at Borders Health Board during April 2019.

In the interim Simon Bokor-Ingram has been appointed Chief Executive and his substantive post as Chief Officer of Shetland's Health and Social Care Partnership has successfully been recruited for on an interim basis.

10. Approval and signing of the Performance Report

Signed  Date 21 June 2019

By Simon Bokor-Ingram, Chief Executive as Accountable Officer

11. Date of Issue

The Accountable Officer authorised these audited financial statements for issue on 21 June 2019 as that was the date the financial statements were approved by the Board.

12. Appointment of auditor

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.

13. 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 (Until 19 April 2019)
Simon Bokor Ingram	Interim Chief Executive (From 22 April 2019)
Dr Gilbert Ozuzu	Medical Director (Until 28 September 2018)
Dr Brian Chittick	Interim Medical Director (From 28 September 2018)
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
Non-Executive Board Members	
Ian Kinniburgh	Chairman (Until 31 July 2018)
Gary Robinson	Chairman (From 1 August 2018)
Marjorie Williamson	Until 31 March 2019
Natasha Cornick	
Shona Manson	
Lisa Ward	
Jane Haswell	
Stakeholder Non Executive Board Members	
Ian Sandilands	Chair, Area Partnership Forum
Edna Watson	Chair, Area Clinical Forum
Malcolm Bell	Vice Chair / Shetland Islands Council Member

14. 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 24.

15. 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 2018-19.

16. Remuneration for non-audit work

Deloitte LLP did not undertake any non-audit work for the Board in 2018-19.

17. Value of Land

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

18. 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

19. Personal data related incidents reported to the Information Commissioner

During 2018-19 there were three cases reported to the Information Commissioner's Office (ICO). In comparison during 2017-18 there was no case reported to the ICO. The ICO investigation concluded that no further action is necessary on these occasions.

20. Disclosure of Information to Auditor

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

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 22.

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

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

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

I am responsible for ensuring proper records are maintained and that the Financial Statements are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter 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 2019 and of its operating costs for the year then ended. In preparing these financial statements the Directors are required to:

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

The Health Board members are responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the Board and enable them to ensure that the financial statements comply with the National Health Service (Scotland) Act 1978 and the requirements of the Scottish Ministers. They are also responsible for safeguarding the assets of the Board and hence taking reasonable steps for the prevention of fraud and other irregularities.

The NHS Board members confirm they have discharged the above responsibilities during the financial year and in preparing the financial statements.

GOVERNANCE STATEMENT

Scope of Responsibility

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with NHS Shetland's policies and promotes achievement of NHS Shetland's aims and objectives, including those set by Scottish Ministers. I am also responsible for safeguarding the public funds and assets assigned to NHS Shetland.

My accountability arrangement, with respect to the Scottish Government Health and Social Care Directorate (SGHSCD), is as set out in the extant guidance and includes full responsibility for all governance arrangements as well as the performance of the Board. This performance is formally reviewed by the Scottish Government on a yearly basis via the Annual Review process. In addition, a number of other external scrutiny arrangements are in place including ongoing scrutiny of a range of quality and service issues by Healthcare Improvement Scotland (HIS) and other bodies. However in 2018-19 apart from the Ministerial review there were no other external reviews.

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; and
- ensure sufficient organisational capacity and resilience.

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

Our Annual Operational Plan, sets out intended actions and the risks associated with delivering key national targets and this is signed off by the Scottish Government.

The Board has agreed in partnership with 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. At the Board meeting in April 2019 an updated shared vision and objectives for Health and Social care services in Shetland was agreed.

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

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

Governance Framework

Under the terms of the Scottish Health Plan, an NHS Board is a Board of Governance. Its purpose is to ensure the efficient, effective and accountable governance for the local NHS system and to provide strategic leadership and direction for the system as a whole focusing on agreed outcomes. The Board met six times in public during 2018-19 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 20 to 26 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 and is outlined in the organisational structure governance chart.

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

During 2018-19 the Board completed a self assessment against the Blueprint for Good Governance and developed an improvement action plan for delivery in 2019-20.

Corporate Governance

In line with Scottish Government policy, in 2018-19, 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
- The Board's Corporate Governance handbook also refers to the relationship with the IJB that took on its full duties on 20 November 2015.

2018-19 saw some turnover in both executive and 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 2018-19 has been chaired by Jane Haswell. The Committee met four times in the year. As part of the committees approach to continuous

development and improvement the business plan includes time at each meeting for a development session to inform members understanding of nominated topics.

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

Audit Committee

The Audit Committee comprises five non-executive board members and was chaired by 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. As part of the committees approach to continuous development and improvement the business plan includes time at each meeting for a development session to inform members understanding of nominated topics plus a dedicated training meeting to address training issues identified.

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 Director's Report and Governance Statement, as part of the final financial statements process in May.

Endowment Committee

The Endowment Committee comprises all members of the Board and the chair was Lisa Ward. The committee oversees the management of Shetland Health Board Endowment Fund. The committee met five times during 2018-19.

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 however in line with IFRS 10 this has been consolidated with 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 2018-19 the committee met on three 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 2018-19. 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 2018-19 the committee met on two occasions and is chaired by the Board Chair.

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 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 June 2018.

Risk arrangements are managed by the Risk Management Group 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 and is formally reviewed by the Board twice a year in October and April.

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 (Incident Reporting and Risk Management System) 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 2019 and up to the signing of the financial statements, the Board has:

- established a sub group to co-ordinate risk management in respect of EU Withdrawal.
- introduced a new format for reporting Risk Management to the Board.
- aligned all risks to their most relevant Governance Committee (October Appendix 6) to meet last year's external audit management action point;
- a comprehensive Risk Management Training Programme, which included providing 10 induction and 11 mandatory refresher training sessions held for all employees and specific session(s) which are built into management development; and
- 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 continues to progress updating of our Incident Reporting, Investigation and Management Policy.

The Board has a Risk Management strategy and 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. RMG now reports twice a year to the Audit Committee under its new terms of reference.

The organisation 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 and up to the signing of the accounts, the organisation has undertaken:

- undertaken self assessment against the blueprint for good corporate governance;
- reviews and updates to the Corporate Risk Register including being linked to corporate objectives and priorities;

- to improve 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; and
- training for staff in the use of the DATIX incident reporting system.

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.

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 2018-19 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 to ensure that the committee was effective and members understood their roles and responsibilities. The committee has also being considering its remit in connection with Children Services as NHS services sits within but local authority services sits outside.

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 2018-19 the Board has delivered an efficiency programme that released £1.6m recurrent savings, equivalent to 3.4% of our baseline recurring funding. 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 principle service redesign or procurement projects to deliver recurring savings schemes in 2018-19 were reducing healthcare costs from off island services, prescribing procurement initiatives and from facility support services.

The full year effect of the recurring savings achieved at £1.6m was slightly above the in year target of £1.5m which had been agreed as part of our Financial plan. The plan is designed to allow the Board to remove the underlying deficit over a three year period. To deliver this 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. To assist redesign projects they have £250k seed fund.

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 overspend 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.

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 and 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 is the Internal Auditor until 2021-22. 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 22 May 2019. 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 Cyber Security where improvements are required.

The 2018-19 revised Internal Audit plan consisted of four 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 nineteen audit actions were closed. This left fifteen audit actions partially complete and sixteen audit actions were not yet due. Overall, 55.9% of Audit Actions due have been completed in 2018-19 which is a small decrease on 56.8% in 2017-18. Work is on-going to improve management's delivery of agreed action plans to the Board's internal key performance indicator (KPI) of 70%.

During 2018-19 Internal Audit raised nine high risk issues. The majority of these were in the Cyber Security assignment, with five high risk issues whilst the Corporate Governance audit had four high risk issues. Overall in the four reports there were twelve moderate risk issues and three low risk issue.

In respect of nineteen prior year audit assignment management action points brought in to 2018-19 there are still eleven outstanding that are overdue completion. In respect of these actions seven risks are graded high and four risks are graded moderate.

All significant audit actions are incorporated into the Board's Risk Register which can be viewed in (Section 3, Risk and Uncertainty) of the Performance Report.

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 2018 potentially decreased slightly to £11,080 from £12,092 in the year to 31 December 2017. 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 0.09% 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 eHealth and Informatics Support Group (eISG) 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 2018-19:

- Implementing compliance measures consistent with the General Data Protection Regulation (EU) 2016/679 (GDPR) starting 25 May 2018;
- Refreshed and approved new Information Governance Policy and Information Security Policy and updated terms of reference for eISG;
- Published updated NHS Shetland Model Publication Scheme to comply with changes issued by the Scottish Information Commissioner; and
- Appointment of Data Protection Officer in-line with GDPR requirements.

There have been a small number of "near miss" data security incidents during 2018-19. 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. During 2018-19 there were three incidents reported to the Information Commissioners Office and these cases have all been closed.

Staff Governance

The Staff Governance Committee's role is to ensure appropriate governance and oversight 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. However staff participation was only 56% of in the latest published survey which is down from 61%.

Best Value

During 2018-19 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 and 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 2017-18 in February 2016 and an update to this plan covering 2018-19 to 2019/20 on 18 April 2017. The IJB agreed a new Joint Strategic Commissioning Plan 2019-2022 on 13 March 2019 with NHS Shetland ratified the plan on 16 April 2019 and SIC on 18 May 2019.

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 auditor, 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 Auditor 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 management completing internal audit action points to agreed time scales, agreement with Shetland Islands Council of the scope of the Clinical Care and 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 Auditor 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 Cyber Security and waiting times performance below the compliance standards 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 2019 (AUDITED INFORMATION)					
Director	**Directors Gross Salary (bands of £5,000)**	**Benefits in Kind**	**Total Earnings in Year**	**Pension Benefits**	**Total Remuneration (bands of £5,000)**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Executive Members					
Chief Executive: Ralph Roberts	105-110	0	105-110	40	145-150
Medical Director: Dr Gilbert Ozuzu [until 30/09/2018] [1]	80-85	0	80-85	25	105-110
Medical Director: William Chittick [from 01/09/2018] [2]	110-115	0	110-115	31	140-145
Director of Nursing : Kathleen Carolan	90-95	0	90-95	25	115-120
Director of Finance: Colin Marsland	75-80	0	75-80	32	105-110
Director of Human Resources and Support Services: Lorraine Hall	80-85	0	80-85	32	110-115
Director of Public Health: Susan Webb [3]	100-105	0	100-105	40	140-145
Non-Executive Members					
The Chair: Ian Kinniburgh [until 31/07/2018] [4]	5-10	0	5-10	0	5-10
The Chair: Gary Robinson [from 01/08/2018] [4]	15-20	0	15-20	0	15-20

Director	Directors Gross Salary (bands of £5,000)	Benefits in Kind	Total Earnings in Year	Pension Benefits	Total Remuneration (bands of £5,000)
	£'000s	£'000s	£'000s	£'000s	£'000s
Marjorie Williamson	5-10	0	5-10	0	5-10
Malcolm Bell	5-10	0	5-10	0	5-10
Natasha Cornick	5-10	2.6	10-15	0	10-15
Shona Manson	5-10	0	5-10	0	5-10
Lisa Ward	5-10	0	5-10	0	5-10
Jane Haswell	5-10	0	5-10	0	5-10
Other Board Members					
Chair of Area Clinical Forum: Edna Watson [5]	70-75	0	70-75	20	90-95
Employee Director: Ian Sandilands [6]	55-60	0	55-60	16	70-75
Other Senior Employees					
Director of Community Health and Social Care: Simon Bokor-Ingram	95-100	0	95-100	20	115-120
Total				**281**	

Notes in respect of 2018-19 disclosure:

[1] This Medical Director's salary includes £35k in respect of non-Board duties (Dental Consultant Ophthalmologist).

[2] This Medical Director's salary includes £68k in respect of non-Board duties (Dental Director). This Medical Director has performed the role of Dental Director for the full year and from 28/09/18 combined this role with that of Interim Medical Director.

[3] 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.

[4] The full year equivalent salary for the Chair is £29k.

[5] The Chair of the Area Clinical Forum salary includes £64k in respect of non-Board duties (Chief Nurse Community).

[6] The Employee Director's salary includes £50k in respect of non-Board duties (Clinical Team Leader).

[7] No bonus payments were made in 2018-19.

SHETLAND NHS BOARD

PENSION VALUES (AUDITED INFORMATION)

YEAR ENDED 31 MARCH 2019

Director	Accrued pension at age 60 as at 31/03/2019 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500)	CETV at 31/03/2019	CETV at 31/03/2018	Real Increase in CETV
	£'000s	£'000s	£'000s	£'000s	£'000s
Executive Members					
Chief Executive: Ralph Roberts	40-45 (115-120)	2.5-5	880	822	42
Medical Director: Dr Gilbert Ozuzu	0-5 (0)	0-2.5	37	16	9
Medical Director: Dr William Chittick	5-10 (0)	0-2.5	73	50	9

Director	Accrued pension at age 60 as at 31/03/2019 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500)	CETV at 31/03/2019	CETV at 31/03/2018	Real Increase in CETV
	£'000s	£'000s	£'000s	£'000s	£'000s
Director of Nursing: Kathleen Carolan	20-25 (40-45)	0-2.5	326	299	14
Director of Finance: Colin Marsland	25-30 (60-65)	0-2.5	474	436	28
Director of Human Resources and Support Services: Lorraine Hall	15-20 (40-45)	0-2.5	332	294	26
Director of Public Health: Susan Webb	40-45 (100-105)	2.5-5	811	758	38
Non-Executive Members [2]					
Other Board Members					
Chair of Area Clinical Forum: Edna Watson	25-30 (75-80)	0-2.5	505	470	27
Employee Director: Ian Sandilands	15-20 (55-60)	0-2.5	439	410	25
Other Senior Employees					
Director of Community Health and Social Care: Simon Bokor-Ingram	30-35 (70-75)	0-2.5	595	563	18
Total					**236**

Notes in respect of 2018-19 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 2018 (AUDITED INFORMATION)				
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

Director	Directors Gross Salary (bands of £5,000)	Total Earnings in Year	Pension Benefits	Total Remuneration (bands of £5,000)
	£'000s	**£'000s**	**£'000s**	**£'000s**
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 Community Health and Social Care 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-£155k.

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

[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 Community Health and Social Care: 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.

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. This is audited information.

2018-19		**2017-18**	
Range of staff remuneration (£000s)	17-189	Range of staff remuneration (£000s)	17-156
Highest Earning Director's Total Remuneration (£000s)	145-150	Highest Earning Director's Total Remuneration (£000s)	130-135
Median Total Remuneration (£s)	30,666	Median Total Remuneration (£s)	30,761
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 are excluded, as they are not employees and are charged via invoice, not via payroll.

STAFF REPORT

a) Number of senior staff by band (Audited Information)
This information is provided by headcount and represents the Executive Board Members and Other Senior Employees from the Remuneration Report. This information represents full year equivalent salaries of Board Members and Senior Employees still in employment at 31/03/2019.

	2019	2018
Band (bands of £10,000)	**Number of Staff**	**Number of Staff**
£70,001 to £80,000	1	2
£80,001 to £90,000	1	1
£90,001 to £100,000	2	2
£100,001 to £110,000	2	1
£110,001 to £120,000	1	0
£140,001 to £150,000	0	1
Total	**7**	**7**

(b) Higher paid employee's remuneration (Audited Information)

Other employees whose remuneration fell within the following ranges:

2018		2019
Number		**Number**
	Clinicians	
10	£70,001 to £80,000	7
8	£80,001 to £90,000	8
3	£90,001 to £100,000	6
2	£100,001 to £110,000	2
1	£110,001 to £120,000	3
3	£120,001 to £130,000	2
2	£130,001 to £140,000	2
1	£140,001 to £150,000	2
2	£150,001 to £160,000	2
0	£160,001 to £170,000	1
0	£180,001 to £190,000	1
	Other	
0	£70,001 and above	0

(c) Staff costs (Audited Information)

	Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2019 TOTAL	2018 TOTAL
	£000	£000	£000	£000	£000	£000	£000	£000
STAFF COSTS								
Salaries and wages	448	167	22,564	0	0	0	**23,179**	23,261
Social security costs	58	16	2,429	0	0	0	**2,503**	2,276
NHS scheme employers' costs	65	16	2,970	0	0	0	**3,051**	2,868
Inward secondees	0	0	0	1,261	0	0	**1,261**	209
Agency and other directly engaged staff	0	0	0	0	3,530	0	**3,530**	3,506
Total	**571**	**199**	**27,963**	**1,261**	**3,530**	**0**	**33,524**	32,120
STAFF NUMBERS								
Whole time equivalent (WTE)	6	7	579	0	0	0	**592**	579
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:							44	45
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 (Audited Information)

Head Count of Staff	2019			2018		
	Male	Female	**Total**	Male	Female	**Total**
Executive Directors	3	3	**6**	3	3	**6**
Non-Executive Directors and Employee Director	2	5	**7**	2	5	**7**
Senior Employees	1	0	**1**	1	0	**1**
Other	124	590	**714**	118	578	**696**
Total Headcount	130	598	**728**	124	586	**710**

e) Sickness absence data

	2019	2018
Sickness absence rate	4.3%	3.9%

The NHS Scotland AOP compliance standard for Board's to achieve is a sickness absence rate of 4.0% or less. NHS Shetland has adversely moved from compliant in 2017-18 to non compliant in 2018-19.

f) Staff policies applied during the financial year relating to the employment of disabled persons:

The Board gives full and fair consideration to applications for employment made by disabled persons, having a regard to their particular aptitudes and abilities.
The Board also continues the employment of and arranges appropriate training for employees of the Board who have become disabled persons during the period when they were employed.

Policies include 'Embracing Equality, Diversity and Human Rights' and 'Ensuring Safe and Fair Recruitment, Selection and Employment'. 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 (Audited Information)

None in 2018-19 or prior year.

h) 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 31 July each year.

i) Other Employee Matters

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

Parliamentary Accountability Report

There are no disclosures applicable, as NHS Shetland is not aware of any attempted fraud or irregular activities during 2018-19 or prior year that incurred a loss and only one payment was made within our delegated limits in respect of Medical negligence claim for under £50k.

The Board as required has provided for CNORIS claims notified to it and which will be settled at a future date; details of these provisions can be found in Note 13.

Approval and signing of the Accountability Report

Signed  Date 21 June 2019

By Simon Bokor-Ingram, Chief Executive as Accountable Officer

Independent auditor's report to the members of Shetland NHS 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 NHS Board and its group for the year ended 31 March 2019 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 Cash flows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements 1 to 27, 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 2018-19 Government Financial Reporting Manual (the 2018-19 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 2019 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 2018-19 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)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have 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.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.
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.

Conclusions on wider scope responsibilities

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

Use of our report

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

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

110 Queen Street

Glasgow

G1 3BX

United Kingdom

21 June 2019

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2019

2018			2019
£000		Note	£000
32,120	Staff costs	3a	33,524
	Other operating expenditure		
3,169	Independent Primary Care Services		3,091
7,331	Drugs and medical supplies		7,482
46,043	Other health care expenditure		48,436
88,663	Gross expenditure for the year		92,533
(28,445)	Less: operating income	4	(30,163)
(120)	Associates and joint ventures accounted for on an equity basis		(271)
60,098	**Net expenditure for the year**		**62,099**
OTHER COMPREHENSIVE NET EXPENDITURE			
2018			**2019**
£000			**£000**
(6)	Net gain on revaluation of investments		(37)
(6)	**Other comprehensive expenditure**		(37)
60,092	**Comprehensive net expenditure**		**62,062**

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

SHETLAND NHS BOARD

SUMMARY OF RESOURCE OUTTURN

FOR THE YEAR ENDED 31 MARCH 2019

		2019	2019
SUMMARY OF CORE REVENUE RESOURCE OUTTURN	**Note**	**£000**	**£000**
Net expenditure	SoCNE		**62,099**
Total non core expenditure (see below)			(1,441)
Family Health Services non-discretionary allocation			(1,727)
Endowment net expenditure			93
Associates and joint ventures accounted for on an equity basis			271
Total core expenditure			**59,295**
Core Revenue Resource Limit			59,456
Saving against Core Revenue Resource Limit			**161**
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN			
Depreciation / amortisation		1,411	
Annually Managed Expenditure - creation of provisions		(7)	
Annually Managed Expenditure - depreciation of donated assets	2a	24	
Annually Managed Expenditure - pension valuation		13	
Total Non Core Expenditure			**1,441**
Non Core Revenue Resource Limit			1,441
Saving / (excess) against Non Core Revenue Resource Limit			**0**

SUMMARY RESOURCE OUTTURN		**Resource**	**Expenditure**	**Saving / (Excess)**
		£000	**£000**	**£000**
Core		59,456	59,295	161
Non Core		1,441	1,441	0
Total		**60,897**	**60,736**	**161**

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

SHETLAND NHS BOARD

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

Consolidated 2018 £000	Board 2018 £000		Note	Consolidated 2019 £000	Board 2019 £000
31,020	31,020	Property, plant and equipment	7c	30,303	30,303
18	18	Intangible assets	6a	9	9
		Financial assets:			
1,309	0	Available for sale financial assets	10	1,347	0
182	0	Investments in associates and joint ventures		453	0
32,529	**31,038**	**Total non-current assets**		**32,112**	**30,312**
		Current Assets:			
432	432	Inventories	8	396	396
		Financial assets:			
1,494	1,542	Trade and other receivables	9	1,149	1,285
216	150	Cash and cash equivalents	11	281	142
2,142	**2,124**	**Total current assets**		**1,826**	**1,823**
34,671	**33,162**	**Total assets**		**33,938**	**32,135**
		Current liabilities			
(731)	(731)	Provisions	13a	(445)	(445)
		Financial liabilities:			
(8,906)	(8,946)	Trade and other payables	12	(8,535)	(8,682)
0	0	Derivative financial liabilities	23	0	0
(9,637)	**(9,677)**	**Total current liabilities**		**(8,980)**	**(9,127)**
25,034	**23,485**	**Non-current assets plus / less net current assets / liabilities**		**24,958**	**23,008**
		Non-current liabilities			
(1,466)	(1,466)	Provisions	13a	(1,326)	(1,326)
(1,466)	**(1,466)**	**Total non-current liabilities**		**(1,326)**	**(1,326)**
23,568	**22,019**	**Assets less liabilities**		**23,632**	**21,682**
		Taxpayers' Equity			
9,151	9,151	General fund		9,217	9,217
12,868	12,868	Revaluation reserve		12,465	12,465
182	0	Other reserves - associates and joint ventures		453	0
1,367	0	Fund held on Trust		1,497	0
23,568	**22,019**	**Total taxpayers' equity**		**23,632**	**21,682**

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

The financial statements on pages 40 to 78 were approved by the Board on 21 June 2019 and signed on their behalf by

Director of Finance Date: 21 June 2019

Chief Executive Date: 21 June 2019

SHETLAND NHS BOARD

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

2018			2019	2019
£000		Note	£000	£000
	Cash flows from operating activities			
(60,098)	Net expenditure	SoCTE	(62,099)	
1,369	Adjustments for non-cash transactions	2a	1,145	
1,733	Movements in working capital	2c	(408)	
(56,990)	**Net cash outflow from operating activities**	26c		**(61,323)**
	Cash flows from investing activities			
(574)	Purchase of property, plant and equipment		(699)	
0	Proceeds of disposal of property, plant and equipment		9	
(203)	Investment additions		(256)	
212	Receipts from sale of investments		255	
(35)	Interest received		(39)	
(600)	**Net cash outflow used in investing activities**	26c		**(730)**
	Cash flows from financing activities			
57,599	Funding	SoCTE	62,126	
62	Movement in general fund working capital	SoCTE	(8)	
57,661	Cash drawn down		62,118	
57,661	**Net Financing**	26c		**62,118**
71	**Net Increase in cash and cash equivalents in the period**			65
145	**Cash and cash equivalents at the beginning of the period**			216
216	**Cash and cash equivalents at the end of the period**			**281**
	Reconciliation of net cash flow to movement in net debt/cash			
71	Increase in cash in year	11		65
145	Net debt / cash at 1 April			216
216	**Net debt / cash at 31 March**			**281**

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 2019

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2018		9,151	12,868	182	1,367	23,568
Changes in taxpayers' equity for 2018-19						
Transfers between reserves		403	(403)	0	0	0
Net gain on revaluation of investments		0	0	0	37	37
Net operating cost for the year	**CFS**	(62,463)	0	271	93	(62,099)
Total recognised income and expense for 2018-19		(62,060)	(403)	271	130	(62,062)
Funding:						
Drawn down	**CFS**	62,118	0	0	0	62,118
Movement in General Fund creditor	**CFS**	8	0	0	0	8
Balance at 31 March 2019	**SoFP**	**9,217**	**12,465**	**453**	**1,497**	**23,632**

CONSOLIDATED STATEMENT OF CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

FOR THE YEAR ENDED 31 MARCH 2018

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2017		11,350	13,317	62	1,332	**26,061**
Changes in taxpayers' equity for 2017-18						
Transfers between reserves		449	(449)	0	0	0
Net gain on revaluation of investments		0	0	0	6	6
Net operating cost for the year	**CFS**	(60,247)	0	120	29	(60,098)
Total recognised income and expense for 2017-18		(59,798)	(449)	120	35	(60,092)
Funding:						
Drawn down	**CFS**	57,661	0	0	0	57,661
Movement in General Fund debtor	**CFS**	(62)	0	0	0	(62)
Balance at 31 March 2018	**SoFP**	**9,151**	**12,868**	**182**	**1,367**	**23,568**

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 2018-19

The Board has adopted IFRS 15 'Revenue from Contracts with Customers' for the first time in 2018-19. The Board has considered this new standard and no adjustments are deemed necessary, in current year or prior year, on the grounds of materiality. Service Level Agreements between NHS Boards, which are based on activity with annual adjustment, and Scottish Government funding are not impacted by IFRS 15. Outside of these two income streams the Board does not have any material contracts with customers.

The Board has also adopted IFRS 9 Financial Instruments for the first time in 2018-19. The Board has considered this new standard and no adjustments are deemed necessary, in the current year or prior year, on the grounds of materiality. Debt write off over the last 5 years has been reviewed and there is no category that is significant enough to require adjustment under IFRS 9.

(b) Standards, amendments and interpretation early adopted in 2018-19

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

(c) Standards, amendments and interpretation not yet adopted in 2018-19

The following table presents a list of recently issued accounting standards and amendments which have not yet been adopted within the FReM, and are therefore not applicable to NHS Shetland's consolidated accounts in 2018-19.

Standard	Change Published	Impact on Group
IFRS 14 Regulatory Deferral Accounts	Not EU-endorsed. Applies to first time adopters on IFRS after January 2016. Therefore not applicable to NHS Shetland.	Not applicable
IFRS 16 Leases	Application required for accounting periods beginning on or after 1 January 2019, but not yet adopted by the FReM. Early adoption is not therefore permitted.	All leases will be brought onto the SoFP. The main change will be the Group's lease cars which are currently recognised in revenue.
IRFS 17 Insurance Contracts	Application required for accounting periods beginning on or after 1 January 2021, but not yet adopted by the FReM. Early adoption is not therefore permitted.	Minimal – the Group does not act as an insurer.
IFRIC 23 Uncertainty over Income Tax Treatments	Application required for accounting periods beginning on or after 1 January 2019.	Limited – the Group's tax arrangements include few uncertainties.

2. Basis of Consolidation

Consolidation

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

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

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

The basis of consolidation used is merger accounting. Any intragroup transactions between the Board and the Endowment Fund have been eliminated on consolidation. Note 26 to the Annual Accounts details how these consolidated Financial Statements have been calculated.

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

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

The IJB approved the 2017-2020 Strategic Commissioning Plan on 10 March 2017. The basis of consolidation used is IFRS 11 – Joint Arrangements.

3. Prior Year Adjustments

The Endowment Fund has been consolidated, under IFRS 11, in the prior year accounts to provide comparative figures. The adjustments are detailed in Note 21 to the Annual Accounts.

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. There is currently a general climate of uncertainty across NHS Scotland but there is no indication from the Scottish Government that the structure of Health Boards in Scotland will change. It is therefore likely that NHS Shetland will exist, in its current form, for the foreseeable future.

EU Withdrawal has been considered by the Board but is not deemed a significant risk due to the security of the collective national approach being adopted across the country.

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 out with the RRL is allocated to match actual expenditure incurred for the provision of specific pharmaceutical, dental or ophthalmic services identified by the Scottish Government. Non discretionary expenditure is disclosed in the financial statements and deducted from operating costs charged against the RRL in the Statement of Resource 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 31 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 31 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 and 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

NHS Shetland participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. NHS Shetland has no liability for other employers' obligations to the multi-employer scheme.

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

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

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

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

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

The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2018 were £768.7 million. Contributions collected in the year to 31 March 2019 will be published in October 2019.

NHS Shetland's level of participation in the scheme is 0.37% based on the proportion of employer contributions paid in 2017-18.

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 24 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

Business model

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

Classification

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

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

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

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

i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and

ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

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

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

i. the financial asset is held within a business model where the objective is to collect contractual cash flows and sell the asset; and

ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

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

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

Recognition and measurement

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

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

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

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

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

(b) Financial assets held at amortised cost

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

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

Financial Liabilities

Classification

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

i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;

ii. they contain embedded derivatives; and/or

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

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

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

(b) Financial liabilities held at amortised cost

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

Recognition and measurement

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

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

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

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

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

(b) Amortised costs

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

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 25 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 PPE 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.

Analysis has been undertaken of on-call work undertaken from 1 October 2012 to 31 October 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 98% of the cost involves employees who are still employed by NHS Shetland and a balance of 2% who are no longer employed. There is also PAIAW in terms of part-time staff and overtime in 2018-19 in respect of a national agreement under Agenda for Change.

Note 2 – NOTES TO THE CASH FLOW STATEMENT

2a. Consolidated adjustments for non-cash transactions

2018			2019
£000		Note	£000
	Expenditure not paid in cash		
1,441	Depreciation	7a	1,383
9	Amortisation	6	9
39	Depreciation of donated assets	7a	24
(120)	Associates and joint ventures accounted for on an equity basis	SoCNE	(271)
1,369	**Total expenditure not paid in cash**	CFS	**1,145**

2b. Interest payable recognised in operating expenditure

2018			2019
£000			£000
0	**Interest payable**		0

2c. Consolidated movements in working capital

2018					2019
Net movement		Note	Opening balances	Closing balances	Net Movement
£000			£000	£000	£000
	INVENTORIES				
(1)	SoFP	8	432	396	
(1)	**Net decrease / (increase)**				**36**
	TRADE AND OTHER RECEIVABLES				
(405)	Due within one year	9	1,494	1,149	
0	Due after more than one year	9	0	0	
(405)			1,494	1,149	
(405)	**Net decrease / (increase)**				**345**
	TRADE AND OTHER PAYABLES				
1,617	Due within one year	12	8,906	8,535	
0	Due after more than one year	12	0	0	
(62)	Less: General Fund creditor included in above	12	(150)	(142)	
			8,756	8,393	
1,555	**Net decrease / (increase)**				**(363)**
	PROVISIONS				
584	Statement of Financial Position	13a	2,197	1,771	
0	Transfer from provision to General Fund		0	0	
			2,197	1,771	
584	**Net decrease / (increase)**				**(426)**
1,733	**Net movement (decrease) / increase**	CFS			**(408)**

Note 3 – EXPENDITURE

3a. Staff costs				
2018			**2019**	**2019**
Total			**Board**	**Consolidated**
£000		**Note**	**£000**	**£000**
8,655	Medical and Dental		10,004	10,004
9,000	Nursing		9,555	9,555
14,465	Other Staff		13,965	13,965
32,120	**Total**	**SoCNE**	**33,524**	**33,524**
3b. Other operating expenditure				
2018			**2019**	**2019**
Total			**Board**	**Consolidated**
£000			**£000**	**£000**
	Independent Primary Care Services:			
1,181	General Medical Services [1]		995	995
910	Pharmaceutical Services		934	934
632	General Dental Services [2]		718	718
446	General Ophthalmic Services		444	444
3,169	**Total**		**3,091**	**3,091**
	Drugs and medical supplies:			
4,794	Prescribed drugs Primary Care		4,822	4,822
1,205	Prescribed drugs Secondary Care		1,290	1,290
1,332	Medical Supplies		1,370	1,370
7,331	**Total**		**7,482**	**7,482**
	Other health care expenditure			
26,779	Contribution to Integration Joint Boards		28,637	28,637
8,487	Goods and services from other NHS Scotland bodies		8,607	8,607
17	Goods and services from other UK NHS bodies		51	51
152	Goods and services from private providers		209	209
56	Goods and services from voluntary organisations		18	18
1,474	Resource Transfer		1,491	1,491
8,934	Other operating expenses		9,233	9,233
74	External Auditor's remuneration - statutory audit fee		73	73
12	External Auditor - other services – share of IJB audit fee		13	13
58	Endowment Fund expenditure		0	104
46,043	**Total**		**48,332**	**48,436**
56,543	**Total Other Operating Expenditure**		**58,905**	**59,009**

[1] This figure represents the costs of the independent GP practices only. The total cost of services in 2018-19, including Board run practices, is £5,535k.

[2] This figure represents the costs of the independent dental practices only. The total cost of services in 2018-19, including Board run practices, is £3,239k.

Note 4 – OPERATING INCOME

2018			2019	2019
Total			Board	Consolidated
£000		Note	£000	£000
954	Income from other NHS Scotland bodies		865	865
114	Income from NHS non-Scottish bodies		168	168
25,354	Income for services commissioned by Integration Joint Board		26,789	26,789
295	Patient charges for primary care		307	307
1	Profit on disposal of assets		0	0
62	Contributions in respect of clinical and medical negligence claims		10	10
	Non NHS:			
94	Overseas patients (non-reciprocal)		28	28
87	Endowment Fund Income		0	197
1,484	Other		1,799	1,799
28,445	**Total Income**	**SoCNE**	**29,966**	**30,163**

Note 5 – SEGMENTAL ANALYSIS

	Directorate of Acute & Specialist Services	Directorate of Community Health & Social Care	Off Island Clinical Services	Public Health	Support Services	2019
	£000	£000	£000	£000	£000	£000
Net operating cost	15,544	24,956	12,293	662	8,644	**62,099**
If reported to Senior Management also disclose;						
Total assets	8,495	13,639	6,718	362	4,724	**33,938**
Total liabilities	(2,580)	(4,142)	(2,040)	(110)	(1,434)	**(10,306)**

SEGMENTAL ANALYSIS - PRIOR YEAR						
	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	5,545	**33,343**
Total liabilities	(2,600)	(4,317)	(2,261)	(113)	(1,853)	**(11,144)**

Note 6 – INTANGIBLE ASSETS

6a. INTANGIBLE ASSETS (NON-CURRENT) – CONSOLIDATED AND BOARD			
		IT – software	Total
	Note	£000	£000
Cost or Valuation:			
At 1 April 2018		97	97
At 31 March 2019		**97**	**97**
Amortisation			
At 1 April 2018		79	79
Provided during the year		9	9
At 31 March 2019		**88**	**88**
Net book value at 1 April 2018		**18**	**18**
Net book value at 31 March 2019	SoFP	**9**	**9**

6b. INTANGIBLE ASSETS (NON-CURRENT) – CONSOLIDATED AND BOARD – PRIOR YEAR			
		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 1 April 2017		**27**	**27**
Net book value at 31 March 2018	SoFP	**18**	**18**

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 2018	589	27,237	1,484	23	5,325	1,094	30	60	35,842
Additions – purchased	0	0	0	0	546	153	0	0	699
Disposals – purchased	0	0	0	(23)	(434)	(88)	0	0	(545)
At 31 March 2019	**589**	**27,237**	**1,484**	**0**	**5,437**	**1,159**	**30**	**60**	**35,996**
Depreciation									
At 1 April 2018	0	951	45	23	3,095	678	30	0	4,822
Provided during the year – purchased	0	856	45	0	351	131	0	0	1,383
Provided during the year – donated	0	0	0	0	24	0	0	0	24
Disposals – purchased	0	0	0	(23)	(434)	(79)	0	0	(536)
At 31 March 2019	**0**	**1,807**	**90**	**0**	**3,036**	**730**	**30**	**0**	**5,693**
Net book value at 1 April 2018	**589**	**26,286**	**1,439**	**0**	**2,230**	**416**	**0**	**60**	**31,020**
Net book value at 31 March 2019	**589**	**25,430**	**1,394**	**0**	**2,401**	**429**	**0**	**60**	**30,303**
Open Market Value of Land in Land and Dwellings Included Above	589		0						
Asset financing:									
Owned – purchased	589	25,430	1,394	0	2,332	429	0	60	30,234
Owned – donated	0	0	0	0	69	0	0	0	69
Net book value at 31 March 2019	**589**	**25,430**	**1,394**	**0**	**2,401**	**429**	**0**	**60**	**30,303**

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 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 1 April 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	0	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 7b - NON-CURRENT ASSETS HELD FOR SALE – CONSOLIDATED AND BOARD

NHS Shetland held no non-current assets held for sale during 2018-19 or during the prior year.

Note 7c - PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

Consolidated	Board			Consolidated	Board
2018	2018			2019	2019
£000	£000		Note	£000	£000
		Net book value of property, plant and equipment at 31 March			
30,927	30,927	Purchased		30,234	30,234
93	93	Donated		69	69
31,020	**31,020**	**Total**	SoFP	**30,303**	**30,303**
589	589	Net book value related to land valued at open market value at 31 March		589	589
26,286	26,286	Net book value related to buildings valued at open market value at 31 March		25,430	25,430
		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**
2018	**2018**			**2019**	**2019**
£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 2018 £000	Board 2018 £000		Note	Consolidated 2019 £000	Board 2019 £000
		Expenditure			
574	574	Acquisition of property, plant and equipment	7a	699	699
574	**574**	**Gross Capital Expenditure**		**699**	**699**
		Income			
0	0	Net book value of disposal of property, plant and equipment	7a	9	9
0	**0**	**Capital Income**		**0**	**0**
574	**574**	**Net Capital Expenditure**		**690**	**690**
		SUMMARY OF CAPITAL RESOURCE OUTTURN			
574	574	Core capital expenditure included above		699	699
579	579	Core Capital Resource Limit		705	705
5	**5**	**Saving against Core Capital Resource Limit**		**6**	**6**
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**
574	574	Total capital expenditure		699	699
579	579	Total Capital Resource Limit		705	705
5	**5**	**Saving against Total Capital Resource Limit**		**6**	**6**

Note 8 – INVENTORIES AND WORK IN PROGRESS

Consolidated 2018 £000	Board 2018 £000		Note	Consolidated 2019 £000	Board 2019 £000
432	432	Raw materials and consumables		396	396
432	**432**	**Total inventories**	SoFP	**396**	**396**

Note 9 – TRADE AND OTHER RECEIVABLES

Consolidated 2018 £000	Board 2018 £000		Note	Consolidated 2019 £000	Board 2019 £000
		Receivables due within one year			
		NHS Scotland			
199	199	Boards		221	221
199	**199**	**Total NHS Scotland Receivables**		**221**	**221**
62	62	NHS non-Scottish bodies		31	31
55	55	VAT recoverable		39	39
176	176	Prepayments		243	243
185	185	Accrued income		78	78
476	524	Other receivables		282	418
62	62	Reimbursement of provisions		35	35
279	279	Other public sector bodies		220	220
1,494	**1,542**	**Total Receivables due within one year**	SoFP	**1,149**	**1,285**
Consolidated 2018 £000	**Board 2018 £000**			**Consolidated 2019 £000**	**Board 2019 £000**
0	0	**Receivables due after more than one year**		0	0
1,494	**1,542**	**TOTAL RECEIVABLES**		**1,149**	**1,285**
28	28	The total receivables figure above includes a provision for impairments of:		56	56

Consolidated 2018 £000	Board 2018 £000		Consolidated 2019 £000	Board 2019 £000	Consolidated 2018 £000
		WGA Classification			
199	199	NHS Scotland		221	221
4	4	Central Government bodies		39	39
(75)	(75)	Whole of Government bodies		220	220
62	62	Balances with NHS bodies in England and Wales		31	31
1,304	1,352	Balances with bodies external to Government		638	774
1,494	**1,542**	**Total**		**1,149**	**1,285**
		Movements on the provision for impairment of receivables are as follows:			
100	100	At 1 April		28	28
4	4	Provision for impairment		30	30
(75)	(75)	Receivables written off during the year as uncollectable		0	0
(1)	(1)	Unused amounts reversed		(2)	(2)
28	**28**	At 31 March		**56**	**56**

As of 31 March 2019, receivables with a carrying value of £56,482 (2018: £28,166) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated 2018 £000	Board 2018 £000		Consolidated 2019 £000	Board 2019 £000
0	0	3 to 6 months past due	0	0
28	28	Over 6 months past due	56	56
28	**28**		**56**	**56**

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 2019, receivables with a carrying value of £466,000 (2018: £441,000) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated 2018 £000	Board 2018 £000		Consolidated 2019 £000	Board 2019 £000
381	381	Up to 3 months past due	462	462
15	15	3 to 6 months past due	1	1
45	45	Over 6 months past due	3	3
441	**441**		**466**	**466**

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 2018 £000	Board 2018 £000		Consolidated 2019 £000	Board 2019 £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
1,494	1,542	Existing customers with no defaults in the past	1,149	1,285
0	0	Existing customers with some defaults in the past	0	0
1,494	**1,542**	Total neither past due or impaired	**1,149**	**1,285**

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	Board			Consolidated	Board
2018	**2018**			**2019**	**2019**
£000	**£000**			**£000**	**£000**
		The carrying amount of receivables are denominated in the following currencies:			
1,494	1,542	Pounds		1,149	1,285
0	0	Euros		0	0
0	0	US Dollars		0	0
1,494	**1,542**			**1,149**	**1,285**
All current receivables are due within 1 year (2017-18: 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 (2017-18: £0).					
The effective interest rate on non-current other receivables is 0% (2017-18: 0%). Pension liabilities are discounted at 0.29% (2017-18: 0.10%).					

Note 10 – INVESTMENTS

Consolidated	Board			Consolidated	Board
2018	**2018**			**2019**	**2019**
£000	**£000**			**£000**	**£000**
0	0	Government securities		0	0
1,363	0	Other		1,347	0
1,363	**0**	**TOTAL**	**SoFP**	**1,347**	**0**
1,363	0	**At 1 April**		1,309	0
203	0	Additions	**CFS**	256	0
(198)	0	Disposals		(221)	0
0	0	Impairment recognised in SoCNE	**2**	0	0
(59)	0	Revaluation surplus / (deficit) transferred to equity	**SoCTE**	3	0
1,309	**0**	**At 31 March**		**1,347**	**0**
0	0	Current	**SoFP**		
1,309	0	Non-current	**SoFP**	1,347	0
1,309	**0**	At 31 March		**1,347**	**0**
0	0	The carrying value includes an impairment provision of		**0**	**0**

Note 11 – CASH AND CASH EQUIVALENTS

		2019	2018
	Note	**£000**	**£000**
Balance at 1 April		216	145
Net change in cash and cash equivalent balances	**CFS**	65	71
Balance at 31 March	**SoFP**	**281**	**216**
Overdrafts		0	0
Total Cash - Cash Flow Statement		**281**	**216**
The following balances at 31 March were held at:			
Government Banking Service		96	102
Commercial banks and cash in hand		46	48
Endowment cash		139	66
Balance at 31 March		**281**	**216**

Note 12 – TRADE AND OTHER PAYABLES

Consolidated 2018 £000	Board 2018 £000			Consolidated 2019 £000	Board 2019 £000
			Note		
		Payables due within one year			
		NHS Scotland			
1,732	1,732	Boards		1,627	1,627
1,732	**1,732**	**Total NHS Scotland Payables**		**1,627**	**1,627**
1	1	NHS Non-Scottish bodies		11	11
150	150	Amounts payable to General Fund		142	142
1,308	1,308	FHS practitioners		1,363	1,363
278	278	Trade payables		321	321
2,072	2,072	Accruals		1,765	1,765
66	66	Deferred income		35	35
11	11	Payments received on account		0	0
636	636	Income tax and social security		628	628
398	398	Superannuation		423	423
906	906	Holiday pay accrual		664	664
876	876	Other public sector bodies		899	899
(40)	0	Other payables		(147)	0
512	512	Other significant payables (pay accrual)		804	804
8,906	**8,946**	**Total Payables due within one year**	SoFP	**8,535**	**8,682**
0	0	**Payables due after more than one year**		0	0
8,906	**8,946**	**TOTAL PAYABLES**		**8,535**	**8,682**
		WGA Classification			
1,732	1,732	NHS Scotland		1,627	1,627
0	1,034	Central Government bodies		1,050	1,050
0	876	Whole of Government bodies		898	898
0	1	Balances with NHS bodies in England and Wales		11	11
7,174	5,303	Balances with bodies external to Government		4,949	5,096
8,906	**8,946**	**Total**		**8,535**	**8,682**

Consolidated 2018 £000	Board 2018 £000		Consolidated 2019 £000	Board 2019 £000
0	0	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**
2018	**2018**		**2019**	**2019**
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 2018 £000	Board 2018 £000		Consolidated 2019 £000	Board 2019 £000
		The carrying amount of short term payables approximates their fair value.		
		The carrying amount of payables are denominated in the following currencies:		
8,906	8,946	Pounds	8,535	8,682
0	0	Euros	0	0
0	0	US Dollars	0	0
8,906	**8,946**		**8,535**	**8,682**

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	2019 Total
	£000	£000	£000	£000	£000
At 1 April 2018	251	112	1,449	385	2,197
Arising during the year	15	35	319	20	389
Utilised during the year	(24)	0	(91)	(29)	(144)
Unwinding of discount	(3)	0	(4)	0	(7)
Reversed unutilised	0	(62)	(256)	(346)	(664)
At 31 March 2019	**239**	**85**	**1,417**	**30**	**1,771**

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 0.29% as advised by PES (2018) 10, (2017-18: 0.10%). The Board expects expenditure to be charged to this provision for a period of up to 18 years.

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

The amounts shown above in relation to Clinical and Medical Legal Claims against NHS Shetland are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 9. Further details are disclosed in Note 13b along with participation in NHS Scotland CNORIS.

Other

Relating to the 'payment as if at work' liability in respect of former employees of NHS Shetland.

Analysis of expected timing of discounted flows to 31 March 2019

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2019 Total
	£000	£000	£000	£000	£000
Payable in one year	24	85	306	30	445
Payable between 2 - 5 years	95	0	1,051	0	1,146
Payable between 6 - 10 years	93	0	59	0	152
Thereafter	27	0	1	0	28
At 31 March 2019	**239**	**85**	**1,417**	**30**	**1,771**

PROVISIONS - CONSOLIDATED AND BOARD (PRIOR YEAR)

	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**

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

Analysis of expected timing of discounted flows to 31 March 2018

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2018 Total
	£000	£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**

13b. CLINICAL NEGLIGENCE AND OTHER RISKS INDEMNITY SCHEME (CNORIS)			
2018		**Note**	**2019**
£000			**£000**
112	Provision recognising individual claims against the NHS Board as at 31 March	**13a**	85
(62)	Associated CNORIS receivable at 31 March	**9**	(35)
1,449	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	**13a**	1,417
1,499	**Net Total Provision relating to CNORIS at 31 March**		**1,467**

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland.

The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value 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:

2018		**2019**
£000		**£000**
	Nature	
135	Clinical and medical compensation payments	120
135	**TOTAL CONTINGENT LIABILITIES**	**120**

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

Ralph Roberts, Chief Executive during the year ended 31 March 2019, left NHS Shetland on 19 April 2019 and was replaced by Simon Bokor Ingram, as Interim Chief Executive, on 22 April 2019.

NOTE 16 – COMMITMENTS

Capital Commitments			
The Board has the following capital commitments which have not been provided for in the accounts			
2018		**Property, plant and equipment Intangible assets**	**2019**
£000		**£000**	**£000**
	Contracted		
	Authorised but not Contracted		
409	Estates capital projects	367	367
432	Statutory compliance & backlog maintenance	365	365
64	Medical equipment	205	205
115	ICT Projects (Tangible)	260	260
47	ICT Projects (Intangible)	0	0
1,067	**Total**	**1,197**	**1,197**

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:		
2018		**2019**
£000		**£000**
	Land	
	None	
	Buildings	
53	Not later than one year	53
53	Later than one year, not later than two years	27
27	Later than two year, not later than five years	0
0	Later than five years	0
	Other	
60	Not later than one year	65
38	Later than one year, not later than two years	62
54	Later than two year, not later than five years	50
0	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
159	Hire of equipment (including vehicles)	165
83	Other operating leases	114
242	**Total**	**279**
2018		**2019**
£000		**£000**
	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		
2018		**2019**
£000		**£000**
73	Total of finance and operating leases	75

NOTE 18 – COMMITMENTS UNDER PFI / PPP CONTRACTS

NHS Shetland held no commitments under PFI / PPP Contracts during 2018-19 or during the prior year.

NOTE 19 – PENSION COSTS

	2019	2018
	£000	£000
Pension cost charge for the year	3,051	2,868
Additional costs arising from early retirement	13	25
Provisions / liabilities / prepayments included in the Statement of Financial Position	239	251
Pension costs for the year for staff transferred from local authority	0	0

NOTE 20 – RETROSPECTIVE RESTATEMENTS

The Endowment Fund has been consolidated, under IFRS 11, in the prior year accounts to provide comparative figures. The adjustments are detailed in Note 21 to the Annual Accounts – Adjustment 1.

NOTE 21 – RESTATED STATEMENT OF FINANCIAL POSITION, SOCNE AND STATEMENT OF CASHFLOWS

21a. RESTATED SoCNE	Previous Accounts	Adjustment 1	These Accounts
Total income and expenditure	**£000**	**£000**	**£000**
Employee expenditure	32,120	0	32,120
Other expenditure			
Independent Primary Care Services	3,169	0	3,169
Drugs and medical supplies	7,331	0	7,331
Other health care expenditure	45,985	58	46,043
Less: operating income	(28,358)	(87)	(28,445)
	60,247	**(29)**	**60,218**
Associates and joint ventures accounted for on an equity basis	(120)		(120)
Net expenditure for the year	**60,127**	**(29)**	**60,098**
21b. RESTATED STATEMENT OF FINANCIAL POSITION	**Previous Accounts**	**Adjustment 1**	**These Accounts**
Non-current assets	**£000**	**£000**	**£000**
Property, plant and equipment	31,020	0	31,020
Intangible assets	18	0	18
Financial assets:			
Investments	0	1,309	1,309
Investments in associates and joint ventures	182	0	182
Trade and other receivables	0	0	0
	31,220	**1,309**	**32,529**
CURRENT ASSETS			
Inventories	432	0	432
Intangible assets	0	0	0
Financial assets:			
Trade and other receivables	1,542	(48)	1,494
Cash and cash equivalents	150	66	216
Investments	0	0	0
Derivative financial assets	0	0	0
Assets classified as held for sale	0	0	0
	2,124	**18**	**2,142**
TOTAL ASSETS	**33,344**	**1,327**	**34,671**
CURRENT LIABILITIES			
Provisions	(731)	0	(731)
Trade and other payables	(8,946)	40	(8,906)
	(9,677)	**40**	**(9,637)**
NON CURRENT LIABILITIES			
Provisions	(1,466)	0	(1,466)
	(1,466)	**0**	**(1,466)**
ASSETS LESS LIABILITIES	**22,201**	**1,367**	**23,568**
TAXPAYERS' EQUITY			
General Fund	9,151		9,151
Revaluation Reserve	12,868		12,868
Other Reserve - associates and joint ventures	182		182
Funds held on Trust	0	1,367	1,367
Total taxpayers' equity	**22,201**	**1,367**	**23,568**

21c. RESTATED STATEMENT OF CASHFLOWS	Previous Accounts	Adjustment 1	These Accounts
	£000	£000	£000
Cash flows from operating activities			
Net operating expenditure	(60,127)	29	(60,098)
Adjustments for non-cash transactions	1,369	0	1,369
Add back: interest payable recognised in net operating expenditure	0	0	0
Deduct: interest receivable recognised in net operating expenditure	0	0	0
Investment income	0	6	6
Movements in working capital	1,733	0	1,733
Net cash outflow from operating activities	**(57,025)**	**35**	**(56,990)**
Cash flows from investing activities			
Purchase of property, plant and equipment	(574)	0	(574)
Purchase of intangible assets	0	0	0
Investment additions	0	(203)	(203)
Transfer of assets to/(from) other NHS bodies	0	0	0
Proceeds of disposal of property, plant and equipment	0	0	0
Proceeds of disposal of intangible assets	0	0	0
Receipts from sale of investments	0	212	212
Interest received	0	(35)	(35)
Net cash outflow from investing activities	**(574)**	**(26)**	**(600)**
Cash flows from financing activities			
Funding	57,599	0	57,599
Movement in General Fund working capital	62	0	62
Cash drawn down	57,661	0	57,661
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	0	0	0
Interest paid	0	0	0
Interest element of finance leases and on-balance sheet PFI/PPP contracts	0	0	0
Net Financing	**57,661**	**0**	**57,661**
Net Increase / (decrease) in cash and cash equivalents in the period	62	9	71
Cash and cash equivalents at the beginning of the period	88	57	145
Cash and cash equivalents at the end of the period	**150**	**66**	**216**
Reconciliation of net cash flow to movement in net debt/cash			
Increase / (decrease) in cash in year	62	9	71
Net debt / cash at 1 April	88	57	145
Net debt / cash at 31 March	**150**	**66**	**216**

NOTE 22 – FINANCIAL INSTRUMENTS

22a. FINANCIAL INSTRUMENTS BY CATEGORY					
Financial Assets					
CONSOLIDATED		**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
AS AT 31 MARCH 2019					
Assets per Statement of Financial Position					
Investments	10		0	1,347	1,347
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	**9**	611	0	0	611
Cash and cash equivalents	**11**	281	0	0	281
		892	**0**	**1,347**	**2,239**
BOARD		**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
AS AT 31 MARCH 2019					
Assets per Statement of Financial Position					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	**9**	747	0	0	747
Cash and cash equivalents	**11**	142	0	0	142
		889	**0**	**0**	**889**
CONSOLIDATED (Prior Year)		**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
At 31 March 2018					
Assets per Statement of Financial Position					
Investments	10	0	0	1,363	1,363
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	**9**	1,002	0	0	1,002
Cash and cash equivalents	**11**	216	0	0	216
		1,218	**0**	**1,363**	**2,581**
BOARD (Prior Year)		**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
At 31 March 2018					
Assets per Statement of Financial Position					
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**

Financial Liabilities					
CONSOLIDATED			**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note		**£000**	**£000**	**£000**
AS AT 31 MARCH 2019					
Liabilities per Statement of Financial Position					
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		0	5,822	5,822
			0	**5,822**	**5,822**
BOARD			**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note		**£000**	**£000**	**£000**
AS AT 31 MARCH 2019					
Liabilities per Statement of Financial Position					
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12		0	5,969	5,969
CONSOLIDATED (Prior Year)			**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note		**£000**	**£000**	**£000**
At 31 March 2018					
Liabilities per Statement of Financial Position					
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12		0	6,074	6,074
			0	**6,074**	**6,074**
BOARD (Prior Year)			**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note		**£000**	**£000**	**£000**
At 31 March 2018					
Liabilities per Statement of Financial Position					
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	12		0	6,114	6,114
			0	**6,114**	**6,114**
22b. 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.
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.
22c FAIR VALUE ESTIMATION
The fair value of financial instruments that are not traded in an active market (for example, over the counter derivative) is determined using valuation techniques. (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 23 – DERIVATIVE FINANCIAL INSTRUMENTS

NHS Shetland held no derivative financial instruments during the year ended 31 March 2019 or during the prior year.

NOTE 24 – RELATED PARTY TRANSACTIONS

The Board had material transactions with Shetland Islands Council during 2018-19. The Board's expenditure with Shetland Islands Council was £4,980k (2017-18: £4,544k) (of which £898k (2017-18: £876k) owed at year end). Malcolm Bell was a member of the Board and an elected member 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 31 March 2019 were £1,497k (2017-18: £1,367k). As disclosed in note 10 £1,347k (2017-18: £1,309k) of the Endowment Fund is held in investments. These investments are managed by Tilney's investment services for charities. The Board had material transactions with the Shetland Integration Joint Board (IJB) during 2018-19 as detailed in Notes 3 and 4 of the accounts. Directors of the Board who were also voting members of the IJB during 2018-19 were Ms M Williamson, Ms N Cornick and Ms S Manson.

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 25 – THIRD PARTY ASSETS

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

NOTE 26 – CONSOLIDATION OF SUBSIDIARIES AND DISCLOSURE OF INTEREST IN ASSOCIATES AND JOINT VENTURES

26a. CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Consolidated			Board	Endowment	Shetland IJB	Consolidated
2018			2019	2019	2019	2019
£000		Note	£000	£000	£000	£000
	Total income and expenditure					
32,120	Employee expenditure	3a	33,524	0	0	33,524
	Other operating expenditure	3b				
3,169	Independent Primary Care Services		3,091	0	0	3,091
7,331	Drugs and medical supplies		7,482	0	0	7,482
46,043	Other health care expenditure		48,332	104	0	48,436
86,663	Gross expenditure for the year		92,429	104	0	92,533
(28,445)	Less: operating income	4	(29,966)	(197)	0	(30,163)
(120)	Associates and joint ventures accounted for on an equity basis		0	0	(271)	(271)
60,098	**Net Expenditure**		**62,463**	**(93)**	**(271)**	**62,099**

26b. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2018			2019	2019	2019	2019	2019
£000		Note	£000	£000	£000	£000	£000
	Non-current assets:						
31,020	Property, plant and equipment		30,303	0	0	0	30,303
18	Intangible assets	SoFP	9	0	0	0	9
	Financial assets:	SoFP					
1,309	Investments		0	1,347	0	0	1,347
182	Investments in associates and joint ventures	SoFP	0	0	182	271	453
32,529	**Total non-current assets**	SoFP	**30,312**	**1,347**	**182**	**271**	**32,112**
	Current Assets:						
432	Inventories	SoFP	396	0	0	0	396
	Financial assets:						
1,494	Trade and other receivables	SoFP	1,285	173	(309)	0	1,149
216	Cash and cash equivalents	SoFP	142	139	0	0	281
2,142	**Total current assets**		**1,823**	**312**	**(309)**	**0**	**1,826**
34,671	**Total assets**		**32,135**	**1,659**	**(127)**	**271**	**33,938**
	Current liabilities						
(731)	Provisions	SoFP	(445)	0	0	0	(445)
	Financial liabilities:						
(8,906)	Trade and other payables	SoFP	(8,682)	(162)	309	0	(8,535)
(9,637)	**Total current liabilities**		**(9,127)**	**(162)**	**309**	**0**	**(8,980)**
25,034	**Non-current assets plus / less net current assets/liabilities**		**23,008**	**1,497**	**182**	**271**	**24,958**
	Non-current liabilities						
(1,466)	Provisions	SoFP	(1,326)	0	0	0	(1,326)
	Financial liabilities:			0	0	0	
0	Trade and other payables	SoFP	0	0	0	0	0
(1,466)	**Total non-current liabilities**		**(1,326)**	**0**	**0**	**0**	**(1,326)**
23,568	**Assets less liabilities**		**21,682**	**1,497**	**182**	**271**	**23,632**

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2018			2019	2019	2019	2019	2019
£000		Note	£000	£000	£000	£000	£000
	Taxpayers' Equity						
9,151	General fund	SoFP	9,217	0	0	0	9,217
12,868	Revaluation reserve	SoFP	12,465	0	0	0	12,465
182	Other reserves - joint venture	SoFP	0	0	182	271	453
1,367	Funds Held on Trust	SoFP	0	1,497	0	0	1,497
23,568	**Total taxpayers' equity**		**21,682**	**1,497**	**182**	**271**	**23,632**

PRIOR YEAR		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2018	2018	2018	2018	2018
		£000	£000	£000	£000	£000
Non-current assets:						
Property, plant and equipment	SoFP	31,020	0	0	0	31,020
Intangible assets	SoFP	18	0	0	0	18
Financial assets:						
Investments	SoFP	0	1,309	0	0	1,309
Investments in associates and joint ventures		0	0	0	182	182
Total non-current assets		**31,038**	**1,309**		**182**	**32,529**
Current Assets:						
Inventories	SoFP	432	0	0	0	432
Financial assets:						
Trade and other receivables	SoFP	1,542	51	(99)	0	1,494
Cash and cash equivalents	SoFP	150	66	0	0	216
Total current assets		**2,124**	**117**	**(99)**	**0**	**2,124**
Total assets		**33,162**	**1,426**	**(99)**	**182**	**34,671**
Current liabilities						
Provisions	SoFP	(731)	0	0	0	(731)
Financial liabilities:						
Trade and other payables	SoFP	(8,946)	(59)	99	0	(8,906)
Total current liabilities		**(9,677)**	**(59)**	**99**	**0**	**(9,637)**
Non-current assets plus / less net current assets/liabilities		**23,485**	**1,367**	**0**	**182**	**25,034**
Non-current liabilities						
Provisions	SoFP	(1,466)	0	0	0	(1,466)
Total non-current liabilities		**(1,466)**	**0**	**0**	**0**	**(1,466)**
Assets less liabilities		**22,019**	**1,367**	**0**	**182**	**23,568**
Taxpayers' Equity						
General fund	SoFP	9,151	0	0	0	9,151
Revaluation reserve	SoFP	12,868	0	0	0	12,868
Other reserves - joint venture	SoFP	0	0	0	182	182
Funds Held on Trust	SoFP	0	0	0	0	1,367
Total taxpayers' equity		**22,019**	**1,367**	**0**	**182**	**23,568**

26c. CONSOLIDATED STATEMENT OF CASHFLOWS						
Consolidated		**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
2018		**2019**	**2019**	**2019**	**2019**	**2019**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
	Cash flows from operating activities					
(60,098)	Net operating expenditure	(62,463)	93	0	271	(62,099)
1,369	Adjustments for non-cash transactions	1,416	0	0	(271)	1,145
35	Investment income	0	39	0	0	0
1,733	Movements in working capital	(389)	0	0	0	(408)
(56,961)	**Net cash outflow from operating activities**	**(61,436)**	**132**	**0**	**0**	**(61,323)**
	Cash flows from investing activities					
(574)	Purchase of property, plant and equipment	(699)	0	0	0	(699)
(203)	Investment additions		(256)	0	0	(256)
0	Proceeds of disposal of property, plant and equipment	9	0	0	0	9
183	Receipts from sale of investments		255	0	0	255
(35)	Interest received	0	(39)	0	0	(39)
(629)	**Net cash outflow from investing activities**	**(690)**	**(40)0**	**0**	**0**	**(730)**
Consolidated		**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
2018		**2019**			**2019**	**2019**
£000		**£000**			**£000**	**£000**
	Cash flows from financing activities					
57,599	Funding	62,126	0	0	0	62,126
62	Movement in general fund working capital	(8)	0	0	0	(8)
57,661	Cash drawn down	62,118	0	0	0	62,118
57,661	**Net Financing**	**62,118**	**0**	**0**	**0**	**62,118**
71	**Net (decrease)/Increase in cash and cash equivalents in the period**	(27)	92	0	0	65
145	**Cash and cash equivalents at the beginning of the period**	150	66	0	0	216
216	**Cash and cash equivalents at the end of the period**	**123**	**158**	**0**	**0**	**281**
	Reconciliation of net cash flow to movement in net debt / cash					
71	Increase / (decrease) in cash in year	65	0	0	0	65
145	Net debt / cash at 1 April	150	66	0	0	216
216	**Net debt / cash at 31 March**	**215**	**66**	**0**	**0**	**281**

26c. CONSOLIDATED STATEMENT OF CASHFLOWS				
PRIOR YEAR	**Board**	**Endowment**	**Shetland IJB**	**Consolidated**
	2018	**2018**	**2018**	**2018**
	£000	**£000**	**£000**	**£000**
Cash flows from operating activities				
Net operating expenditure	(60,247)	29	120	(60,098)
Adjustments for non-cash transactions	1,489	0	(120)	1,369
Investment income	0	35	0	35
Movements in working capital	1,733	0	0	1,733
Net cash outflow from operating activities	**(57,025)**	**64**	**0**	**(56,961)**
Cash flows from investing activities				
Purchase of property, plant and equipment	(574)	0	0	(574)
Investment additions	0	(203)	0	(203)
Proceeds of disposal of property, plant and equipment	0	0	0	0
Receipts from sale of investments	0	183	0	183
Interest received	0	(35)	0	(35)
Net cash outflow from investing activities	**(574)**	**(55)**	**0**	**(629)**

PRIOR YEAR	Board	Endowment	Shetland IJB	Consolidated
	2018	2018	2018	2018
	£000	£000	£000	£000
Cash flows from financing activities				
Funding	57,599	0	0	57,599
Movement in general fund working capital	62	0	0	62
Cash drawn down	57,661	0	0	57,661
Net Financing	**57,661**	**0**	**0**	**57,661**
Net Increase / (decrease) in cash and cash equivalents in the period	62	9	0	71
Cash and cash equivalents at the beginning of the period	88	57	0	145
Cash and cash equivalents at the end of the period	**150**	**66**	**0**	**216**
Reconciliation of net cash flow to movement in net debt / cash				
Increase / (decrease) in cash in year	62	9	0	71
Net debt / cash at 1 April	88	57	0	145
Net debt / cash at 31 March	**150**	**66**	**0**	**216**

Note 27 IFRS 9 AND IFRS 15

IFRS 9

The Board has adopted IFRS 9 Financial Instruments for the first time in 2018-19. The Board has considered this new standard and no adjustments are deemed necessary on the grounds of materiality. Debt write off over the last 5 years has been reviewed and there is no category that is significant enough to require adjustment under IFRS 9.

IFRS 15

The Board has adopted IFRS 15 Revenue from Contracts with Customers for the first time in 2018-19. The Board has considered this new standard and no adjustments are deemed necessary on the grounds of materiality. Service Level Agreements between NHS Boards, which are based on activity with annual adjustment, and Scottish Government funding are not impacted by IFRS 15. Outside of these two income streams the Board does not have any material contracts with customers.

Glossary of commonly abbreviated terms and acronyms in the report

Acronym:	*Narrative Explanation:*
A&E	Accident and Emergency Department
AME	Annually managed expenditure (a type of non core funding allocation received by Boards)
AOP	Annual Operating Plan, replaced local delivery plan
BMI	Body Mass Index
Brexit	British Exit from the European Union
BV	Best Value
CAMHS	Child and Adolescent Mental Health Services
CCPGC	Clinical Care and Professional Governance Committee
CFS	NHS Scotland Counter Fraud Services , when used in reference to fraud
CFS	Consolidated Statement Of Cash Flows, when referenced in the financial notes
CNORIS	Clinical Negligence and Other Risks Indemnity Scheme
CO_2	Carbon Dioxide
DATIX	Board's Incident Reporting and Risk Management Information System
eISG	eHealth and Informatics Support Group
ENT	Ear Nose and Throat
EU	European Union

Acronym:	*Narrative Explanation:*
FReM	Government Financial Reporting Manual
GDPR	General Data Protection Regulation (EU) 2016/679
GP	General Practitioner
HAI	Healthcare Associated Infection
HEI	Healthcare Environment Inspectorate
HIS	Healthcare Improvement Scotland
ICO	Information Commissioner's Office
IJB	Shetland Islands Health and Social Care Partnership also referred to as Integration Joint Board
IG	Information Governance
ISD Scotland	Information Services Division that is part of NHS National Services Scotland
IT	Information Technology
IFRSs	International Financial Reporting Standards
ISAs	International Standards on Auditing
JSCP	Joint Strategic Commissioning Plan
LOIP	Local Outcome Improvement Plan
MMR	Safe and effective combined vaccine that protects against 3 separate illnesses – measles, mumps and rubella (German measles) – in a single injection. The full course of MMR vaccination requires 2 doses
NES	NHS Education for Scotland
NHS	National Health service
NHS Perform	Website on NHS Scotland information that is produced by NHS National Services Scotland
NHS Shetland	Shetland Health Board
OSCR	Office of the Scottish Charity Regulator
PAO	Principal Accountable Officer
PAIAW	Payment As If At Work
PPE	Property Plant and Equipment
RICS	Royal Institution of Chartered Surveyors
RMG	Risk Management Group
RAG	standard matrix with red, amber, green to indicate the level of performance outturn achieved
RRL	Revenue Resource limit
RTT	Referral to Treatment Target
SoCNE	Statement of Consolidated Comprehensive Net Expenditure
SoCTE	Summary of Resource Outturn
SoFP	Consolidated Statement of Financial Position
SFIs	Standing Financial Instructions
SGHSCD	Scottish Government Health and Social Care Directorate
SIC	Shetland Island Council
SPFM	Scottish Public Finance Manual
Telehealth	Is the use of digital information and communication technologies, such as computers and mobile devices, to access health care services remotely and manage your health care. These may be technologies you use from home or that your doctor uses to improve or support health care services.
VAT	Value Added Tax
WTE	whole time equivalent value for NHS staff

DIRECTION BY THE SCOTTISH MINISTERS

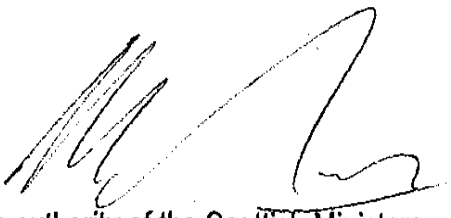
1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Services (Scotland) Act 1978, hereby give the following direction.

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