NHS
Shetland

SHETLAND NHS BOARD
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR
ENDED 31 MARCH 2016

INDEX

ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2016

PERFORMANCE REPORT

1. Overview

NHS Shetland was established under the National Health Service (Scotland) Act 1978 and is responsible for commissioning and providing healthcare services for the residents of Shetland, a total population of around 23,000.

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

The functions of the unified NHS Board comprise:

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

During 2015-16 the work of the Board has focused on the delivery of the agreed key Corporate Objectives to:

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

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

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

The Board continues to progress its Efficiency and Redesign agenda led by an Efficiency and Redesign Programme Board under the over-sight of the Strategy and Redesign Committee. This includes work on procurement, property, prescribing and service redesign projects that also deliver efficiencies (e.g. Primary Care, Patient Pathways, Inpatient Services, Workforce, Clinical Staffing, Patient Travel, Mental Health and Health & Social Care Integration). Additional programme management capacity was used to support this work and this will also be required in 2016/17.

Following extensive work by the Public Partnership Forum (PPF) the action plan to improve access to primary care services at Lerwick Health Centre was implemented. This included an Advanced Nurse Practitioner service supporting the General Practitioners in the practice. As a result access to Primary Care services for the Lerwick community has significantly improved and has been positively evaluated.

During 2015/16 NHS Shetland has worked closely with Shetland Islands Council on a number of projects. The most significant area has been the creation of our Health & Social Care partnership with the Integrated Joint Board (IJB) going live during the year. This builds on the local history of integrated working and has met the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

NHS Shetland and Shetland Islands Council have delegated agreed functions to the IJB, and the IJB is wholly responsible for carrying out those functions. The IJB did so by preparing a strategic plan and then directing the NHS Board and the local authority as to how those functions were to be carried out. The IJB is required to have regard to the national health & wellbeing outcomes, the integration delivery principles, and the needs of localities within the local authority area.

This represents a fundamental change to how the delegated health & social care functions ("integration functions") are governed. The IJB became responsible for the integration functions on 20 November 2015. The law required the NHS Board and the local authority to delegate certain functions to the extent that they are provided to people who are at least 18 years old, including adult social care, all adult community health care and specific unscheduled adult hospital services.

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 an 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.

Throughout 2015/16 the NHS Board and the local authority have been reviewing their own systems of governance and management in the light of this new business model. The NHS Board will continue to directly carry out all its functions which have not been delegated to IJB. Further information on health & social care integration can be accessed through the link below:

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

Legislation requires that the Integration Joint Board is subject to the audit and accounts provisions of a body under Section 106 of the Local Government (Scotland) Act 1973 (Section 13). 2015/16 audited annual accounts will therefore be prepared in-line with the reporting requirements specified in the relevant legislation and regulations (Section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the Local Government (Scotland) Act 1973). These will be proportionate to the limited number of transactions of the Integration Joint Board whilst complying with the requirement for transparency and true and fair reporting in the public sector.

2. Performance Analysis

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

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

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

	Limit as set by SGHSCD	Actual Outturn	Variance (Over)/Under
	£'000	£'000	£'000
	(1)	(2)	(3)
Core Revenue Resource Limit	53,206	52,810	396
Non-core Revenue Resource Limit	1,786	1,783	3
Core Capital Resource Limit	362	287	75
Non-core Capital Resource Limit	0	0	0
Cash requirement	55,005	54,987	18

MEMORANDUM FOR IN YEAR OUT-TURN	£'000
Brought forward deficit/(surplus) from previous financial year	(44)
Saving/(excess) against in year total Revenue Resource Limit	**355**

Revenue Resource Limit

The Board delivered an under spend against its Core Revenue Resource Limit (RRL) of £396k for 2015/16. This compares with an under spend of £44k in 2014/15. The under spend from 2014/15 was carried forward and added to the Board's RRL in 2015/16. The 2015-16 under spend includes a non-recurring surplus generated on the planned sale of the Board's former headquarters (Brevik House) of £309k.

However, the Board still carries an underlying recurring deficit in the resource budget for ongoing activity. At the close of 2015/16 this stood at £1,462k up from £908k in 2014/15.

The 2015/16 Financial Plan included a recurring savings target of £2,071k, equivalent to 5% 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 met with the inclusion of non-recurring savings. The in-year recurring savings delivered was £710k which was below the original target due to delays in the start dates for some clinical redesign projects. The consequences of this are that a carry forward recurring savings target of £1,462k has been included in the ongoing financial plan and delivery of this remains a key risk for the Board.

The Financial Plan for the next five years, 2016-17 to 2020-21 along with the Local Development Plan were approved formally by the Board on 24 May 2016. This plan achieves in-year balance each year, and a recurrently balanced position that clears the underlying deficit at the end of 2018/19. Thereafter the Board's financial plans assume a yearly target of 3% efficiency savings for reinvestment in services in line with Scottish Government policy. It should be noted that this plan carries a significant degree of uncertainty in view of the overall position of public finances. The plan is based on explicit assumptions that have been 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/documents/CorporateRiskRegister.pdf

Capital Resource Limit

The summary figures highlighted above are net of returning the original capital investment made in Brevik House of £400k that was sold during 2015-16.

The Board funded some of their capital additions from receipts received, with the balance being funded through the CRL allocation.

The Board's gross expenditure on capital assets during 2015/16 was £687k which is £75k below the approved capital resource limit (equivalent to 11%).

The key components of the capital programme are set out below in table 1.

Table 1: Capital Asset Programme 2015/16 Summary

Project	Amount £'000	Narrative
Gilbert Bain Hospital, Medical Equipment	142	Dual Head Pump Injector £12k, 2 Video Gastro Scopes £76k, Laryngo Fiberscope £9k, Theatre Insufflator £10k, Laboratory Autoclave £35k
Gilbert Bain Hospital, Plant and Equipment	225	Endoscopic washer £164k, Renal Units £34k and Kitchen Ovens £27k
Gilbert Bain Hospital, Building Infrastructure	206	Infrastructure projects relating to Pharmacy £113k, Endoscopic Washer Project £48k, Renal Improvements £30k and Critical Care Unit £14k
IT Equipment	114	Intrusion Detection £20k, Health Centre Network Switches £26k, Core Network Switch £18k, ID Cards £8k and Primary Care Servers Upgrade £42k
Gross Additions Total	**687**	
Financed by Asset Sold	-400	Return of original capital on assets sold
Net Total	**287**	

Balance Sheet

In accordance with IAS 27 Consolidated and Separate Financial Statements, the Financial Statements consolidate the Shetland Health Board Endowment Fund assets.

The Board's net assets excluding endowments at 31 March 2016 stood at £23,660k compared with £24,488k at 31 March 2015. This represents a decrease of £828k.

The two principle reasons for this decrease are the depreciation of non-current assets of £1,313k offset by £687k of additions (as set out in table 1) and the sale of Brevik House which was previously classified as an asset held for sale.

As in previous years, the Board's Balance Sheet at 31 March 2016 shows negative net current assets/liabilities balance. The total at 31 March 2016 was £4,670k which is a change of £539k from the previous year's value of £5,209k.

At the year end the Board carried three provisions totalling £1,155k for future liabilities:

1. £270k relating to estimated future liabilities associated with premature retirements,
2. £60k relating to potential clinical negligence claims,
3. £825k relating to the Board's share of the NHS Scotland's total CNORIS liability, Note 17b.

In Note 19, page 66, the Board has disclosed contingent liabilities totalling £25k. This is in respect of three medical negligence claims ranked as low-risk by the Central Legal Office.

The Board's internal controls require a fixed asset verification exercise to be undertaken on an annual basis. Internal Audit has highlighted within the financial system health-check audit report that asset owners have failed to engage adequately with the process of returning verification forms. Work undertaken in 2015-16 identified a number of assets on the asset register with a nil book value that were no longer held by the Board and the appropriate documentation had not been completed.

A physical verification check of all assets, excluding land and buildings has been undertaken during May and early June to determine the annual accounts statement of fixed assets in note 11, page 53 to 56, are materially correct. This note was then amended. In total assets with an original cost of £1.5m with no current net book value was removed in 2015-16

NHS Shetland is continuing working to strengthen fixed assets verification procedures.

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

3. Performance against Key Non-Financial Targets

Waiting Times Targets – Secondary Care

During 2015/16 the Board maintained its comparatively strong performance on waiting times for inpatients and day cases. There have been some short and medium terms pressures that have seen a number of patients exceed the targets. The Board achieved the 18 Week Referral to Treatment Target in six out of the eleven months up to February 2016. The Board achieved the 12 week Treatment Time Guarantee for all patients except one Orthopaedic and one Anaesthetic patient. 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. Overall the Board continues to have some of the best access target performance across Scotland.

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 2015-16, the Board's joint pathways with NHS Grampian have maintained 100% compliance with the 31 Day Treatment Target for all twelve months and 100% for the 62 Day Pathway in nine out of twelve months.

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

We are actively participating in the Detecting Cancer Early Program.

There are ongoing risks in maintaining our current performance on access associated, in particular, with recruitment & retention of key staff and because of the impact on performance by services provided by partners, for example NHS Grampian. These are set out in our Local Delivery plan and monitored through our waiting times group and Performance board.

Unscheduled Care

In 2015/16, 96.5% or more of patients in the Accident and Emergency department were either discharged or admitted to a ward within four hours. The Board actively reviews breaches of this target and has a process in place to escalate cases when a patient is about to breach. The Board has also made good progress in the delivery of the Health Efficiency Access and Treatment (HEAT) target (T10). This focuses on reducing patient attendances at the Accident and Emergency department which fell by 4.6% in 2015/16. The Board successfully delivered services through the winter months and put systems in place to actively monitor and manage services through periods of severe weather.

Delayed Discharges

Reducing the number of patients delayed in hospital has been a key target in 2015/16. This has involved 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. This has resulted in a significant drop, of 61.4% in the number of days occupied by patients delayed in hospital during 2015/16. There were less than 5 patients delayed in hospital for longer than 14 days at the end of March 2016. These patients were discharged in April and at the end of April 2016 there were no delayed discharges.

Primary Care

All practices continued to meet the 48-hour access target in 2015/16.

At Lerwick Health Centre plans created jointly with the patient participation forum were implemented that improved access by increasing the number of Advanced Nurse Practitioners (ANP). The number of GP and ANP appointments increased by 26% from 23,773 in 2014-15 to 29,933 in 2015-16.

While access to Primary care has improved, sustaining this will be dependent on our ability to recruit and retain staff within an increasingly challenging recruitment environment.

Mental Health

We continued to invest in the local Mental Health Service. This included an additional Senior Medical post on island, additional visiting Senior Medical staff in Dementia and the Child and Adolescent Mental Health Service and increasing Community Psychiatric Nurse staffing by 2 whole time equivalents to provide a more sustainable service.

Our performance against access to Psychological Therapies within 18 weeks of referral overall is slightly below target and there are a small number of patients (less than 5 who have waited for an excessive period (over 2 years). It is recognised this is an area that requires improvement and the provision of psychological therapies is currently being restructured to address issues raised during public engagement. A Consultant Clinical Psychologist and an Applied Psychology trainee post will be recruited to in 2016-17 to support the improvement in this service.

The access target of 18 weeks Referral to Treatment for specialist Child and Adolescent Mental Health Services (CAMHS) was not met. There was an increase in demand from both elective referrals and emergency presentations. In the short-term local capacity was not sufficient to meet this increased activity. However additional investment for two posts in the CAMHS team was made during 2015-16 from the Mental Health Innovation fund.

Healthcare Improvement Scotland (HIS) also facilitated an improvement and learning event for Mental Health Services in 2016 to assist in ongoing service improvements.

We recognise that there remain ongoing issues associated with the sustainability of our Mental Health services and we are currently working to address the gap and advanced skills deficit within our Psychological Therapies service through the new posts identified.

Health Improvement and Tackling Health Inequalities

Shetland has good life expectancy and a level of health amongst the best in Scotland. This reflects the high quality of life in Shetland, as well as the quality of local services.

The Board performs well on achieving national health improvement targets. However, because of the nature of the targets and the data being collected, there are very few figures currently available for the whole 2015-16 period.

Smoking: We are on trajectory to meet the target of 33 successful smoking cessation quits at 12 weeks, in the 60% most deprived areas of Shetland (27 successful quits by end January 2016).

Alcohol: We have again significantly exceeded the targets for Alcohol Brief Interventions (under taking 340 against a target of 261). Latest national data for alcohol-related admissions shows us to have reduced to our lowest rate since this was monitored. (588.7 / per 100,000 population in 2014-15) Although still behind our trajectory, the rate has reduced in recent years and analysis of local data from 2015-16 suggests further progress. Engagement with our Community Planning partners includes work on preventing harm relating to substance misuse. This includes a programme of culture change on alcohol use, known locally as "Drink Better".

We have completed 252 Keep Well checks against a target of 250 during 2015-16.

Early years: The most recent available figures show that we met the target of 80% of pregnant women in each SIMD centile booking by 12 weeks, with 82.3% booking by 12 weeks in 2014-15. The most recent figures for breastfeeding at 6-8 weeks show that the rate for Shetland is 56.9% (quarterly rolling average at end 2015), above the national target of 50%. Figures for children out with the healthy BMI in Primary 1 have increased markedly from 17.9% in 2014 to 27.1% in 2015. Initial analysis shows that the increase is in children who are obese; the percentage of overweight children has remained stable. The figures are being further analysed to understand what has caused this apparent increase.

Suicide: Suicide still remains a significant area of concern although the most recent available figures show a significant reduction from 21.55 per 100,000 population in 2013 to only 4.3 per 100,000 population in 2014. The local target is 20.7 per 100,000 population although wide fluctuations from year to year do occur. A programme of prevention is in place including tackling stigma on mental health issues and a local audit of all sudden

deaths and suicides to help us understand local risk factors and target our preventative work.

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

- 66% for bowel cancer screening (Nov 13-Oct 15) above the target of 60%;
- 78.2% for cervical screening (2014-15) slightly below the target of 80% but highest in Scotland
- 84.4% for breast screening (3 yr rolling average 2011-14) above the target of 80%.

The most recent immunisation rates show uptake for the calendar year 2015 above the national target of 95% for most primary immunisations of children and above 90% for all except MMR at 2 years, which has remained low at 88.5%. However uptake of the first dose by age five years has increased to 94.9%, just below the 95% target. Published figures for the uptake of seasonal flu vaccine are not yet available, but the unpublished figures show that for adults, most of the rates are lower than last year (which is the same across Scotland). Shetland had slightly higher rates than the Scottish average for healthy pregnant women, adults in risk groups and carers. The rates in Shetland for children were higher than last year, and higher than the Scottish average.

Infection Control

Work to prevent Healthcare Associated Infections including *Staphylococcus aureus bacteraemia* (SAB) and *Clostridium difficile* (C Diff) continues, with local surveillance and monitoring of every individual case both in hospital and in the community. Although the local rate for SAB has increased for 2015 to 0.53 per 1,000 occupied bed days from 0.46 per 1,000 occupied bed days for 2014, there have been no more actual cases with seven occurring in each of these years so this highlights the need for careful interpretation of data. The local rate for C Diff in 2015 was 0.44 per 1,000 occupied bed days. This is higher than in 2014 but the increase is not statistically significant.

There have only been a small numbers of individual cases with no spread of infection to other patients. The data demonstrate a high standard of infection control and good prevention practice in place locally, with a strong programme of audit and compliance.

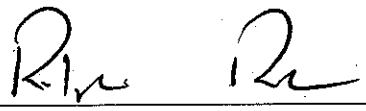
4. Sustainability and Environmental Reporting

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

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

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.

5. Approval and signing of the Performance Report

Signed  Date 21 JUNE 2016

By Ralph Roberts, Chief Executive as Accountable Officer.

THE ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

6. Date of Issue

Financial statements were approved and authorised by the Board on 21 June 2016.

7. Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. For the financial years 2011/12 to 2015/16 the Auditor General appointed David McConnell, Assistant Director of Audit Services, Audit Scotland 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.

8. 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 accounts are set out in a statement following this report.

The names and positions of the board members are set out below and no:

Executive Board Members	*Position Held*
Ralph Roberts	Chief Executive
Dr Sarah Taylor	Director of Public Health and Planning (Retired from post on 31 March 2016)
Dr Roger Diggle	Medical Director
Kathleen Carolan	Director of Nursing and Acute Services
Colin Marsland	Director of Finance
Lorraine Hall	Director of Human Resources and Support Services
Non-Executive Board Members	
Ian Kinniburgh	Chairman
Keith Massey	Vice-Chairman
Dr Catriona Waddington	
Marjorie Williamson	
Malcolm Bell	
Drew Ratter	
Stakeholder Non Executive Board Members	
Ian Sandilands	Chair, Area Partnership Forum
Edna Watson	Chair, Area Clinical Forum
Mr Cecil Smith	SIC Member

9. 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 29.

10. 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 2015/16.

11. Pension Liabilities

The accounting policy note for pensions is provided in Note 1 and disclosure of the costs is shown within Note 24 and the Remuneration Report.

12. Remuneration for non-audit work

Audit Scotland did not undertake any non-audit work for the Board in 2015/16.

13. Value of Land

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

14. 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

15. Personal data related incidents reported to the Information Commissioner

During 2015-16 there was one case reported to the Information Commissioner's Office (ICO). The ICO investigation concluded that the actions taken by the Board in this case were both proportionate and appropriate in management of this personal data incident.

16. Payment policy

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

- In 2015/16 average credit taken was 16 days (compared with 16 days in 2014/15).
- In 2015/16 the Board paid 88.24% by value and 86.51% by volume within 30 days (compared with 88.51% by value and 88.56% by volume in 2014/15).
- In 2015/16 the board paid 76.02% by value and 71.10% by volume within 10 days (compared with 74.80% by value and 73.47% by volume in 2014/15).

17. Disclosure of Information to Auditors

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

18. Events after the end of the reporting period

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

19. 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 27.

THE STATEMENT OF ACCOUNTING 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; and
- prepare the accounts on a going concern basis.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable 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 accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2016 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

GOVERNANCE STATEMENT

Scope of Responsibility

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

My accountability arrangement with respect to the Scottish Government Health and Social Care Directorate (SGHSCD) is as set out in the extant guidance and includes full responsibility for all governance arrangements as well as the performance of the Board. This performance is formally reviewed by the Scottish Government on a yearly basis via the Annual Review process. In addition, a number of other external scrutiny arrangements are in place including ongoing scrutiny of a range of quality and service issues by Healthcare Improvement Scotland (HIS) and other bodies. In 2015/16 this included Joint Inspections of both Children's and Older People's services by HIS and the Care Inspectorate and an unannounced inspection of Older People's care within the Gilbert Bain Hospital.

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 accounts.

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

Strategic Framework

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

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

The Board's five corporate objectives are:

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

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

Our **Local Delivery Plan** sets out intended actions and the risks associated with delivering key national targets and is signed off by the Scottish Government. This includes a detailed one year Financial Plan and a Five Year Plan that sets out the key financial risks to the Board.

Secondly, our **Corporate Action Plan** describes a set of actions, risks and key milestones against each of the above corporate objectives. This is also clearly linked to the Scottish Government's route map to its 2020 Vision.

Thirdly the Board has previously agreed with Shetland Island Council (SIC) a Community Health partnership agreement. This has set out the joint work the Board will progress with the Council across a range of joint services or client groups. In 2015/16 this was replaced with the **Joint Strategic Commissioning Plan**. This is now the key strategic document of the new Integrated Joint Body but also acts as the strategic planning document for all health services including those directly managed and commissioned by the Health Board.

Finally the Board, together with our partners in the Shetland Partnership, agree Shetland's **Single Outcome Agreement** (SOA). This describes the key actions that we deliver in partnership to improve the overall delivery of services and quality of life and outcomes in Shetland as set out in the **Community Plan**.

A key task in 2015/16 has been the updating of the SOA so that this is now a more focussed plan and meets the requirements in future to produce a **Local Outcomes Improvement Plan** (LOIP) that will be in place for 2016/17 and beyond.

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 2015-16 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 12 to 14 of the Accountability Report plus the Risk Management Group (RMG). The Board outlines the remit, role and responsibilities of these committees in the Corporate Handbook.

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

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

In 2015/16 the Board progressed work to develop new Joint Governance arrangements for our Health and Community services, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. This included a review of our internal governance arrangements and this will continue in 2016/17 as the Integrated Joint Board (IJB) evolves.

Corporate Governance

In line with Scottish Government policy, in 2015/16, the Board had the following standing committees:

a. Clinical Governance Committee, now locally renamed as 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)
g. Patient Focus/Public Involvement Steering Group

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

- Remuneration Committee
- Strategy and Redesign Committee

- Community Health Partnership Committee (committee ceased at 31 March 2016)
- The Board's Corporate Governance handbook also refers to the relationship with the IJB that took on its full duties during 2015/16.

The next review of committee membership is due in August 2016.

The functions of the Board's committees are:

Clinical Governance Committee

The Clinical Governance Committee has two key roles:

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

The membership of the Clinical Governance Committee comprises five non-executive Board members and is chaired by Malcolm Bell.

The Committee met four times in the year. In addition the Committee met once jointly with the Audit Committee and Chairs of the other Governance committees for the purpose of reviewing and approving the draft Directors Report and Governance Statement for the annual accounts.

Audit Committee

The Audit Committee comprises five non-executive board members and is chaired by Drew Ratter. 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 five times per year to consider all aspects of control. The Committee receives and discusses reports from internal and external audit and scrutinises the final accounts in detail on behalf of the Board. The Committee meets jointly with Chairs of the other Governance committees for the purpose of considering the draft Directors Report and Governance Statement, as part of the final accounts process.

Endowment Committee

The Endowment Committee comprises all members of the Board and is chaired by Malcolm Bell. The Committee oversees the management of Shetland Health Board Endowment Fund. The Committee met four times during 2015-16.

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 accounts which, for only the second time, are incorporated within the Board's Accounts. Audit Scotland does not audit these accounts 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 Drew Ratter.

During 2015/16 the Committee met on four occasions and also participated in joint work with the Area Clinical Forum and Area Partnership Forum.

Reference Committee

The Board has a Reference Committee which has a general duty of deciding whether allegations of breach of terms of service made against Family Health Contractors should be made to a Discipline Committee. The Reference Committee was not required to meet in 2015/16. The Committee Chair is Cecil Smith, non-executive Director.

Patient Focus/Public Involvement Steering Group

The Board has a Patient Focus / Public Involvement Steering Group, chaired by a non-executive Board member, Keith Massey. The membership includes the Board's Chairman and Chief Executive, the Director of Nursing and Acute Services (who is the Designated Director for Patient Focus and Public Involvement), the Employee Director and lay representatives, including members invited from the voluntary sector.

The Board is committed to ensuring that Patient Focus and Public Involvement are firmly placed within its corporate governance framework, with relevant actions included in the Board's Corporate Action Plan. The Committee met six times in the year.

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 2015/16 the Committee met on two occasions.

Strategy and Redesign Committee

The Strategy and Redesign Committee comprises all members of the board and is chaired by Board Chairman, Ian Kinniburgh.

The Committee oversees policy and strategy development, has strategic oversight of the redesign of the Board's services, and provides oversight of the Board's Corporate Risk Register and Risk Management process. In addition, the Committee receives regular statements and reports on the financial performance of the Board.

The Committee met five times in the year.

Community Health Partnership Committee

The Community Health Partnership Committee comprised five Non-Executive Board member, four elected members from Shetland Islands Council (one of whom is the Council's Stakeholder Non-Executive Board member), and a number of officers and clinical/professional staff from both NHS Shetland and Shetland Islands Council. The Committee met thirteen times in the year.

During 2015/16 as part of the plan for integration of Community Health & Social Care services, in line with the Public Bodies (Joint Working) (Scotland) Act, SIC's Social Services Committee and the Community Health Partnership Committee held joint meetings. These meetings were chaired by Cecil Smith, Non Executive Director and Chair of the SIC's Social Services Committee.

The Committee's remit included ensuring effective delivery of the functions devolved to the CHP and monitoring performance of the CHP. In 2015/16 a key priority has been developing plans for integration.

The CHCP was replaced during 2015/16 by the IJB.

Risk and Control Framework

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

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

NHS Scotland bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a Risk Management Strategy in accordance with relevant guidance issued by Scottish Ministers.

Risk arrangements are managed by the Risk Management Group (RMG) and NHS Shetland has a Risk Management Strategy and annual work plan to embed risk management in the organisation. The work of the RMG is overseen by the Strategy and Redesign Committee which regularly reviews the Board's Corporate Risk Register and risk management process.

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/documents/CorporateRiskRegister.pdf

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

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

More generally, the Board is committed to continuous development and improvement developing systems in response to any relevant reviews and developments in best practice. In particular, during the year to 31 March 2016 and up to the signing of the accounts, the Board has:

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

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 is progressing an update of our Incident Reporting, Investigation and Management Policy.

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

Actions undertaken in 2015/16 include:

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

Clinical Governance

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

During 2015/16 two joint inspections, on Older Peoples and Children's services, were carried out by Health Care Improvement Scotland and the Care Inspectorate. Both reports were considered by the Clinical Governance committee and action plans identified to address potential areas for improvement. As joint reports these also included assessment of the contribution of the Shetland partnership to these service areas.

http://sssc.funnelback.co.uk/s/search.html?query=shetland&collection=care-commission&form=simple&profile=_default

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 delegated responsibility for service delivery of primary care, mental health and community services to the Community Health Partnership Committee. In 2015/16 these became the responsibility of the IJB. During 2015/16 we have developed plans for integrated clinical and care governance arrangements to cover all our services, including those directly managed by the IJB. This included agreeing Terms of Reference for the new joint Clinical Care and Professional Governance Committee and a supporting structure to ensure continued effective governance. This includes appropriate professional frameworks for staff working under joint managerial arrangements.

Staffing within the Clinical Governance, Risk and Health & Safety teams has also been reviewed and a new structure implemented.

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 2015/16 the Board has delivered a significant efficiency programme of £0.7m recurrent savings. In addition we have delivered planned non-recurrent savings of £1.4m to offset the overall deficit within the Board's financial plan.

This was consistent with the overall plan of removing the underlying deficit over a three year period.

Particular pressure was experienced in achieving efficiencies within our Clinical Services and responding to the impact of unavoidable cost pressures in small teams. This includes an over spend in the budgets managed by Community Health and Social Care and the risks associated with this will require to be managed by the IJB in the future.

Within the overall context of public finances and in addressing the underlying deficit, the Board will continue to face a major challenge in meeting its financial duties over the next five years and this remains a major risk to the Board. However the Board has agreed a balanced financial plan for 2016/17 and the subsequent four year period and this is set out in the finance section of the Local Delivery Plan. This is dependent on a challenging savings programme and for the next three years a continued reliance on non-recurrent savings. To deliver this the Board has agreed an Efficiency and Redesign programme, as described in the strategic report.

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. External Audit has conducted a review of the adequacy of our internal audit provider, Scott Moncrieff, and concluded that Internal Audit has appropriate documentation, standards and reporting procedures upon which they could place reliance. Their methodology and approach is consistent with the Public Sector Internal Audit Standards.

An Annual Report was produced and presented by Internal Audit to the Joint Audit and Governance Chairs Committee meeting on 20 May 2016. Internal Audit's conclusion was that a framework of control is in place that provides reasonable assurance regarding effective and efficient achievement of the organisation's objectives and the management of key risks. Proper arrangements are in place, in the areas Internal Audit has reviewed, to promote value for money, deliver best value and secure regularity and propriety in the

administration and operation of the organisation. This meeting also received the Internal Audit Report reviewing the governance, risk management and project management of our joint working with SIC to create Shetland Islands Health & Social Care Partnership. This concluded appropriate pre-integration arrangements had been put in place.

During 2015/16 the Internal Audit plan consisted of eight 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 thirty-seven outstanding audit actions, twenty two new audit actions were added and thirty audit actions were closed during the year leaving eighteen audit actions partially complete, including fixed asset verifications (page 4). Eleven audit actions were not yet due. Therefore only 62.5% of Audit Actions due had been completed and work is on-going to improve management's delivery of agreed action plans. During 2015/16 Internal Audit raised three high risk issues where control procedures were deemed not effective in relation to NHS Shetland's Communications Strategy, Public Records Scotland Act Implementation and staff capacity to deliver the efficiency agenda. Work has been ongoing in 2015/16 to address these issues and finalise the four partially complete significant issues originally highlighted in 2013/14. Additional investment in staff has been made in 2016-17 to Information Technology and Governance to assist in address organisational risks from the outstanding audit issues from 2013-14.

Counter Fraud Services

During the year, NHS Scotland Counter Fraud Services 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. Counter Fraud Services 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 2015 potentially decreased to £9,209 from £11,405 in 2014. The estimated potential fraud or error rate is below the NHS Scotland average.

NHS Endowments

In accordance with IAS 27 Consolidated and Separate Financial Statements, the Financial Statements consolidate the Shetland Health Board Endowment Funds. These statements include any relevant disclosures in respect of these Endowment Accounts.

Information Governance

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

The IG work plan is monitored through the Information Support Group (ISG) which has lead responsibility for information governance. An annual report is produced to highlight the actions taken.

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 Governance Committee. Progress has been made in the following areas during 2015/16:

- Review and significant update to the Freedom of Information documents with a New Model Publication Scheme.
- Significant improvement in the physical environment for patient records storage
- Information Governance sub-group's continued review of the Board's Information Assurance assessment against national standards.
- Reviewed the role of ISG and the eHealth strategy group to create a joint group with a single membership.

There have been a small number of "near miss" data security incidents during 2015/16. 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 not been as quick as planned. 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 in 2016/17. Internal Audit has highlighted this as a key management risk requiring attention.

Staff Governance

The Staff Governance Committee's role is to ensure appropriate governance and over-sight of the management of all staff and employment issues. The Committee has an important role in ensuring consistency of policy and equity of treatment of all staff and assessing the Board's compliance with NHS Scotland Staff Governance standards to ensure compliance with all relevant laws and regulations. Activities undertaken within the Staff Governance action plan during the last year include updating relevant policies and work to improve the organisational culture and transparency. Electronic Knowledge and Skills Framework (E-KSF) compliance remains a key objective.

Best Value

During 2015/16 the Board has maintained its approach to Best Value (BV) that provides me, as Accountable Officer, with confidence in our delivery of the nine BV characteristics. Our approach is based on a template developed by NHS Fife with input from the Scottish Government Health & Social Care Directorates (SGHSCD) and the national Corporate Governance and Audit Forum. Responsibility for each characteristic is assigned to committees within the Board. These are primarily the formal sub-committees of the Board with a number of other groups identified as carrying responsibility or joint responsibility where appropriate. The framework has then been populated to identify evidence that could demonstrate our progress against each element. The chair of each committee has then formally confirmed this reflects the work carried out against these elements. I can confirm that arrangements have been made to secure Best Value as set out in the 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 2016. 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 Integrated Joint Board (IJB) was the culmination of a transition programme jointly managed by NHS Shetland and Shetland Island Council. This was led by a joint programme board and supported by officers from both organisations.

Following the approval of the Integration scheme and agreement between the parties that the transition plan had been appropriately progressed the IJB agreed a Joint Strategic plan for 2015/16 on 20th November 2015.

In line with the decision of the Board at its meeting 18th 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 any 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 will meet on an as required basis and will also provide an opportunity to review our progress in delivering benefits of Integration.

Board Compliance with Scottish Public Finance Manual

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

This includes ensuring self-evaluation and Key Performance Indicators are in place to identify and address the development needs of Executive and Non-Executive Board members.

Review of Effectiveness

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

- the executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;

- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include Internal Audit's independent and objective opinion on the adequacy and effectiveness of the board's systems of internal control together with recommendations for improvement; and
- comments made by the External Auditors in their management letters and other reports.

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

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

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

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

Disclosures

As highlighted in the Performance report and Governance statement, it has been recognised that the Board's asset verification process requires to be strengthened. While extended testing as a result of the annual accounts process has not identified any issues which would result in a qualification of the auditor's opinion on the financial statements, it has shown weaknesses in our record keeping reported on by our External Auditors.

With the exception of the above, during the previous financial year, no further 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						
REMUNERATION TABLE (AUDITED INFORMATION)						
YEAR ENDED 31 MARCH 2016						
Director	**Directors Gross Salary (bands of £5,000)**	**Bonus Payments (bands of £5,000)**	**Benefits in Kind**	**Total Earnings in Year (bands of £5,000)**	**Pension Benefits**	**Total Remuneration (bands of £5,000)**
	£'000s	**£'000s**	**£'000s**	**£,000s**	**£'000s**	**£'000s**
Executive Members						
Chief Executive: Ralph Roberts	100-105	0	0	100-105	78	175-180
Medical Director: Dr Roger Diggle [1]	130-135	0	0	130-135	20	150-155
Dir of Public Health: Dr Sarah Taylor	150-155	0	0	150-155	64	215-220
Dir of Nursing and Acute Services : Kathleen Carolan	85-90	0	0	85-90	31	115-120
Dir of Finance: Colin Marsland	65-70	0	0	65-70	51	120-125
Dir of Human Resources and Support Services: Lorraine Hall	70-75	0	0	70-75	30	100-105
Non-Executive Members						
The Chair: Ian Kinniburgh	25-30	0	0	25-30	0	25-30
Drew Ratter	5-10	0	0	5-10	0	5-10
Dr Catriona Waddington	5-10	0	0	5-10	0	5-10
Keith Massey	5-10	0	0	5-10	0	5-10
Marjorie Williamson	5-10	0	0	5-10	0	5-10
Malcolm Bell	5-10	0	0	5-10	0	5-10
Cecil Smith	5-10	0	0	5-10	0	5-10
Other Board Members						
Chair of Area Clinical Forum: Edna Watson [2]	65-70	0	0	65-70	4	70-75
Employee Director: Ian Sandilands [3]	50-55	0	0	50-55	12	65-70
Other Senior Employees						
Director of Community Health & Social Care: Simon Bokor-Ingram	90-95	0	0	90-95	45	135-140
Total					335	

Notes in respect of 2015-16 disclosure:

[1] The Medical Director's salary includes £87k in respect of non-Board duties.

[2] The Chair of the Area Clinical Forum salary includes £60k in respect of non-Board duties.

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

[4] Staff engaged on Senior Manager Terms and Conditions received their outstanding 2014-15 pay award in April 2015 and also their 2015-16 pay award in February 2016. This has inflated the pension benefits reported in this year.

SHETLAND NHS BOARD					
PENSION VALUES (AUDITED INFORMATION)					
YEAR ENDED 31 MARCH 2016					
Director	**Accrued pension at age 60 as at 31/3/16 (bands of £5,000)[1]**	**Real Increase in Pension at age 60 (bands of £2,500)**	**CETV at 31/3/16**	**CETV at 31/3/15**	**Real Increase in CETV**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Executive Members					
Chief Executive: Ralph Roberts	35-40 (105-110)	2.5-5	666	576	77
Medical Director: Dr Roger Diggle	5-10 (0)	0-2.5	82	57	16
Dir of Public Health: Dr Sarah Taylor	60-65 (185-190)	2.5-5	1,403	1,281	101
Dir of Nursing and Acute Services : Kathleen Carolan	15-20 (40-45)	0-2.5	212	184	2
Dir of Finance: Colin Marsland	20-25 (55-60)	2.5-5	332	284	26
Dir of Human Resources and Support Services: Lorraine Hall	10-15 (30-35)	0-2.5	209	172	28
Non-Executive Members					
The Chair: Ian Kinniburgh	0	0	0	0	0
Drew Ratter	0	0	0	0	0
Dr Catriona Waddington	0	0	0	0	0
Keith Massey	0	0	0	0	0
Marjorie Williamson	0	0	0	0	0
Malcolm Bell	0	0	0	0	0
Cecil Smith	0	0	0	0	0
Other Board Members					
Chair of Area Clinical Forum: Edna Watson	20-25 (60-65)	0-2.5	367	349	11
Employee Director: Ian Sandilands	15-20 (50-55)	0-2.5	330	307	19
Other Senior Employees					
Director of Community Health & Social Care: Simon Bokor-Ingram	25-30 (70-75)	2.5-5	446	396	19
Total					299

Notes in respect of 2015-16 disclosure:

[1] Accrued annual pension stated first followed by lump sum payment inside brackets.

SHETLAND NHS BOARD						
REMUNERATION TABLE (AUDITED INFORMATION)						
YEAR ENDED 31 MARCH 2015						
Director	**Directors Gross Salary(bands of £5,000)**	**Bonus Payments (bands of £5,000)**	**Benefits in Kind [1]**	**Total Earnings in Year**	**Pension Benefits**	**Total Remuneration (bands of £5,000)**
	£'000s	**£'000s**	**£'000s**	**£,000s**	**£'000s**	**£'000s**
Executive Members						
Chief Executive: Ralph Roberts	90-95	0	0	90-95	7	100-105
Medical Director: Dr Roger Diggle [1]	130-135	0	0	130-135	13	145-150
Dir of Public Health: Dr Sarah Taylor	145-150	0	0	145-150	15	165-170
Dir of Nursing : Kathleen Carolan	80-85	0	0	80-85	27	90-95
Dir of Finance: Colin Marsland	60-65	0	0	60-65	7	70-75
Dir of Human Resources and Support Services: Lorraine Hall	65-70	0	0	65-70	9	75-80
Non-Executive Members						
The Chair: Ian Kinniburgh	25-30	0	0	25-30	0	25-30
Drew Ratter	5-10	0	0	5-10	0	5-10
Dr Catriona Waddington	5-10	0	0	5-10	0	5-10
Keith Massey	5-10	0	0	5-10	0	5-10
Marjorie Williamson	5-10	0	0	5-10	0	5-10
Malcolm Bell	5-10	0	0	5-10	0	5-10
Cecil Smith	5-10	0	0	5-10	0	5-10
Other Board Members						
Chair of Area Clinical Forum: Dr Susan Laidlaw (till 31.05.14) [2]	55-60	0	0	55-60	12	65-70
Chair of Area Clinical Forum: Edna Watson (from 01.06.14) [2]	65-70	0	0	65-70	12	70-75
Employee Director: Ian Sandilands [3]	50-55	0	0	50-55	0	55-60
Other Senior Employees						
Director of Clinical Services Simon Bokor-Ingram	85-90	0	0	85-90	10	100-105
Total			0		112	

Notes in respect of 2014-15 disclosure:

[1] The Medical Director's salary includes £86k in respect of non-Board duties.

[2] The Chairs of the Area Clinical Forum salaries includes (SL £57k, EW £60k) in respect of non-Board duties.

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

[4] Staff engaged on Senior Manager Terms and conditions have an outstanding 2014-15 pay award payment due that is not included in the above table.

SHETLAND NHS BOARD					
PENSION VALUES (AUDITED INFORMATION)					
YEAR ENDED 31 MARCH 2015					
Director	**Accrued pension at age 60 as at 31/3/15 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500)**	**CETV at 31/3/15**	**CETV at 31/3/14**	**Real Increase in CETV**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Executive Members					
Chief Executive: Ralph Roberts	30-35 (90-95)	0-2.5	570	539	18
Medical Director: Dr Roger Diggle	0-5 (0)	0-2.5	57	39	9
Dir of Public Health: Dr Sarah Taylor	55-60 (170-175)	0-2.5	1,268	1,199	50
Dir of Nursing: Kathleen Carolan	10-15 (35-40)	0-2.5	182	155	16
Dir of Finance: Colin Marsland	15-20 (50-55)	0-2.5	280	263	10
Dir of Human Resources and Support Services: Lorraine Hall	5-10 (25-30)	0-2.5	170	153	9
Non-Executive Members					
The Chair: Ian Kinniburgh	0	0	0	0	0
Drew Ratter	0	0	0	0	0
Dr Catriona Waddington	0	0	0	0	0
Keith Massey	0	0	0	0	0
Marjories Williamson	0	0	0	0	0
Malcolm Bell	0	0	0	0	0
Cecil Smith	0	0	0	0	0
Other Board Members					
Chair of Area Clinical Forum: Dr Susan Laidlaw (till 31.05.14)	20-25 (65-70)	0-2.5	359	335	16
Chair of Area Clinical Forum: Edna Watson (from 01.06.14)	20-25 (60-65)	0-2.5	345	322	16
Employee Director: Ian Sandilands	15-20 (45-50)	0-2.5	304	293	7
Other Senior Employees					
Director of Clinical Services: Simon Bokor-Ingram	20-25 (65-70)	0-2.5	392	365	15
Total					166

Notes in respect of 2014-15 disclosure:

[1] Accrued annual pension stated first followed by lump sum payment inside brackets.

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.

2015-16		**2014-15**	
Highest Earning Director's Total Remuneration (£000s)	150-155	Highest Earning Director's Total Remuneration (£000s)	145-150
Median Total Remuneration	29,432	Median Total Remuneration	27,993
Ratio	1:5	Ratio	1:5

The remuneration figures used for this calculation represent the annualised whole time equivalent salary figures excluding employer's pension contributions. The figures disclosed earlier in this remuneration report represent actual earnings for the year inclusive of pension costs. In respect of staff with part-time employment the total pay used in the calculation of the median has been grossed-up to a whole time equivalent value (WTE) but staff with contracts of less than 2 hours were excluded as this can lead to very high annual salaries when grossed up that distort the median result. Arrears of staff pay have also been excluded as this may also distort the median. Agency staff is excluded, as they are not employees and are charged via invoice, not via payroll.

The highest paid Director in 2014-15 and 2015-16 is the same person employed in the same post. The value in band terms is unchanged between the two years. The increase in the median salary value is the result of pay inflation uplift applied in 2015-16

STAFF REPORT

a) Number of senior staff by band

This information is provided by headcount and represents the Executive Board Members and Other Senior Employees from the Remuneration Report.

	2016	**2015**
Band (bands of £5,000)	**Number of Staff**	**Number of Staff**
60-65	0	1
65-70	1	1
70-75	1	0
75-80	0	1
85-90	1	1
90-95	1	1
100-105	1	0
125-130	0	1
130-135	1	0
145-150	0	1
150-155	1	0
Total	**7**	**7**

b) Staff Numbers

Headcount does not include Agency Staff and Inward Secondees as this level of data cannot be separately identified by the finance and HR information systems.

STAFF NUMBERS	**Wte**	**Wte**		**Headcount**	**Headcount**
	2016	**2015**		**2016**	**2015**
	Annual Mean	**Annual Mean**		**Annual Mean**	**Annual Mean**
Administration Costs	122.1	120.7		149	146
Hospital & Community Services	345.1	349.8		415	415
Non Clinical Services	93.2	95.1		116	117
Board Total Average Staff	**560.4**	**565.6**		**680**	**678**

Permanent Staff	536.4	540.1	666	660
Staff with Short Term Contract	24.0	25.5	31	32
Inward Secondees				
Agency Staff				
Outward Secondees	0	1.36	3	2
Board Total Average Staff	**560.4**	**565.6**	**697**	**692**
Disabled Staff	22.78	12.15	26	13
Special Advisers	0	0	0	0
The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was:	0	0	0	0

c) Staff composition

	2016				2015			
	Male	Female	Prefer not to say	Total	Male	Female	Prefer not to say	Total
Executive Directors	3	3	0	6	3	3	0	6
Non-Executive Directors and Employee Director	6	2	0	8	6	2	0	8
Senior Employees	1	0	0	1	1	0	0	1
Other	116	552	0	668	113	555	0	668
Total Headcount	126	557	0	683	123	560	0	683

d) Sickness absence data

	2016	2015
Sickness Absence Rate	5.2%	4.6%

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

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

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

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

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

f) Expenditure on consultancy

Scottish Government guidance on 'Use of Consultancy Procedures' defines 'consultancy' as including a wide range of professional services such as management consultancy, IT consultancy, financial consultancy, construction or infrastructure related consultancy, research and evaluation policy development (including feasibility studies).
http://www.gov.scot/Topics/Government/Procurement/about/SPDDOCFORMS/v

	2016	2015
	£	£
ICT Consultancy	6,890	0
Management Consultancy	70,320	0
Construction Projects Consultancy	11,360	0

g) Off-Payroll Engagements as defined by the Treasury PES (2013) 09 Guidance

For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last longer than six months:

	2016	2015
	Number	Number
Number of existing engagements as of 31 March 2016	9	6
Of which, the number that have existed:		
for less than one year at the time of reporting	4	1
for between one and two years at the time of reporting	2	2
for between 2 and 3 years at the time of reporting	0	0
for between 3 and 4 years at the time of reporting	0	0
for 4 or more years at the time of reporting	3	3

For all new off-payroll engagements between 1 April 2015 and 31 March 2016, for more than £220 per day and that last longer than six months:

	2016	2015
	Number	Number
Number of new engagements, or those that reached six months in duration, between 1 April 2015 and 31 March 2016	6	4
Number of new engagements which include contractual clauses giving Shetland Health Board the right to request assurance in relation to income tax and National Insurance obligations	2	3
Number for whom assurance has been requested	0	0
Of which:		
assurance has been received	0	0
assurance has not been received		
engagements terminated as a result of assurance not being received	0	0

The Board can confirm that all existing off-payroll engagements have at some point been subject to a risk based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

h) Exit packages

None in 2015/16 or prior year, note 32.

Approval and signing of the Accountability Report

Signed _____ Date 21 JUNE 2016

By Ralph Roberts, Chief Executive as Accountable Officer.

AUDIT REPORT

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

I have audited the financial statements of Shetland Health Board and its group for the year ended 31 March 2016 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, the Consolidated Balance Sheet, the Statement of Consolidated Cash Flow, the Statement of Consolidated Changes in Taxpayers' Equity and the related notes. 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 2015/16 Government Financial Reporting Manual (the 2015/16 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Health Board, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the board and its group and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition I read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the 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 affairs of the board and its group as at 31 March 2016 and of their net operating cost 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 2015/16 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.

Opinion on regularity

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

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly 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 performance report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers; or
- there has been a failure to achieve a prescribed financial objective.

I have the following to report in respect of these matters. The accounting records maintained by the board in relation to elements of property, plant and equipment were not kept fully up to date during the year and did not reflect the board's disposal of a number of assets. In my opinion, therefore, adequate accounting records have not been kept in respect of these assets.

I have nothing to report in respect of the other matters.

David McConnell 23 June 2016

David McConnell, CPFA, Assistant Director
Audit Scotland
4th Floor, South Suite
8 Nelson Mandela Place Glasgow
G2 1BT

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2016

2015 £'000		Note	£'000	2016 £'000
	Clinical Services Costs			
37,724	Hospital and Community	4	47,288	
1,172	Less: Hospital and Community Income	8	10,020	
36,552				37,268
13,430	Family Health	5	14,341	
461	Less: Family Health Income	8	397	
12,969				
				13,944
49,521	**Total Clinical Services Costs**			**51,212**
1,920	Administration Costs	6	1,923	
108	Less: Administration Income	8	64	
1,812				1,859
4,058	Other Non Clinical Services	7	3,874	
927	Less: Other Operating Income	8	1,178	
3,131				
				2,696
54,464	**Net Operating Costs**			**55,767**

OTHER COMPREHENSIVE NET EXPENDITURE

2015 £'000		£'000
0	Net (gain)/loss on revaluation of Property Plant and equipment	0
0	Net (gain)/loss on revaluation of Intangibles	0
(72)	Net (gain)/loss on revaluation of available for sale financial assets	132
(72)	Other Comprehensive Expenditure	132
54,392	**Total Comprehensive Expenditure**	**55,899**

The Notes to the Accounts, numbered 1 to 33, form an integral part of these Accounts.

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE (Cont)

FOR THE YEAR ENDED 31 MARCH 2016

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	Note	2016 £'000
Net Operating Costs		**55,767**
Total Non Core Expenditure (see below)		(1,783)
FHS Non Discretionary Allocation		(1,220)
Donated Assets Income		0
Endowment Net Operating Costs		46
Total Core Expenditure		**52,810**
Core Revenue Resource Limit		53,206
Saving/(excess) against Core Revenue Resource Limit		**396**

SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN	
Capital Grants to / (from) Other Bodies	0
Depreciation/Amortisation	1,311
Annually Managed Expenditure – Impairments	207
Annually Managed Expenditure - Creation of Provisions	182
Annually Managed Expenditure - Depreciation of Donated Assets	83
Additional SGHSCD Non-Core Funding	0
AME – Pension Valuation	0
IFRS PFI Expenditure	0
Total Non Core Expenditure	**1,783**
Non Core Revenue Resource Limit	1,786
Saving/(excess) against Non Core Revenue Resource Limit	**3**

SUMMARY RESOURCE OUTTURN

	Resource £'000	Expenditure £'000	Saving/ (Excess) £'000
Core	53,206	52,810	396
Non Core	1,786	1,783	3
Total	**54,992**	**54,593**	**399**

SHETLAND NHS BOARD

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2016

Cons 2014 £'000	Board 2014 £'000	Cons 2015 £'000	Board 2015 £'000		Note	Cons 2016 £'000	Board 2016 £'000
31,205	31,205	30,175	30,175	Property, plant and equipment	11	29,129	29,129
54	54	45	45	Intangible assets	10	36	36
				Financial assets:			
1,168	0	1,238	0	Available for sale financial assets	14	1,170	0
32,427	**31,259**	**31,458**	**30,220**	**Total non-current assets**		**30,335**	**29,165**
				Current Assets:			
501	501	457	457	Inventories	12	394	394
				Financial assets:			
1,330	1,505	1,181	1,294	Trade and other receivables	13	1,243	1,311
286	106	196	125	Cash and cash equivalents	15	167	143
0	0	400	400	Assets classified as held for sale	11	138	138
2,117	**2,112**	**2,234**	**2,276**	**Total current assets**		**1,942**	**1,986**
34,544	**33,371**	**33,692**	**32,496**	**Total assets**		**32,277**	**31,151**
				Current liabilities			
(207)	(207)	(534)	(534)	Provisions	17	(326)	(326)
				Financial liabilities:			
(6,161)	(6,195)	(6,909)	(6,951)	Trade and other payables	16	(6,309)	(6,335)
(6,368)	**(6,402)**	**(7,443)**	**(7,485)**	**Total current liabilities**		**(6,635)**	**(6,661)**
28,176	**26,969**	**26,249**	**25,011**	**Non-current assets plus/less net current assets/liabilities**		**25,642**	**24,490**
				Non-current liabilities			
(833)	(833)	(523)	(523)	Provisions	17	(829)	(829)
				Financial liabilities:			
(833)	**(833)**	**(523)**	**(523)**	**Total non-current liabilities**		**(829)**	**(829)**
27,343	**26,136**	**25,726**	**24,488**	**Assets less liabilities**		**24,813**	**23,661**
				Taxpayers' Equity			
14,931	14,931	13,651	13,651	General fund		13,386	13,386
11,205	11,205	10,837	10,837	Revaluation reserve		10,275	10,275
1,207	0	1,238	0	Fund held on Trust		1,152	0
27,343	**26,136**	**25,726**	**24,488**	**Total taxpayers' equity**		**24,813**	**23,661**

(Cons) is an abbreviation of consolidated

..... Director of Finance 21st June 2016

..... Chief Executive 21 JUNE 2016

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2016

2015 £'000		Note	2016 £'000	2016 £'000
	Cash flows from operating activities			
(54,464)	Net operating cost		(55,767)	
1,361	Adjustments for non-cash transactions	33c	1,183	
0	Add back: interest payable recognised in net operating cost		0	
0	Deduct: interest receivable recognised in net operating cost		0	
(33)	Investment income	33c	(31)	
187	(Increase) / decrease in trade and other receivables	13	(1)	
44	(Increase) / decrease in inventories	12	63	
677	Increase / (decrease) in trade and other payables	16	(672)	
17	Increase / (decrease) in provisions	17	98	
(52,211)	**Net cash outflow from operating activities**			**(55,127)**
	Cash flows from investing activities			
(801)	Purchase of property, plant and equipment	11	(687)	
0	Purchase of intangible assets		0	
(24)	Investment Additions		(382)	
79	Proceeds of disposal of property, plant and equipment	9	711	
26	Receipts from sale of investments		427	
33	Interest received	33c	31	
(687)	**Net cash outflow from investing activities**			**100**
	Cash flows from financing activities			
52,796	Funding		54,986	
18	Movement in general fund working capital		18	
52,814	Cash drawn down		55,004	
(6)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	18	(6)	
0	Interest paid		0	
0	Interest element of finance leases and on-balance sheet PFI/PPP contracts		0	
52,808	**Net Financing**			**54,998**
(90)	Net Increase / (decrease) in cash and cash equivalents in the period			(29)
286	Cash and cash equivalents at the beginning of the period			196
196	**Cash and cash equivalents at the end of the period**			**167**
	Reconciliation of net cash flow to movement in net debt/cash			
(90)	Increase/(decrease) in cash in year			(29)
286	Net debt/cash at 1 April			196
196	**Net debt/cash at 31 March**		[1]	**167**

[1] Comprised of £143k Board and £24k Endowment Fund.

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2016

	Note	General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Fund Held on Trust	Total Reserves £'000
Balance at 31 March 2015		13,651	10,837	0	1,238	25,726
Restated balance at 1 April 2015		**13,651**	**10,837**	**0**	**1,238**	**25,726**
Changes in taxpayers' equity for 2015-16						
Net gain/(loss) on revaluation of intangible assets	10	0	10	0	0	10
Net gain/(loss) on revaluation of available for sale financial assets	14	0	0	0	(132)	(132)
Impairment of property, plant and equipment	11a	0	(217)	0	0	(217)
Transfers between reserves		562	(562)	0	0	0
Impairments taken to operating costs	3	0	207	0	0	207
Net operating cost for the year		(55,813)	0	0	46	(55,767)
Total recognised income and expense for 2015-16		(55,251)	(562)	0	(86)	(55,899)
Funding:						
Drawn down		55,004	0	0	0	55,004
Movement in General Fund (Creditor) / Debtor		(18)	0	0	0	(18)
Balance at 31 March 2016		**13,386**	**10,275**	**0**	**1,152**	**24,813**

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR

FOR THE YEAR ENDED 31 MARCH 2015

	Note	General Fund £'000	Revaluation Reserve £'000	Other Reserve £'000	Funds Held on Trust	Total Reserves £'000
Balance at 31 March 2014		14,931	11,205	0	1,207	27,343
Restated balance at 1 April 2014		**14,931**	**11,205**	**0**	**1,207**	**27,343**
Changes in taxpayers' equity for 2014-15						
Net gain/(loss) on revaluation of available for sale financial assets	14	0	0	0	51	51
Transfers between reserves		368	(368)	0	0	0
Net operating cost for the year		(54,444)	0	0	(20)	(54,464)
Total recognised income and expense for 2014-15		(54,076)	(368)	0	31	(54,413)
Funding:						
Drawn down		52,814	0	0	0	52,814
Movement in General Fund (Creditor) / Debtor		(18)	0	0	0	(18)
Balance at 31 March 2015		**13,651**	**10,837**	**0**	**1,238**	**25,726**

The Notes to the Accounts, numbered 1 to 33, 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 Accounts 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 accounts.

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

(a) Standards, amendments and interpretations effective in 2015-16

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

(b) Standards, amendments and interpretation early adopted in 2015-16

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

(c) Standards, amendments and interpretation not yet adopted in 2015-16

The standards issued, not yet adopted have been reviewed with the majority having no impact on the accounts of the Board or the consolidated entity. Standards that could impact on the Board Accounts require further analysis and review by HM Treasury and Relevant Authorities. The potential impact cannot be quantified until this review has been undertaken

2. Basis of Consolidation

Consolidation

In accordance with IAS 27 – Separate Financial Statements, the Financial Statements consolidate the Shetland Health Board Endowment Fund 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 33 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 2015/16 Strategic Commissioning Plan on 20th November 2015 so consolidation is only required for the period from 20th November to 31st March 2016. The basis of consolidation used is a joint venture under IFRS 11.

3. Prior Year Adjustments

There were no prior year adjustments.

4. Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

Title to properties included in the accounts 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 a full valuation of the estate taking place as at 31st March 2014. The next full valuation is scheduled for 31st March 2017. This programme was deemed to be the most economically advantageous option during the contract renewal process. This will also ensure the value of the asset base more accurately reflects movements in the market.

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

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

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

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

Subsequent expenditure:

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

Revaluations and Impairment:

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

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

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

7.3 Depreciation

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

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

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

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category	Component	Useful Life
Land		Unlimited
Buildings [*]	Various	As determined by valuer
Dwellings		As above
Transport Equipment		5 to 15 years
Plant & Machinery		5 to 15 Years
Information Technology		5 to 10 years
Furniture and Fittings		5 to 15 years

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

8. Intangible Assets

8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Board's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the Board and where the cost of the asset can be measured reliably.

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in a Board's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Internally generated intangible assets:

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

Expenditure on research is not capitalised.

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

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Board intends to complete the asset and sell or use it;
- the Board has the ability to sell or use the asset;

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

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

Software:

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

Software licences:

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

8.2 Measurement

Valuation:

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

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

Revaluation and impairment:

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

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

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

8.3 Amortisation

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

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 three dwellings held that met the definition of non-current assets held for sale. These dwellings were 49 and 52 Nederdale in Lerwick and The Toogs in Burra. The combined value of these properties was £138k.

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

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

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

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

10. Donated Assets

Non-current assets that are donated or purchased using donated funds are included in the 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 IFRS.

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

Operating leases

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

Leases of land and buildings

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

13. Impairment of non-financial assets

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

14. General Fund Receivables and Payables

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

15. Inventories

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

16. Losses and Special Payments

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

17. Employee Benefits

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 'Employee

Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary and determines the rate of contributions required. The most recent actuarial valuation took place in the year to 31 March 2015, as a result of this review the Employers contribution from 1 April 2016 increases from 13.5% to 14.9%.

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

18. Clinical and Medical Negligence Costs

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

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

NHS Shetland also provides for its liability from participating in the scheme. The Participation in CNORIS provision recognises the Board's respective share of the total liability of NHSScotland 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 29 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 19 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 19, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

23. Corresponding Amounts

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

24. Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

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

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

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

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

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

Financial Liabilities

Classification

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

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

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

(b) Other financial liabilities

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

Recognition and measurement

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

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

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

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

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

(b) Other financial liabilities

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

25. Segmental reporting

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

26. Cash and cash equivalents

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

27. Third party assets

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

However, they are disclosed in Note 31 to the accounts in accordance with the requirements of HM Treasury's Financial Reporting Manual.

28. Key sources of judgement and estimation uncertainty

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

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

Estimates and uncertainties mainly relate to the value of property and provisions for future liabilities. The value of fixed assets is based on valuations provided by a professional valuer. The two key provisions in the accounts relate to the future costs of former employees that have retired prematurely and potential negligence claims. For 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. For negligence claims, the future costs are estimated based on information received from the Central Legal Office.

2 (a) PAY COSTS

2015								2016
Total		Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	Total
£'000	STAFF COSTS	£'000	£'000	£'000	£000	£'000	£'000	£'000
20,851	Salaries and wages	613	191	20,872	0	0	0	21,676
1,668	Social security costs	71	15	1,604	0	0	0	1,690
2,474	NHS scheme employers' costs	85	15	2,701	0	0	0	2,801
0	Other employers' pension costs	0	0	0	0	0	0	0
(104)	Inward secondees	0	0	0	107	0	(59)	48
2,092	Agency staff	0	0	0	0	1,925	0	1,925
26,981		769	221	25,177	107	1,925	(59)	28,140
0	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
0	Pensions to former board members	0	0	0	0	0	0	0
26,981	TOTAL	769	221	25,177	107	1,925	(59)	28,140

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the scheme in Note 24.

2 (b) HIGHER PAID EMPLOYEES REMUNERATION

Restated 2015 Number				2016 Number
	Other employees whose remuneration fell within the following ranges:			
	Clinicians			
16	£ 50,001	to	£ 60,000	14
10	£ 60,001	to	£70,000	10
6	£ 70,001	to	£ 80,000	4
5	£ 80,001	to	£ 90,000	7
2	£ 90,001	to	£100,000	1
1	£100,001	to	£110,000	1
2	£110,001	to	£120,000	4
3	£120,001	to	£130,000	2
4	£130,001	to	£140,000	0
1	£140,001	to	£150,000	1
1	£150,001	to	£160,000	2
1	£160,001	to	£170,000	0
0	£170,001	to	£180,000	1
0	£180,001	to	£190,000	0
0	£190,001	to	£200,000	0
0	£200,001	and above		0
	Other			
2	£ 50,001	to	£ 60,000	2
2	£ 60,001	to	£ 70,000	1
2	£ 70,001	to	£ 80,000	2
0	£ 80,001	to	£ 90,000	1
1	£ 90,001	to	£100,000	0
0	£100,001	to	£110,000	1
0	£110,001	to	£120,000	0
0	£120,001	to	£130,000	0
0	£130,001	to	£140,000	0
0	£140,001	to	£150,000	0
0	£150,001	to	£160,000	0
0	£160,001	to	£170,000	0
0	£170,001	to	£180,000	0
0	£180,001	to	£190,000	0
0	£190,001	to	£200,000	0
0	£200,001	and above		0

3. OTHER OPERATING COSTS

2015 £'000		Note	2016 £'000
	Expenditure Not Paid In Cash		
1,303	Depreciation	11	1,294
9	Amortisation	10	19
83	Depreciation Donated Assets	11b	83
0	Impairments on property, plant & equipment charged to SOCNE	10/11a	207
0	Funding Of Donated Assets	11b	0
(34)	Loss/(Profit) on disposal of property, plant and equipment		(310)
1,361	**Total Expenditure Not Paid In Cash**		**1,293**
	Interest Payable		
0	Provisions - Unwinding of discount		0
0	**Total**		**0**
	Statutory Audit		
65	External auditor's remuneration and expenses		65

4. HOSPITAL AND COMMUNITY HEALTH SERVICES

2015 £'000	BY PROVIDER	Note	2016 £'000
28,339	Treatment in Board area of NHSScotland Patients		29,070
7,492	Other NHSScotland Bodies		7,125
62	Health Bodies outside Scotland		28
243	Private sector		288
	Community Care		
1,588	Resource Transfer		1,835
0	Contribution of Health Board to Integration Joint Board [1]		8,931
37,724	**Total NHSScotland Patients**		**47,277**
0	Treatment of UK residents based outside Scotland		11
37,724	**Total Hospital & Community Health Service**		**47,288**

[1] £8,564k initial contribution plus £367k to fund overspend on IJB delegated services.

5. FAMILY HEALTH SERVICE EXPENDITURE

2015 £'000		2016 Unified Budget £'000	2016 Non Disc £'000	2016 TOTAL £'000
4,732	Primary Medical Services	4,755	0	4,755
5,082	Pharmaceutical Services	5,176	756	5,932
3,200	General Dental Services	3,182	31	3,213
416	General Ophthalmic Services	0	441	441
13,430	**Total**	**13,113**	**1,228**	**14,341**

6. ADMINISTRATION COSTS

2015 £'000		Note	2016 £'000
1,019	Board members' remuneration	2(a)	990
212	Administration of Board Meetings and Committees		266
56	Corporate Governance and Statutory Reporting		111
383	Health Planning, Commissioning and Perf. Reporting		363
250	Other		193
1,920	**Total administration costs**		**1,923**

7. OTHER NON CLINICAL SERVICES

2015 £'000		Note	2016 £'000
68	Compensation payments – Clinical		169
23	Pension enhancement & redundancy		20
2,923	Patients' Travel Highlands and Islands scheme		2,911
917	Health Promotion		679
20	Emergency Planning		20
107	Endowment Expenditure		75
4,058	**Total Other Non Clinical Services**		**3,874**

8. OPERATING INCOME

2015 £'000		2016 £'000
	Hospital and Community Health Services Income	
	NHSScotland Bodies	
99	Boards	146
	Non NHS	
3	Private Patients	0
0	Income for services commissioned by Integration Joint Board [1]	8,931
1,070	Other Hospital and Community Health Services income	943
1,172	**Total Hospital and Community Health Services Income**	**10,020**
	Family Health Service Income	
461	Unified	389
0	Non Discretionary General Dental Services	8
461	**Total Family Health Services Income**	**397**
108	**Administration Income**	**64**
	Other Operating Income	
628	NHS Scotland Bodies	525
128	NHS Non-Scottish Bodies	120
34	Profit on disposal of non current assets	310
0	Donated Asset Additions	0
87	Endowment Income	121
50	Other	102
927	**Total Other Operating Income**	**1,178**
2,668	**Total Income**	**11,659**
855	**Of the above, the amount derived from NHS bodies**	**791**

[1] £8,564k initial contribution plus £367k to fund overspend on IJB delegated services.

9. ANALYSIS OF CAPITAL EXPENDITURE

2015 £'000		Note	2016 £'000
	EXPENDITURE		
801	Acquisition of Property, Plant and Equipment	11	687
0	Donated Asset Additions	11b	0
801	**Gross Capital Expenditure**		**687**
	INCOME		
45	Value of disposal of Non-Current Assets held for sale	11c	400
45	**Capital Income**		**400**
756	**Net Capital Expenditure**		**287**
	SUMMARY OF CAPITAL RESOURCE OUTTURN		
756	Core capital expenditure included above		287
759	Core Capital Resource Limit		362
3	**Saving/(excess) against Core Capital Resource Limit**		**75**
0	Non Core capital expenditure included above		0
0	Non Core Capital Resource Limit		0
0	**Saving/(excess) against Non Core Capital Resource Limit**		**0**
756	Total Capital Expenditure		286
759	Total Capital Resource Limit		362
3	**Saving/(excess) against Total Capital Resource Limit**		**76**

10. INTANGIBLE ASSETS – CONSOLIDATED AND BOARD

	Info. technology - software £'000	Total £'000
Cost or Valuation:		
As at 1st April 2015	97	97
Disposals	(10)	(10)
Revaluation	10	10
At 31st March 2016	**97**	**97**
Amortisation		
As at 1st April 2015	52	52
Provided during the year	19	19
Disposals	(10)	(10)
At 31st March 2016	**61**	**61**
Net Book Value at 1st April 2015	**45**	**45**
Net Book Value at 31 March 2016	**36**	**36**

10. INTANGIBLE ASSETS– PRIOR YEAR – CONSOLIDATED AND BOARD

	Info. technology - software £'000	Total £'000
Cost or Valuation:		
As at 1st April 2014	97	97
At 31st March 2015	**97**	**97**
Amortisation		
As at 1st April 2014	43	43
Provided during the year	9	9
At 31st March 2015	**52**	**52**
Net Book Value at 1st April 2014	**54**	**54**
Net Book Value at 31 March 2015	**45**	**45**

11 (a) PROPERTY, PLANT AND EQUIPMENT (PURCHASED ASSETS) – CONSOLIDATED AND BOARD

	Note	Land (inc. under buildings)	Buildings (excluding dwellings)	Dwellings	Transport Equipment	Plant & Machinery	Info. Technology	Furniture & Fittings	Assets Under Construction	Total
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2015		614	26,299	1,476	32	5,780	1,304	37	38	35,580
Additions		0	205	0	0	367	114	0	1	687
Transfers (to)/from non-current assets held for sale		0	0	(138)	0	0	0	0	0	(138)
Impairment charge		0	(192)	0	0	(18)	0	0	(7)	(217)
Disposals		0	0	0	(24)	(1,155)	(260)	0	0	(1,439)
At 31 March 2016		**614**	**26,312**	**1,338**	**8**	**4,974**	**1,158**	**37**	**32**	**34,473**
Depreciation										
At 1 April 2015		0	816	40	28	3,884	899	37	0	5,704
Provided during the year		0	813	39	4	316	122	0	0	1,294
Disposals		0	0	0	(24)	(1,155)	(260)	0	0	(1,439)
At 31 March 2016		**0**	**1,629**	**79**	**8**	**3,045**	**761**	**37**	**0**	**5,559**
Net book value at 1 April 2015		**614**	**25,483**	**1,436**	**4**	**1,896**	**405**	**0**	**38**	**29,876**
Net book value at 31 March 2016		**614**	**24,683**	**1,259**	**0**	**1,929**	**397**	**0**	**32**	**28,914**
Open Market Value of Land and Dwellings Included Above		**614**		**1,259**						
Asset financing:										
Owned		614	24,683	1,259	0	1,929	397	0	32	28,914
Net Book Value at 31 March 2016		**614**	**24,683**	**1,259**	**0**	**1,929**	**397**	**0**	**32**	**28,914**

A full asset verification check was undertaken to establish the robustness and validity of the records held by the Board. Although the exercise may now result in the Asset Register being more robust and accurate it did identify that asset disposals had not been appropriately recognised in the year they had occurred.

It was therefore necessary to remove assets no longer physically held that had a nil net book value. Therefore the assets disposal figure for 2015-16 recognises the total value of the adjustment made however only £229k relates to assets actually physically disposed of in 2015-16. It is the board's view that the other assets were disposed of in prior years but were not appropriately recognised at the time.

11 (a) PROPERTY, PLANT AND EQUIPMENT (PURCHASED ASSETS) – PRIOR YEAR – CONSOLIDATED AND BOARD

	Note	Land (inc. under buildings) £'000	Buildings (excluding dwellings) £'000	Dwellings £'000	Transport Equipment £'000	Plant & Machinery £'000	Info. Technology £'000	Furniture & Fittings £'000	Assets Under Construction £'000	Total £'000
Cost or valuation										
At 1 April 2014		868	26,450	1,516	48	5,578	1,201	37	0	35,698
Additions		0	0	0	0	660	103	0	38	801
Transfer (to)/from non-current assets held for sale		(249)	(151)	0	0	0	0	0	0	(400)
Disposals		(5)	0	(40)	(16)	(458)	0	0	0	(519)
At 31 March 2015		**614**	**26,299**	**1,476**	**32**	**5,780**	**1,304**	**37**	**38**	**35,580**
Depreciation										
At 1 April 2014		0	0	0	43	4,023	775	33	0	4,874
Provided during the year		0	816	40	1	319	124	4	0	1,304
Disposals		0	0	0	(16)	(458)	0	0	0	(474)
At 31 March 2015		**0**	**816**	**40**	**28**	**3,884**	**899**	**37**	**0**	**5,704**
Net book value at 1 April 2014		**868**	**26,450**	**1,516**	**5**	**1,555**	**426**	**4**	**0**	**30,824**
Net book value at 31 March 2015		**614**	**25,483**	**1,436**	**4**	**1,896**	**405**	**0**	**38**	**29,876**
Open Market Value of Land and Dwellings Included Above		**614**		**0**						
Asset financing:										
Owned		614	25,483	1,436	4	1,896	405	0	38	29,876
Net Book Value at 31 March 2015		**614**	**25,483**	**1,436**	**4**	**1,896**	**405**	**0**	**38**	**29,876**

11 (b) PROPERTY, PLANT AND EQUIPMENT (DONATED ASSETS) – CONSOLIDATED AND BOARD

	Note	Transport Equipment £'000	Plant & Machinery £'000	Total £'000
Cost or valuation				
At 1 April 2015		30	709	739
Disposals		(30)	(58)	(88)
At 31 March 2016		**0**	**651**	**651**
Depreciation				
At 1 April 2015		30	411	441
Provided during the year		0	83	83
Disposals		(30)	(58)	(88)
At 31 March 2016		**0**	**436**	**436**
Net book value at 1 April 2015		**0**	**298**	**298**
Net book value at 31 March 2016		**0**	**215**	**215**
Asset financing:				
Owned		0	215	215
Net Book Value at 31 March 2016		**0**	**215**	**215**

11 (b) PROPERTY, PLANT AND EQUIPMENT (DONATED ASSETS) – PRIOR YEAR – CONSOLIDATED AND BOARD

	Note	Transport Equipment £'000	Plant & Machinery £'000	Total £'000
Cost or valuation				
At 1 April 2014		30	709	739
At 31 March 2015		**30**	**709**	**739**
Depreciation				
At 1 April 2014		30	328	358
Provided during the year		0	83	83
At 31 March 2015		**30**	**411**	**441**
Net book value at 1 April 2014		**0**	**381**	**381**
Net book value at 31 March 2015		**0**	**298**	**298**
Asset financing:				
Owned		0	298	298
Net Book Value at 31 March 2015		**0**	**298**	**298**

11 (c) –ASSETS HELD FOR SALE

ASSETS HELD FOR SALE – CONSOLIDATED AND BOARD

		Property, Plant & Equipment	Total
		£'000	£'000
At 1 April 2015		400	**400**
Transfers (to)/from property, plant and equipment	11a	138	**138**
Disposals		(400)	**(400)**
As at 31 March 2016		138	**138**

ASSETS HELD FOR SALE – PRIOR YEAR – CONSOLIDATED AND BOARD

		Property, Plant & Equipment	Total
		£'000	£'000
At 1 April 2014		0	**0**
Transfers (to)/from property, plant and equipment	11a	400	**400**
As at 31 March 2015		400	400

11 (d) – Property, Plant and Equipment Disclosures

2015 £'000	Net book value of property, plant and equipment at 31 March	Note	2016 £'000
29,877	Purchased	11a	28,908
298	Donated	11b	215
30,175	**Total**		**29,123**

Land and buildings were fully revalued by an independent valuer, Gerald Eve at 31/03/2014 on the basis of fair value. A full revaluation will be carried out again on 31/03/2017 in line with the Board's three year cycle.

12. INVENTORIES

Cons 2014 £'000	Board 2014 £'000	Cons 2015 £'000	Board 2015 £'000		Cons 2016 £'000	Board 2016 £'000
501	501	457	457	Raw Materials and Consumables	394	394
501	**501**	**457**	**457**	**Total Inventories**	**394**	**394**

13. TRADE AND OTHER RECEIVABLES

Cons 2014 £'000	Board 2014 £'000	Cons 2015 £'000	Board 2015 £'000		Cons 2016 £'000	Board 2016 £'000
				Receivables due within one year		
133	133	169	169	**NHS Scotland** Boards	246	246
133	**133**	**169**	**169**	**Total NHS Scotland Receivables**	**246**	**246**
45	45	63	63	NHS Non-Scottish Bodies	26	26
57	57	25	25	VAT recoverable	45	45
395	395	184	184	Prepayments	183	183
93	93	67	67	Accrued income	75	75
464	639	454	567	Other Receivables	557	625
0	0	25	25	Reimbursement of provisions	0	0
143	143	194	194	Other Public Sector Bodies	111	111
1,330	**1,505**	**1,181**	**1,294**	**Total Receivables due within one year**	**1,243**	**1,311**
1,330	**1,505**	**1,181**	**1,294**	**TOTAL RECEIVABLES**	**1,243**	**1,311**
26	26	109	109	The total receivables figure above includes a provision for impairments of:	116	116
				WGA Classification		
133	133	169	169	NHSScotland	246	246
57	57	25	25	Central Government Bodies	45	45
143	143	194	194	Whole of Government Bodies	111	111
45	45	63	63	Balances with NHS Bodies in England and Wales	26	26
952	1,127	730	843	Balances with bodies external to Government	815	883
1,330	**1,505**	**1,181**	**1,294**	**Total**	**1,243**	**1,311**

Cons 2015 £'000	Board 2015 £'000		Cons 2016 £'000	Board 2016 £'000
		Movements on the provision for impairment of receivables are as follows:		
26	26	At 1 April	109	109
109	109	Provision for impairment	49	49
(3)	(3)	Receivables written off during the year as uncollectible	(6)	(6)
(23)	(23)	Unused amounts reversed	(36)	(36)
109	**109**	At 31 March	**116**	**116**

As of 31 March 2016, receivables with a carrying value of £116,207 (2015: £108,973) were impaired and provided for. The amount of the provision was £116,207 (2015: 108,973). The aging of these receivables is as follows:

2015 £'000	2015 £'000		2016 £'000	2016 £'000
0	0	3 to 6 months past due	13	13
109	109	Over 6 months past due	103	103
109	**109**		**116**	**116**

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

13. TRADE AND OTHER RECEIVABLES, cont

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2016, receivables with a carrying value of £196,000 (2015: £491,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

2015	2015		2016	2016
£'000	£'000		£'000	£'000
321	321	Up to 3 months past due	159	159
76	76	3 to 6 months past due	22	22
94	94	Over 6 months past due	15	15
491	**491**		**196**	**196**

The receivables assessed as past due but not impaired were ordinary debtors and there is no history of default from these customers recently. Concentration of credit risk is limited due to customer base being large and being 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;

Cons 2015	Board 2015		Cons 2016	Board 2016
£'000	£'000	Counterparties with external credit ratings	£'000	£'000
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
1,181	1,294	Existing customers with no defaults in the past	1,243	1,311
0	0	Existing customers with some defaults in the past	0	0
1,181	**1,294**	Total neither past due or impaired	**1,243**	**1,311**

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.

2015	2015		2016	2016
		The carrying amount of receivables are denominated		
£'000	£'000	in the following currencies:	£'000	£'000
1,181	1,294	Pounds	1,243	1,311
0	0	Euros	0	0
0	0	US Dollars	0	0
1,181	**1,294**		**1,243**	**1,311**

All non-current receivables are due within one year (2014-15: one 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 is £0 (2014-15: £0)

The effective interest rate on non-current other receivables is 0% (2014-15: 0%).

14. AVAILABLE FOR SALE FINANCIAL ASSETS

Cons 2014 £'000	Board 2014 £'000	Cons 2015 £'000	Board 2015 £'000		Cons 2016 £'000	Board 2016 £'000
1,168	0	1,238	0	Other	1,170	0
1,168	**0**	**1,238**	**0**	**TOTAL**	**1,170**	**0**
1,063	0	1,168	0	At 1 April	1,238	0
204	0	24	0	Additions	382	0
(139)	0	(38)	0	Disposals	(427)	0
0	0	12	0	Increase in cash deposits	0	0
40	0	72	0	Revaluation surplus/(deficit) transferred to equity	(23)	0
1,168	**0**	**1,238**	**0**	At 31 March	**1,170**	**0**

15. CASH AND CASH EQUIVALENTS

	At 01/04/15	Cash Flow	At 31/03/16
	£'000	£'000	£'000
Government Banking Service account balance	82	18	100
Cash at bank and in hand	43	0	43
Endowment cash	71	(47)	24
Total cash and cash equivalents - balance sheet	**196**	**(29)**	**167**
Total cash - cash flow statement	**196**	**(29)**	**167**

Prior Year 2014-15

	At 01/04/14	Cash Flow	At 31/03/15
	£'000	£'000	£'000
Government Banking Service account balance	70	12	82
Cash at bank and in hand	36	7	43
Endowment cash	180	(109)	71
Total cash and cash equivalents - balance sheet	**286**	**(90)**	**196**
Total cash - cash flow statement	**286**	**(90)**	**196**

Cash at bank is with major UK banks. The credit risk associated with cash at bank is considered to be low.

16. TRADE AND OTHER PAYABLES

Cons 2014 £'000	Board 2014 £'000	Cons 2015 £'000	Board 2015 £'000		Note	Cons 2016 £'000	Board 2016 £'000
				Payables due within one year			
				NHSScotland			
1,234	1,234	1,915	1,915	Boards		993	993
1,234	**1,234**	**1,915**	**1,915**	**Total NHSScotland Payables**		**993**	**993**
0	0	1	1	NHS Non-Scottish Bodies		5	5
106	106	124	124	Amounts Payable to General Fund		142	142
1,022	1,022	1,166	1,166	FHS Practitioners		1,147	1,147
285	319	224	266	Trade Payables		380	380
1,739	1,739	2,090	2,090	Accruals		2,247	2,247
190	190	174	174	Deferred income		62	62
0	0	2	2	Payments received on account		0	0
12	12	6	6	Net obligations under Finance Leases	22	0	0
479	479	496	496	Income tax and social security		490	490
333	333	357	357	Superannuation		374	374
130	130	114	114	Holiday Pay Accrual		115	115
631	631	240	240	Other Public Sector Bodies		380	380
0	0	0	0	Other payables		(26)	0
6,161	**6,195**	**6,909**	**6,951**	**Total Payables due within one year**		**6,309**	**6,335**
0	**0**	**0**	**0**	**Total Payables due after more than one year**		**0**	**0**
6,161	**6,195**	**6,909**	**6,951**	**TOTAL PAYABLES**		**6,309**	**6,335**
				WGA Classification			
1,234	1,234	1,915	1,915	NHSScotland		993	993
813	813	852	852	Central Government Bodies		864	864
629	629	240	240	Whole of Government Bodies		380	380
0	0	1	1	Balances with NHS Bodies in England and Wales		5	5
3,485	3,519	3,901	3,943	Balances with bodies external to Government		4,067	4,093
6,161	**6,195**	**6,909**	**6,951**	**Total**		**6,309**	**6,335**

		£'000	**£'000**	Borrowings included above comprise:	**£'000**	**£'000**
		6	6	Finance Leases	0	0
		6	**6**		**0**	**0**

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

		2015	**2015**		**2016**	**2016**
		£'000	**£'000**	The carrying amount of payables are denominated in the following currencies:	**£'000**	**£'000**
		6,909	6,951	Pounds	6,309	6,335
		0	0	Euros	0	0
		0	0	US Dollars	0	0
		6,909	**6,951**		**6,309**	**6,335**

17. PROVISIONS – CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2016 Total £'000
At 1 April 2015	279	115	663	0	1,057
Arising during the year	18	40	248	0	306
Utilised during the year	(29)	(95)	(76)	0	(200)
Unwinding of discount	2	0	(1)	0	1
Reversed unutilised	0	0	(9)	0	(9)
At 31 March 2016	**270**	**60**	**825**	**0**	**1,155**

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2016

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2016 Total £'000
Payable in one year	28	60	238	0	326
Payable between 2 - 5 yrs	106	0	325	0	431
Payable between 6 - 10 yrs	100	0	30	0	130
Thereafter	36	0	232	0	268
Total at 31 March 2016	**270**	**60**	**825**	**0**	**1,155**

PROVISIONS – PRIOR YEAR – CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2015 Total £'000
At 1 April 2014	285	155	576	24	1,040
Arising during the year	21	0	87	0	108
Utilised during the year	(29)	(15)	0	0	(44)
Unwinding of discount	6	0	0	0	6
Reversed unutilised	(4)	(25)	0	(24)	(53)
At 31 March 2015	**279**	**115**	**663**	**0**	**1,057**

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2015

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2015 Total £'000
Payable in one year	28	115	391	0	534
Payable between 2 - 5 yrs	106	0	272	0	378
Payable between 6 - 10 yrs	103	0	0	0	103
Thereafter	42	0	0	0	42
Total at 31 March 2015	**279**	**115**	**663**	**0**	**1,057**

PROVISIONS CONSOLIDATED AND BOARD 2014

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2014 Total £'000
At 1 April 2013	294	85	767	71	1,217
Arising during the year	10	70	0	0	80
Utilised during the year	(29)	0	(191)	(8)	(228)
Unwinding of discount	10	0	0	0	10
Reversed unutilised	0	0	0	(39)	(39)
At 31 March 2014	**285**	**155**	**576**	**24**	**1,040**

The amounts shown above are stated gross and the amount of any expected reimbursements are separately disclosed as receivables in note 13.

Analysis of expected timing of discounted flows to 31 March 2014

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2014 Total £'000
Payable in one year	28	155	0	24	207
Payable between 2 - 5 yrs	106	0	576	0	682
Payable between 6 - 10 yrs	103	0	0	0	103
Thereafter	48	0	0	0	48
Total at 31 March 2014	**285**	**155**	**576**	**24**	**1,040**

Pensions and similar obligations

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate of 1.37% (2014/15 1.3%) in real terms. The Board expects expenditure to be charged to this provision for a period of up to 22 years.

Clinical and Medical

The Board holds a provision to meet costs of all outstanding and potential clinical and medical negligence claims. All legal claims notified to the Board are processed by the Scottish NHS Central Legal Office who will decide upon risk liability and likely outcome of each case. The provision contains sums for settlement awards, legal expenses and third party costs. Clinical and medical negligence cases lodged can be extremely complex. It is expected that expenditure will be charged to this provision for a period of up to 10 years. The amounts disclosed are stated gross and the amount of any expected reimbursements are shown separately as debtors in the notes to the accounts.

EC Carbon Emissions

The level of carbon emission by the Board is below the level required for participation in the EU Greenhouse Gas Emission Allowances scheme; therefore the board is not required to hold or buy allowances in this scheme.

CLINICAL NEGLIGENCE AND OTHER RISKSINDEMITY SCHEME (CNORIS)

2014 £'000	2015 £'000		Note	2016 £'000
155	115	Provision recognising individual claims against the NHS Board as at 31 March	17	60
0	(25)	Associated CNORIS receivable at 31 March	13	0
576	663	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	17	825
731	**753**	**Net Total Provision relating to CNORIS at 31 March**		**885**

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. 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 NHSScotland 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

18. MOVEMENT ON WORKING CAPITAL BALANCES

2015 Net Movement £'000		Note	Opening Balances £'000	Closing Balances £'000	2016 Net Movement £'000
	INVENTORIES				
44	Balance Sheet	12	457	394	
44	**Net Decrease/(Increase)**				**63**
	TRADE AND OTHER RECEIVABLES				
211	Due within one year	13	1,294	1,311	
211	**Net Decrease/(Increase)**				**(17)**
	TRADE AND OTHER PAYABLES				
756	Due within one year	16	6,951	6,335	
(18)	Less: General Fund Creditor included in above	16	(124)	(142)	
6	Less: Lease and PFI Creditors included in above	16	(6)	0	
			6,821	6,193	
744	**Net (Decrease)/Increase**				**(628)**
	PROVISIONS				
17	Balance Sheet	17	1,057	1,155	
0	Transfer from Provision to General Fund		0	0	
17	**Net (Decrease)/Increase**				**98**
1,016	**NET MOVEMENT (Decrease)/Increase**				**(484)**

19. CONTINGENT LIABILITIES

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

2015 Value £'000	Nature	2016 Value £'000
95	**Clinical and medical compensation payments** Shetland NHS Board has three medical negligence claims live as at 31/03/2016. In addition to this there is potential of litigation arising out of the case currently before the General Dental Council in respect of the performance of a Dentist employed by the board. This is treated as an unquantifiable contingent liability as the number of future cases and potential pay out cannot be quantified at this time.	25
95	**TOTAL CONTINGENT LIABILITIES**	**25**
	CONTINGENT ASSETS	
75	**Clinical and medical compensation payments**	**0**
0	**Employer's liability**	**0**
75	**TOTAL CONTINGENT ASSSETS**	**0**

There are no contingent assets in 2015/16 as the contingent liabilities is below the CNORIS threshold of £25k. The Board would therefore be liable for the full £25k with no amounts recoverable from CNORIS.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

There have been no events after the end of the reporting period having a material effect on the accounts.

21. COMMITMENTS

2015	Capital Commitments The Board has the following Capital Commitments which have not been included for in the accounts	Property, plant and equipment	Intangible assets	2016 Total
£'000		£'000	£'000	£'000
	Contracted			
0		0	0	0
0	**Total**	**0**	**0**	**0**
	Authorised but not Contracted			
444	Estates capital projects	211	0	211
300	Statutory compliance & backlog maintenance	333	0	333
201	Medical equipment	349	0	349
105	ICT projects	104	0	104

1,050	**Total**	**997**	**0**	**997**

22. COMMITMENTS UNDER LEASES

2015	Operating Leases	Note	2016
£'000	Total future minimum lease payments under operating leases are given the in the table below for the each of the following periods.		£'000
	Obligations under operating leases comprise:		
	Buildings		
23	Not later than one year		53
0	Later than one year, not later than two years		53
0	Later than two year, not later than five years		106
	Other		
111	Not later than one year		75
72	Later than one year, not later than two years		28
20	Later than two year, not later than five years		2
	Amounts charged to Operating Costs in the year were:		
173	Hire of equipment (including vehicles)		189
54	Other operating leases		73
227	**Total**		**262**
	Contingent rents recognised as an expense in the period were:		
0	Contingent rents		0

2015	Finance Leases		2016
£'000	Total future minimum lease payments under finance leases are given the in the table below for the each of the following periods.		£'000
	Other		
6	Rentals due within one year	16	0
0	Rentals due between one and two years (inclusive)	16	0
6			0
0	Less interest element		0
6			**0**

This total net obligation under finance leases is analysed in Note 16 (Creditors)

	Aggregate Rentals Receivable in the year	
45	Total of finance and operating leases	63

23 COMMITMENTS UNDER PFI CONTRACTS

None.

24. PENSION COSTS

NHS Shetland participates in the National Health Service Superannuation 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 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

(i) The scheme is an unfunded multi-employer defined benefit scheme.

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

(iii) The employer contribution rate for the period from 1 April 2016 will be 14.9% of pensionable pay. While the employee rate applied is variable it will provide an actuarial yield of 9.8% of pensionable pay.

(iv) 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 2016. This contribution is included in the 14.9% employers contribution rate

(v) The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2015 were £640.5 million. NHS Shetland paid contributions of £2.3m in this period which represents a 0.36% participation level. Contributions collected in the year to 31 March 2016 will be published in November 2016.

NHS Shetland has no liability for other employers obligation to the multi-employee 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

For the current year, normal employer contributions of £2.8m were payable to the SPPA (prior year £2.5m) at the rate of 14.9% (prior year: 13.5%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £20k (prior year £29k) arising from the early retirement of staff.

Provisions amounting to £270k are included in the Balance Sheet and reflect the difference between the amounts charged to the Statement of Comprehensive Net Expenditure and the amounts paid directly.

	2016	2015
	£'000	£'000
Pension cost charge for the year	2,801	2,474
Additional Costs arising from recalculation of the early retirement provision to reflect revised length of life.	20	29
Provisions/Liabilities/Pre-payments included in the Balance Sheet	270	279

25. EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

None.

26. RESTATED SOCNE, BALANCE SHEET AND STATEMENT OF CASHFLOWS

None.

27. FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

Financial Assets

CONSOLIDATED At 31 March 2016	Note	Loans And Receivables £'000	Available for Sale £'000	Total £'000
Assets per balance sheet				
Investments	14	0	1,170	1,170
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	769	0	769
Cash and cash equivalents	15	167	0	167
		936	**1,170**	**2,106**

BOARD At 31 March 2016	Note	Loans And Receivables £'000	Available For Sale £'000	Total £'000
Assets per balance sheet				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	837	0	837
Cash and cash equivalents	15	143	0	143
		980	**0**	**980**

CONSOLIDATED – PRIOR YEAR At 31 March 2015	Note	Loans And Receivables £'000	Available For Sale £'000	Total £'000
Assets per balance sheet				
Investments	14	0	1,238	1,238
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	778	0	778
Cash and cash equivalents	15	196	0	196
		974	**1,238**	**2,212**

BOARD – PRIOR YEAR At 31 March 2015	Note	Loans And Receivables £'000	Available for sale £'000	Total £'000
Assets per balance sheet				
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	891	0	891
Cash and cash equivalents	15	125	0	125
		1,016	**0**	**1,016**

27. FINANCIAL INSTRUMENTS, cont

(a) Financial Instruments by Category, cont
Financial Liabilities

CONSOLIDATED

At 31 March 2016	**Note**	**Other financial Liabilities £'000**	**Total £'000**
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	4,390	4,390
		4,390	**4,390**

BOARD

At 31 March 2016	**Note**	**Other Financial Liabilities £'000**	**Total £'000**
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	4,416	4,416
		4,416	**4,416**

CONSOLIDATED – PRIOR YEAR

At 31 March 2015	**Note**	**Other financial liabilities £'000**	**Total £'000**
Liabilities per balance sheet			
Finance lease liabilities	16	6	6
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	16	3,961	3,961
		3,967	**3,967**

BOARD – PRIOR YEAR

At 31 March 2015	**Note**	**Other financial liabilities £'000**	**Total £'000**
Liabilities per balance sheet			
Finance lease liabilities	16	6	6
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	16	4,003	4,003
		4,009	**4,009**

(b) FINANCIAL RISK FACTORS

Exposure to Risk

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

a. Credit risk - the possibility that other parties might fail to pay amounts due.
b. Liquidity risk - the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
c. Market risk - the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

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 risk.

iii) Price risk

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

d. Fair Value Estimation

There are no financial instruments held that are not traded in an active market.

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.

28. DERIVATIVE FINANCIAL INSTRUMENTS

None.

29. RELATED PARTY TRANSACTIONS

The Board had various material transactions with other government departments and other central government bodies.

The Board's primary material transactions were with Shetland Islands Council during 2015/16, where expenditure was £2,529k (of which £380k owed at year end). Mr. M Bell, Mr. W Ratter and Mr. C Smith are members of the Board and elected members of the Shetland Islands Council.

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 end of 2015/16 were £1,152k.

The board members declarations of interest are publicly available on Shetland NHS Board'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.

During 2015/16 a new integration joint board (IJB) was established under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB is a distinct legal entity from the NHS Shetland and Shetland Islands Council. The NHS Board and the local

authority have delegated some of their functions to these IJBs, and the IJB is wholly responsible for carrying out those functions. The new arrangements for health and social care came fully into effect on 20 November 2015. The Health Board has incurred costs of £8,931k for its contribution to the IJB. Mr. K Massey, Mrs. M Williamson, Mrs. C Waddington and Mr. C Smith are members of the Board and members of the IJB.

30. SEGMENT INFORMATION

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

Net operating cost is as reported for each division.

Total Assets and Liabilities are apportioned on the basis of actual net expenditure reported for each division.

	Dir of Acute & Spec Services £'000	Dir of Comm Health & Social Care £'000	Off Island Clinical Services £'000	Public Health £'000	Support Services £'000	2016 £'000
Net operating cost	14,126	19,680	10,668	719	10,574	**55,767**
Total assets	8,176	11,391	6,175	416	6,121	**32,277**
Total liabilities	(1,891)	(2,634)	(1,428)	(96)	(1,415)	**(7,464)**

30. SEGMENT INFORMATION – PRIOR YEAR

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

	Dir of Acute & Spec Services £'000	Dir of Comm Health & Social Care £'000	Off Island Clinical Services £'000	Public Health £'000	Support Services £'000	2015 £'000
Net operating cost	13,186	19,113	10,774	964	10,427	**54,464**
Total assets	8,157	11,823	6,665	596	6,450	**33,691**
Total liabilities	(1,928)	(2,795)	(1,576)	(141)	(1,525)	**(7,965)**

31. THIRD PARTY ASSETS

None.

32. EXIT PACKAGES

No exit packages agreed in 2015/16 or prior year.

33 (a) CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group		Board	Endowments	Cons
		2016	2016	2016
£'000		£'000	£'000	£'000
	Clinical Services Costs			
37,724	Hospital and Community	47,288	0	47,288
1,172	Less: Hospital and Community Income	10,020	0	10,020
36,552		37,268	0	37,268
13,430	Family Health	14,341	0	14,341
461	Less: Family Health Income	397	0	397
12,969		13,944	0	13,944
49,521	**Total Clinical Services Costs**	**51,212**	**0**	**51,212**
1,920	Administration Costs	1,923	0	1,923
108	Less: Administration Income	64	0	64
1,812		1,859	0	1,859
4,058	Other Non Clinical Services	3,799	75	3,874
927	Less: Other Operating Income	1,057	121	1,178
3,131		2,742	(46)	2,696
54,464	**Net Operating Costs**	**55,813**	**(46)**	**55,767**

33 (b) CONSOLIDATED GROUP BALANCE SHEET

Group 2015 £'000		Note	Board 2016 £'000	Endowment 2016 £'000	Intra Group adjust. 2016 £'000	Group 2016 £'000
	Non-current assets:					
30,175	Property, plant and equipment	11	29,129	0	0	29,129
45	Intangible assets	10	36	0	0	36
	Financial assets:					
1,238	Available for sale financial assets	14	0	1,170	0	1,170
31,458	**Total non-current assets**		**29,165**	**1,170**	**0**	**30,335**
	Current Assets:					
457	Inventories	12	394	0	0	394
	Financial assets:					
1,181	Trade and other receivables	13	1,311	36	(104)	1,243
196	Cash and cash equivalents	15	143	24	0	167
400	Assets classified as held for sale	11c	138	0	0	138
2,234	**Total current assets**		**1,986**	**60**	**(104)**	**1,942**
33,692	**Total assets**		**31,151**	**1,230**	**(104)**	**32,277**
	Current liabilities					
(534)	Provisions	17	(326)	0	0	(326)
	Financial liabilities:					
(6,909)	Trade and other payables	16	(6,335)	(78)	104	(6,309)
(7,443)	**Total current liabilities**		**(6,661)**	**(78)**	**104**	**(6,635)**
26,249	**Non-current assets plus/less net current assets/liabilities**		**24,490**	**1,152**	**0**	**25,642**
	Non-current liabilities					
(523)	Provisions	17	(829)	0	0	(829)
(523)	**Total non-current liabilities**		**(829)**	**0**	**0**	**(829)**
25,726	**Assets less liabilities**		**23,661**	**1,152**	**0**	**24,813**
	Taxpayers' Equity					
13,651	General fund		13,386	0	0	13,386
10,837	Revaluation reserve		10,275	0	0	10,275
1,238	Funds Held on Trust		0	1,152	0	1,152
25,726	**Total taxpayers' equity**		**23,661**	**1,152**	**0**	**24,813**

Intra group adjustment represents
Amount owed by Board to Endowments, £30k plus amount owed by Endowments to Board, £74k – Total £104k

33 (c) CONSOLIDATED STATEMENT OF CASHFLOWS

Board 2015 £'000	Endowment 2015 £'000	Group 2015 £'000		Board 2016 £'000	Endowment 2016 £'000	Group 2016 £'000
			Cash flows from operating activities			
(54,444)	(20)	(54,464)	Net operating cost	(55,813)	46	(55,767)
1,361	0	1,361	Adjustments for non-cash transactions	1,293	(110)	1,183
0	0	0	Add back: interest payable recognised in net operating cost	0	0	0
0	(33)	(33)	Investment Income	0	(31)	(31)
211	(24)	187	(Increase) / decrease in trade and other receivables	(17)	16	(1)
44	0	44	(Increase) / decrease in inventories	63	0	63
744	(67)	677	Increase / (decrease) in trade and other payables	(628)	(44)	(672)
17	0	17	Increase / (decrease) in provisions	98	0	98
(52,067)	**(144)**	**(52,211)**	**Net cash outflow from operating activities**	**(55,004)**	**(123)**	**(55,127)**
			Cash flows from investing activities			
(801)	0	(801)	Purchase of property, plant and equipment	(687)	0	(687)
0	(24)	(24)	Investment Additions	0	(382)	(382)
79	0	79	Proceeds of disposal of property, plant and equipment	711	0	711
0	26	26	Receipts from sale of investments	0	427	427
0	33	33	Interest and dividends received	0	31	31
(722)	**35**	**(687)**	**Net cash outflow from investing activities**	**24**	**76**	**100**
			Cash flows from financing activities			
52,796	0	52,796	Funding	54,986	0	54,986
18	0	18	Movement in general fund working capital	18	0	18
52,814	0	52,814	Cash drawn down	55,004	0	55,004
(6)	0	(6)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(6)	0	(6)
0	0	0	Interest paid	0	0	0
52,808	**0**	**52,808**	**Net Financing**	**54,998**	**0**	**54,998**
19	(109)	(90)	**Net Increase /(decrease) in cash and cash equivalents in the period**	18	(47)	(29)
106	180	286	**Cash and cash equivalents at the beginning of the period**	125	71	196
125	**71**	**196**	**Cash and cash equivalents at the end of the period**	**143**	**24**	**167**
			Reconciliation of net cash flow to movement in net debt/cash			
19	(109)	(90)	Increase/(decrease) in cash in year	18	(47)	(29)
106	180	286	Net debt/cash at 1 April	125	71	196
125	**71**	**196**	**Net debt/cash at 31 March**	**143**	**24**	**167**

SHETLAND NHS BOARD

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