SHETLAND NHS BOARD ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

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ANNUAL ACCOUNTS AND NOTES FOR YEAR ENDED 31 MARCH 2017

PERFORMANCE REPORT

1. Chief Executive Statement

2016/17 has been a year of further change and challenge for NHS Shetland.

While remaining focused on continuing to deliver high quality services for the local community, we have also been redesigning our services to address the challenges we face.

I am pleased that we have again delivered well against national targets and this reflects the hard work and commitment of our staff across NHS Shetland. However this should not hide the underlying pressures being faced, for example with recruitment & retention remaining extremely difficult. This has resulted in a small number of vacancies in small teams creating real difficulties in both providing services and in additional costs from temporary staff. I am pleased that we have continued to make progress in redesigning our service provision, including actions to support more individuals in the community, although I recognise that there is more work to be done.

Therefore, while we have again balanced our budget and delivered more than £4m in savings, over £2m of these were one-off and to return to financial balance we will need to turn these into ongoing savings. To support this, in partnership with our Integration Joint Board, we have now finalised a Joint Strategic Commissioning plan that includes work to agree plans for sustainable services for Shetland in the future and it will be important in progressing this work that we fully involve both our staff and the local community.

2. Overview

The purpose of the Overview is to give the user a short summary that provides sufficient information to understand the NHS Board, its purpose, the key risks to the achievement of its objectives and how it has performed during the year.

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 2016-17 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 support Health & Social Care integration. The Board has continued to focus on using feedback from patients and their families or carers and learning from incidents and adverse events. The Board has continued to work with NHS Grampian and the NHS Waiting Times Centre to 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 2017/18.

During 2016/17 NHS Shetland has worked closely with Shetland Islands Health and Social Care Partnership (IJB) and Shetland Islands Council (SIC) on a number of projects. The most significant area has been the creation of our joint strategic commissioning plan and continuing work to shift the balance of care.

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

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, so 2016/17 was the first full year of the IJB. 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 2016/17 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

3. Risk and Uncertainty

The Board's Local Delivery Plan (LDP) summarises the key risks facing NHS Shetland in future years and the actions to take to mitigate these.

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

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

The LDP recognises that NHS Shetland is working in a challenging context in which there is a need to balance delivery of quality services with ambitious improvement targets and standards, while also living within the financial realities facing public sector. NHS Shetland recognises the need for transformational change alongside continuing to deliver safe and effective services of the best quality possible.

Shetland faces particular challenges associated with the sustainability of services and the recruitment and retention of staff, who often work in small teams or single-handed and often in remote and rural areas. Key identified risks include the impact of changing demographics with both overall population numbers and the forecast trend for the proportion of elderly in the population is to continue to rise year on year.

The strategic change programme for 2017-18 is included below:

(A) Whole Population	
Implementing an asset based approach to health care prevention	Effective Prescribing- working with patients and prescribers to ensure that evidenced, best value, medicines are started and stopped appropriately
(B) Sustainable Service Models	
Developing a safe and effective model of unscheduled care	Developing a sustainable hospital, acute and specialist services model for Shetland
Developing a sustainable primary care model for Shetland, with clear links to the 7 locality areas and the Gilbert Bain Hospital	Developing a sustainable model of social care resources
Developing a sustainable model for mental health services, including appropriate crisis and emergency	Developing a sustainable model for adults affected by learning disabilities and autism spectrum disorders
(C) Organisational Issues	
Improving Business Performance and Efficiency	Improving the Quality and Safety of our services
Achieving Financial Balance	

Other identified risks include:

1. Develop and deliver sustainable models of service across the whole of health and care
2. NHS regional working and joint collaboration will remain an important element of the planning for the future to deliver safe and timely services with access targets
3. Cost of new drug therapies;

Moving forward the Board will continue to build on the many positive changes and initiatives achieved in recent years and will strengthen partnerships with the IJB, local council, NHS Boards and the third sector.

4. Performance Analysis

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

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

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

	Limit as set by SGHSCD	Actual Outturn	Variance (Over)/Under
	£'000	£'000	£'000
	(1)	(2)	(3)
Core Revenue Resource Limit	55,081	54,769	312
Non-core Revenue Resource Limit	2,061	2,059	2
Core Capital Resource Limit	661	611	50
Non-core Capital Resource Limit	0	0	0
Cash requirement	56,024	55,622	402

MEMORANDUM FOR IN YEAR OUT-TURN	**£'000**
Brought forward surplus from previous financial year	(396)
Excess against in year total Revenue Resource Limit	**(84)**

Revenue Resource Limit

The Board delivered an under spend against its Core Revenue Resource Limit (RRL) of £312k for 2016/17. This compares with an under spend of £396k in 2015/16. The under spend from 2015/16 was carried forward and added to the Board's RRL in 2016/17. The 2016-17 under spend includes a non-recurring surplus generated on the planned sale of residential properties of £136k.

However, the Board still carries an underlying recurring deficit in the resource budget for ongoing activity. At the close of 2016/17 this stood at £1,805k up from £1,462k in 2015/16.

The 2016/17 Financial Plan included a recurring savings target of £3,713k, equivalent to 7% of the Board's baseline resource allocation. While there has been some slippage in progress against the recurring target at year end, progress has continued to be made and the overall target was exceeded with the inclusion of non-recurring savings. The in-year recurring savings delivered was £1,897k 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 £1,805k has been included in the ongoing financial plan and delivery of this remains a key risk for the Board.

The Board approved the Financial Plan for the next five years 2017-18 to 2021-22, along with the Local Delivery Plan (LDP), on 18 April 2017. 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 3.8% of new efficiency savings for reinvestment in services.

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

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

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

Capital Resource Limit

The summary figures highlighted below are net of returning the original capital investment made in residential houses of £125k that were sold during 2016-17.

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

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

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

Table 1: Capital Asset Programme 2016/17 Summary

Project	Amount £'000s	Narrative
Gilbert Bain Hospital, Medical Equipment	452	Anaesthetic Machines £178k, Scopes £182k, A&E Trolleys £38k, Other Theatre Equipment £54k.
IT Equipment	161	Electronic Document Management System £88k, Primary Care Digital Transformation £34k and other IT Infrastructure £39k.
Gilbert Bain Hospital, Plant and Equipment	101	
Health Centres, Plant and Equipment	22	Roof Insulation £16k, Security System £6k.
Gross Additions Total	**736**	
Financed by Asset Sold	(125)	Return of original capital on assets sold
Net Total	611	

Balance Sheet

The Board's net assets at 31 March 2017 stood at £24,667k compared with £23,661k at 31 March 2016. This represents an increase of £1,006k.

The four principle causes of in year movement are:

1. Planned 3 year revaluation of the Board's estate, £3,572k
2. Asset additions (as set out in table 1) of £736k
3. Offset by depreciation reducing non-current assets of £1,374k.
4. Increase in trade and other payables, principally to public sector bodies £994k

As in previous years, the Board's Balance Sheet at 31 March 2017 shows negative net current assets/liabilities balance. The total at 31 March 2017 was £5,997k which is a change of £1,322k from the previous year's value of £4,675k.

At the year end the Board carried three provisions totalling £1,613k for future liabilities:

1. £261k relating to estimated future liabilities associated with premature retirements,
2. £25k relating to potential clinical negligence claims,
3. £1,327k 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 £20k. This is in respect of less than five medical negligence claims ranked as low-risk by the Central Legal Office.

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

5. Performance against Key Non-Financial Targets

Waiting Times Targets – Secondary Care

During 2016/17 the Board maintained its comparatively strong performance on waiting times for inpatients and day cases. However there have been some short and medium term pressures that have seen a number of patients exceed the targets.

The Board achieved the 18 Week Referral to Treatment Target of 90% in only three months during 2016/17. Our performance ranged from a low of 83.6% in October to a high of 92.3% in May. The overall annual average performance at 87.5% in 2016/17 is marginally down on the 2015/16 performance of 90.6%.

The Board performance against the 12 week Treatment Time Guarantee for out-patients in 2016/17 was below prior year standards. At 31 March 2017 there was 400 out patients waiting longer than 12 weeks compared to two at 31 March 2016. Further in respect of new out-patients there was 179 patients waiting longer than 26 weeks for their first appointment. These were in four specialities Dermatology (89 cases), Ear Nose and Throat (ENT) (84 cases), Orthopaedic less than five cases and Rheumatology less than five cases.

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 2016-17, 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. There were less than five breaches in the 62 Day Pathway.

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 2016/17, 96.0% of patients attending the Accident and Emergency department were either discharged or admitted to a ward within four hours with performance only below 95.0% in two months. 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 and these fell by 1.5% in 2016/17. 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 2016/17. 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 drop of 4.6% in the number of days occupied by patients delayed in hospital during 2016/17 compared to 2015/16. There were 26 cases where a delayed discharge occurred in 2016-17. In only nine cases was, the patient's delay in hospital for longer than 14 days. There were four months that had no delayed discharges occurring at all.

Primary Care

All practices continued to meet the 48-hour access target in 2016/17.

At Lerwick Health Centre plans created jointly with the patient participation forum and introduced in April 2015 saw improved access delivered by the GP and Advanced Nurse Practitioners (ANP) model. The number of GP and ANP appointments increased to 29,933 in 2015-16 and this compares favourably to the 2014-15 base value of 23,773. Although the level of appointments in 2016-17 is likely to be similar, the activity data is not available.

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 build upon previous investment in the local Mental Health Service to provide a more sustainable service locally. This included the creation of an additional new Senior Medical post on island with a Consultant Clinical Psychologist appointment.

Our performance against access to Psychological Therapies within 18 weeks of referral overall at 79% is below target. There are a small number of patients (10 who have waited for an excessive period (over 2 years) with the longest wait 170 weeks. 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. Following the appointment of the Consultant Clinical Psychologist, an Applied Psychology trainee post will be recruited to in 2017-18 to support the continuing improvement in this service.

Against the access target of 18 weeks Referral to Treatment for specialist Child and Adolescent Mental Health Services (CAMHS) the overall performance across the year was 67% of patients treated within 18 weeks. However, from August to March the service achieved 100% compliance with the target. This reflects both the commitment of staff and the impact of the additional investment originally made during 2015-16 from the Mental Health Innovation Fund.

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 traditionally a good life expectancy and a level of health amongst the best in Scotland, reflecting the high quality of life in Shetland, as well as the quality of local services. However the most recent life expectancies for men and women have fallen compared to the previous year. For men the life expectancy at birth using the three year rolling average for 2013-15 was 77.6 years, down from 78; and for women it was 81.9 years, down from 82.45. Neither have reached the ambitious local targets of 79.2 and 86.2 years. Life expectancy is still better than many other parts of Scotland but there are health inequalities within Shetland that are often hidden and not reflected in available data.

This year the Board has not performed well on a number of national health improvement and public health targets, but has maintained performance in some areas, particularly screening. However, because of the nature of the targets and the data being collected, many of the most recent figures are for previous years rather than the 2016-17 period.

Smoking: We are unlikely to meet the Government set target of 43 successful smoking cessation quits at 12 weeks, in the 60% most deprived areas of Shetland. This target was increased by 30% last year, despite reduced resources within the Health Improvement Team (which delivers most of the smoking cessation interventions) and the fact that the people who are now smoking are those that find it the hardest to give up. Amongst the people from the specified datazones who had a quit date during 2016-17; so far 28 have remained successfully quit at 12 weeks. We will not have the final figure until July 2017.

Alcohol: We have not met the target for delivering Alcohol Brief Interventions (ABI), despite doing well in previous years. In 2016-17 200 ABIs were undertaken against a target of 261. This again reflects a reduction in resources in the Health Improvement Team, who had been delivering the majority of the interventions with very few being done in Primary Care. Latest national data for alcohol-related admissions shows that the rate increased during 2015-16. It was 671.3/100,000 against a rate of 580.3 / 100,000 last year

and a local target of 500 / 100,000. However it is anticipated that the considerable work carried out in 2016-17 to prevent harm relating to substance misuse, including work with the local Licensing Board and a redesign of drug and alcohol services to develop a substance misuse recovery service, will be reflected in future figures. Our local programme of culture change on alcohol use, known as "Drink Better", is being reviewed again, and will be informed by the result of successful local engagement with the Shetland public, including focus groups.

Keep Well: The picture of decreased outcome due to decreased resources is similar with Keep Well checks. These are carried out mainly in workplaces by the Health Improvement Team. We set ourselves a local target of 250 during 2016-17, but had only achieved 193 by the end of February 2017. Last year we completed 252 health checks.

Early years: The most recent available figures show that we met the target of 80% of pregnant women in each Scottish Index of Multiple Deprivation (SIMD) centile booking by 12 weeks, with 82.3% booking by 12 weeks in 2015-16. The most recent figures for breastfeeding at 6-8 weeks show that the rate for Shetland is 54.2% (quarterly rolling average at end 2016), above the national target of 50% but below the ambitious local target of 58%.

Figures for children out with the healthy BMI in Primary 1 further increased during 2016, markedly from 17.9% in 2014 to 27.1% in 2015 and then a further increase to 22% in 2016. Initial analysis shows that the increase is in children who are obese; the percentage of overweight children has remained stable. Further work is underway to tackle the issue in the pre-school years.

Suicide: Suicide still remains a significant area of concern although the most recent available figures show a sustained reduction from 21.55 per 100,000 population in 2013 to 19.9 in 2016 (5 year rolling average 2011-1015). Although the rate was only 4.3 per 100,000 population in 2014, this wide fluctuation is due to the very small numbers involved. The local target is 20.7 per 100,000 population. A programme of prevention continues including tackling stigma on mental health issues, training and a local audit of all sudden deaths and suicides to help understand local risk factors and target our preventative work.

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

- 66.5% for bowel cancer screening (May 14-Apr 16) above the target of 60%;
- 77.1% for cervical screening (2014-15) slightly below the target of 80%
- 84.4% for breast screening (3 yr rolling average 2013-16) above the target of 80%.

Immunisation: The most recent immunisation rates show uptake for the calendar year 2016 was slightly below the national target of 95% for primary immunisations of children by the age of one year (except Meningitis C) but had reached 97% for children aged two. However, the rates for Measles, Mumps and Rubella (MMR), and Hib/Meningitis C were below 90% in this age group. Uptake of the first dose of MMR by age five years has just reached the target of 95%, but uptake for the full course that should have been received by then is only 82.3%. This is leaving nearly 20% of children entering school potentially unprotected against measles, mumps and rubella. Published figures for the uptake of seasonal flu vaccine are not yet available, but the unpublished figures suggest that for adults, most of the rates are lower than last year (which is the same across Scotland). Shetland has slightly higher rates than the Scottish average for adults in risk groups and carers. The rates in Shetland for children were higher than last year, and higher than the Scottish average. The uptake amongst health care staff did increase in the 2016-17 season.

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

violence; early years; black and minority ethnic group needs assessment; mental health issues and community justice.

Infection Control

Healthcare Associated Infection (HAI) reports are routinely on the Board agenda. Work to prevent Healthcare Associated Infections including Staphylococcus aureus bacteraemia (SAB) and Clostridium difficile (C Diff) continues, with local surveillance and monitoring of every individual case both in hospital and in the community. The headline rate for SAB has increased to 1.03 per 1,000 occupied bed days in 2016 from 0.53 per 1,000 occupied bed days in 2015 and this represents an increase in actual cases from seven to twelve occurring this year. However this is not considered a statistically significant change and the rate appears high due to the fact the Board has low level of acute occupied bed days in comparison to larger boards so data needs to be interpreted carefully.

The local rate for C Diff in 2016 was 0.085 per 1,000 occupied bed days case reported during this period. This is lower than the local rate for C Diff in 2015 at 0.44 per 1,000 occupied bed days. There has only been one case with no spread of infection to other patients.

The Board report includes audit compliance performance data highlighting trends in Hand Hygiene, Cleaning and Estates Monitoring. Hand Hygiene audit compliance improved marginally this year to 98.9% from 98.7% last year.

There were 16 cases of E Coli bactereamias in 2016. A national target has not yet been set for this yet as the surveillance programme is just getting established.

Surgical Site Surveillance continues for mandatory reporting. There were 2 infections in the 38 procedures undertaken giving a rate of 5.3%. Again careful interpretation is required due to the very small amount of procedures undertaken in comparison to larger boards.

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

6. Sustainability and Environmental Reporting

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

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

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

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

- Developed a Sustainability and Environmental Management Policy with action plan.
- Ongoing monitoring of electricity and water consumption to reduce where possible.
- Continuing to invest in the installation of LED lighting
- Investment in energy management projects at the Gilbert Bain Hospital and across the health centre estate.
- Gilbert Bain and Montfield Hospitals, Lerwick Health Centre and Breiwick House continue to use the Shetland Heat Energy and Power (SHEP) district heating system minimising carbon dioxide (CO_2) emissions from heat energy.

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

7. Approval and signing of the Performance Report

Signed Date 23 JUNE 17

By Ralph Roberts, Chief Executive as Accountable Officer

THE ACCOUNTABILITY REPORT
CORPORATE GOVERNANCE REPORT
DIRECTORS' REPORT

8. Date of Issue

The Accounting Officer authorised these audited financial statements for issue on 23 June 2017.

9. Appointment of auditors

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

10. Board membership

Under the terms of the Scottish Health Plan, the Health Board is a Board of Governance whose membership will be conditioned by the functions of the Board. Members of Health Boards are selected on the basis of their position or the particular expertise that enables them to contribute to the functions and decision-making process at a strategic level and reflects the partnership approach which is essential to improving health and healthcare. The Health Board has collective responsibility for the performance of the local NHS system as a whole, and reflects the partnership approach, which is essential to improving health and health care.

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

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

Executive Board Members	*Position Held*
Ralph Roberts	Chief Executive
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-Chair (Until end of term of office on 31 May 2016)
Dr Catriona Waddington	Vice-Chair (from 27 June 2016 until resignation from the Board on 10 January 2017)
Malcolm Bell	Vice-Chair (from 25th January 2017)
Marjorie Williamson	
Drew Ratter	Until retirement on 31 August 2016
Thomas Morton	From 20 June 2016
Daisy Leask	From 1 September 2016 until resignation from the Board on 11 November 2016
Andrew Glen	From 24 November 2016
Stakeholder Non Executive Board Members	
Ian Sandilands	Chair, Area Partnership Forum
Edna Watson	Chair, Area Clinical Forum
Mr Cecil Smith	SIC Member

11. Board members' and senior managers' Interests

Details of any interests of Board members, senior managers and other senior staff in contracts or potential contractors with the Health Board as required by IAS 24 are disclosed in Note 29.

12. Directors' third party indemnity provisions

The Board has not provided a qualifying third party indemnity provision for any of its Directors at any time during the financial year 2016/17.

13. 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.

14. Remuneration for non-audit work

Deloitte LLP did not undertake any non-audit work for the Board in 2016/17. Deloitte LLP nor any other accountancy firm undertook any non-audit work for the Board in 2015/16.

15. Value of Land

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

16. Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 imposed duties on the Scottish Government and listed Public Bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year. NHS Shetland has met the requirements of the Public Services Reform (Scotland) Act 2010. The link below will guide users to the relevant documentation on NHS Shetland's external website. http://www.shb.scot.nhs.uk/board/procurement.asp

17. Personal data related incidents reported to the Information Commissioner

During 2016-17 there was one case reported to the Information Commissioner's Office (ICO). The ICO investigation concluded that that no further action is necessary on this occasion.

18. Payment policy

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

- In 2016/17 average credit taken was 17 days (compared with 16 days in 2015/16).
- In 2016/17 the Board paid 88.97% by value and 85.99% by volume within 30 days (compared with 88.24% by value and 86.51% by volume in 2015/16).
- In 2016/17 the board paid 75.43% by value and 70.84% by volume within 10 days (compared with 76.02%by value and 71.10% by volume in 2015/16).

19. Disclosure of Information to Auditors

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

20. Events after the end of the reporting period

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

21. Financial instruments

Information in respect of the Financial Risk Management Objectives and policies of the Board and the exposure of the Board to price risk, credit risk, liquidity risk and cash flow risk is disclosed in Note 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 Financial Statements, I am required to comply with the requirements of the Government's Financial Reporting Manual and in particular to:

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

I am responsible for ensuring proper records are maintained and that the Financial Statements are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of June 2011.

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare financial statements in accordance with the directions of Scottish Ministers which require that those financial statements give a true and fair view of the state of affairs of the Health Board as at 31 March 2017 and of its operating costs for the year then ended. In preparing these financial statements the Directors are required to:

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

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

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

GOVERNANCE STATEMENT

Scope of Responsibility

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

My accountability arrangement with respect to the Scottish Government Health and Social Care Directorate (SGHSCD) is as set out in the extant guidance and includes full responsibility for all governance arrangements as well as the performance of the Board. This performance is formally reviewed by the Scottish Government on a yearly basis via the Annual Review process. In addition, a number of other external scrutiny arrangements are in place including ongoing scrutiny of a range of quality and service issues by Healthcare Improvement Scotland (HIS) and other bodies. In 2016/17 this included, a Healthcare Environment Inspectorate, safety and cleanliness inspection at 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 financial statements.

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

Strategic Framework

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

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

The Board's five corporate objectives are:

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

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

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

Finally, the Board, together with our partners in the Shetland Partnership, agreed Shetland's **Single Outcome Agreement** (SOA). This describes the key actions that we deliver in partnership to improve the overall delivery of services and quality of life and outcomes in Shetland as set out in the **Community Plan**. The Board approved the Local Outcomes Improvement Plan 2016-2000 (LOIP) in May 2016.

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 eight times in public during 2016-17 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 14 to 16 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 2016/17 the Board progressed work to develop and manage the new Joint Governance arrangements for our Health and Community services, in line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014. This included a review of our internal governance arrangements and this will continue in 2017/18 as the Integrated Joint Board (IJB) evolves following the local council elections and the appointment of new Board members to both the IJB and Health Board.

Corporate Governance

In line with Scottish Government policy, in 2016/17, the Board had the following standing committees:

a. Clinical Care and Professional Governance Committee,
b. Audit Committee
c. Endowments Committee
d. Staff Governance Committee
e. General Medical Practitioners Committee
f. Reference Committee (for Primary Care contractors)
g. Patient Focus/Public Involvement Steering Group

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

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

The next review of committee membership is due in 2017 following the appointment of two new non-executive Directors.

The functions of the Board's committees are:

Clinical Care and Professional Governance Committee

The Clinical Care and Professional 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 Care and Professional Governance Committee includes five non-executive Board members and the chair is Tom Morton.

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

The Committee met four times in the year.

Audit Committee

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

Endowment Committee

The Endowment Committee comprises all members of the Board and the chair is Tom Morton. The Committee oversees the management of Shetland Health Board Endowment Fund. The Committee met four times during 2016-17.

The Endowment Fund is registered with the Office of the Scottish Charity Regulator; its charity reference number is SC011513. The Endowment Fund produces its own audited financial statements which are not incorporated within the Board's Financial Statements. Deloitte LLP does not audit these financial statements as part of this Audit. The A9 Partnership Limited C.A. based in Lerwick is the Auditor of these funds.

Staff Governance Committee

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

The membership of the Staff Governance Committee comprises four non-executive Board members, one of whom is the Employee Director and three members from the Area Partnership Forum (two staff-side and one management representative). The Committee is chaired by Malcolm Bell. During 2016/17 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 2016/17. 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, Marjorie Williamson. 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 2016/17 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.

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. During 2016/17 the local risk management strategy was systematically reviewed and a revised policy agreed.

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/riskmanagement.asp

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

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

More generally, the Board is committed to continuous development and improvement developing systems in response to any relevant reviews and developments in best practice. In particular, during the year to 31 March 2017 and up to the signing of the financial statements, the Board has:

- an ongoing review of the Risk Management to create and agree 2017-20 strategy.
- a comprehensive Risk Management Training Programme, which included providing ten induction and eleven mandatory refresher training sessions held for all employees and specific session(s) which are built into management development;
- a Service Improvement Forum which acts as a learning forum to focus on improvement in connection with LEAN, Quality and Patient Safety and Organisational Development (OD) activities;

Embedding risk management activity

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

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

Actions undertaken in 2016/17 include:

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

Clinical Governance

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

During 2016/17 there was one inspection by Healthcare Environment Inspectorate (HEI), an unannounced safety and cleanliness inspection at the Gilbert Bain Hospital on 30 November 2016. The report was considered by the Clinical Care and Professional Governance Committee and the action plan identified to address potential areas for improvement. http://www.healthcareimprovementscotland.org/our_work/inspecting_and_regulating_care/hei_shetland_reports/gilbert_bain_hospital_mar_17.aspx

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

The Board 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 2016/17 we have progressed 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. Internal Audit reviewed this during 2016/17.

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 2016/17 the Board has delivered a significant efficiency programme of £1.9m recurrent savings. In addition we have delivered planned non-recurrent savings of £2.3m to offset the overall deficit within the Board's financial plan and cost pressures arising in year from the use of locum staff to cover key clinical vacancies in both community and hospital services.

This was consistent with the overall plan of removing the underlying deficit over a three year period as set out in the 2016-17 to 2020-21 Local Delivery Plan (LDP).

Particular pressure has continued in achieving efficiencies within our Clinical Services and responding to the impact of unavoidable cost pressures in small teams. This includes an

over spend in the budgets managed by both Acute and Specialised Services and Community Health and Social Care. There are risks associated with this as a significant proportion of these services 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 financial plan for 2017/18 and the subsequent three 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 performance 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. Scott Moncrieff are the Internal Auditors until 2019-20. The internal audit service conforms to the Public Sector Internal Audit Standards, which are based on the International Standards for the Professional Practice of Internal Auditing.

An Annual Report was produced and presented by Internal Audit to the Joint Audit and Governance Chairs Committee meeting on 17 May 2017. 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.

During 2016/17 the Internal Audit plan consisted of seven scheduled audit assignments.

At each Audit Committee papers are presented by Internal Audit to outline progress against the annual audit plan and a progress report on the completion of follow-up actions identified from prior audits. At the beginning of the year there were twenty nine outstanding audit actions, twenty one new audit actions were added and twenty two audit actions were closed during. This left nineteen audit actions partially complete and nine audit actions were not yet due. Overall, only 53.6% of Audit Actions due had been completed and work is on-going to improve management's delivery of agreed action plans. During 2016/17 Internal Audit only raised a very high or high risk issues in one of the seven assignments. In the other six reports there were ten moderate risk issues raised in the assignment reports. The final audit assignment in respect of IT Healthcheck on Security and Governance raised seven high risk management action points that the Board will address during 2017/18.

In respect of prior year audit assignment management action points all the risks graded above moderate were closed during 2016/17.

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 2016 potentially increased to £11,468 from £9,209 in 2015. The estimated potential fraud or error rate is below the NHS Scotland average.

NHS Endowments

The Shetland Health Board Endowment Funds were consolidated into the Board's group financial statements up to the 2015/16 financial year. A decision was made to discontinue this practice, due to materiality, from the 1st April 2016 and therefore the prior year comparative figures have been restated to remove the Shetland Health Board Endowment Funds. Details of the adjustments are contained in Note 25 to the Financial Statements.

Information Governance

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

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

There are clear links between the IG framework and the clinical governance framework and the IG plan is presented at least annually to the Clinical Care and Professional Governance Committee. Progress has been made in the following areas during 2016/17:

- 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 and lead on Public Records Act.
- 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 2016/17. Actions have been taken to improve systems and remind staff of the importance of data security. While the physical security of our data has improved we continue to work with staff to ensure they understand their responsibilities. This is done though our Induction and Compulsory Refresher training that covers information on IT security, Data Protection, Confidentiality, Subject Access Requests and the Freedom of Information Act (Scotland) 2002. Progress on implementing the Public Records (Scotland) Act 2011 has been via a project team. A scoping document has been developed to identify the gaps and areas for work required to implement the Act and this will remain a key issue for the Board 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. I-matters programme rollout has continued in to Clinical Services. Electronic Knowledge and Skills Framework (E-KSF) compliance remains a key objective despite continued low compliance.

Best Value

During 2016/17 the Board has maintained its approach to Best Value (BV) that provides me, as Accountable Officer, with confidence in our delivery of the nine BV characteristics. Our approach is based on a template developed by NHS Fife with input from the Scottish Government Health & Social Care Directorates (SGHSCD) and the national Corporate Governance and Audit Forum. Responsibility for each characteristic is assigned to committees within the Board. These are primarily the formal sub-committees of the Board with a number of other groups identified as carrying responsibility or joint responsibility where appropriate. The framework has then been populated to identify evidence that could demonstrate our progress against each element. The chair of each committee has then formally confirmed this reflects the work carried out against these elements. I can confirm that arrangements have been made to secure Best Value as set out in the Scottish Public Finance Manual (SPFM).

Shetland Islands Health and Social Care Partnership

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

The establishment of the partnership as an 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 2016/17 on 16 February 2016 and an updated plan for 2017/18 on 14 February 2017.

In line with the decision of the Board at its meeting 18 August 2015 this allowed the IJB to take on its full responsibilities from 20 November 2015, as required in the Public Sector Reform (Scotland) Act 2010 and set out in the Integration scheme and the Board's revised Corporate Governance handbook, so 2016/17 was the first full year of the IJB.

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 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 Care and Professional Governance Committee and RMG.

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

Disclosures

During the financial year, other than the internal audit report on IT security and Governance highlighted above there is no other significant control weakness or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control that require to be reported to the Scottish Government.

REMUNERATION AND STAFF REPORT

REMUNERATION REPORT

BOARD MEMBERS AND SENIOR EMPLOYEES REMUNERATION

Remuneration Committee membership

The members of the Remuneration Committee are the Chairman and Vice-Chairman of the Board plus the Chairman of the Audit Committee and the Employee Director. The Director of Human Resources and Support Services is the Remuneration Committee's advisor on all matters (except those relating directly to her). The Chief Executive is in attendance except when matters pertaining to his own remuneration or performance are being discussed. The Committee meets as required to conduct its business. The Director of Human Resources and Support Services prepares an annual report for the Board on the work of the Remuneration Committee.

Remuneration policy for Senior Management

The Committee agrees the annual objectives for the Board Chief Executive and then agrees with the Chief Executive the annual objectives for the other Executive Directors and staff on the Senior Manager pay scale. The Committee considers the performance against objectives and the remuneration of these staff, who are then remunerated in accordance with national guidance and pay scales. The evidence is subject to regular audit and is also made available to the National Performance Management Committee for ratification. The element of remuneration subject to performance conditions is low (averaging out at under five per cent). All managers in the Executive Cohort are under a National Contract that has a three-month notice period. There is provision in the contract for the Board to make a termination payment equivalent to three months' salary (in lieu of the notice period) if it so desires. This option is only used in exceptional circumstances. No such awards have been made to past senior managers.

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

SHETLAND NHS BOARD

REMUNERATION TABLE (AUDITED INFORMATION)

YEAR ENDED 31 MARCH 2017

Director	Directors Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings in Year	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	13	110-115
Medical Director: Dr Roger Diggle [1]	125-130	0	0	125-130	58	185-190
Dir of Nursing : Kathleen Carolan	85-90	0	0	85-90	28	115-120
Dir of Finance: Colin Marsland	65-70	0	0	65-70	18	85-90
Dir of Human Resources and Support Services: Lorraine Hall	70-75	0	0	70-75	11	85-90
Non-Executive Members						
The Chair: Ian Kinniburgh	20-25	0	0	20-25	0	20-25
Drew Ratter [until 31/08/2016][4]	0-5	0	0	0-5	0	0-5
Dr Catriona Waddington [until 10/01/2017][4]	5-10	0	0	5-10	0	5-10

Keith Massey [until 31/05/2016][4]	0-5	0	0	0-5	0	0-5
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
Andrew Glen [from 24/11/2016][4]	0-5	0	0	0-5	0	0-5
Thomas Morton [from 20/06/2016][4]	5-10	0	0	5-10	0	5-10
Daisy Leask [from 01/09/2016 until 11/11/2016][4]	0-5	0	0	0-5	0	0-5
Other Board Members						
Chair of Area Clinical Forum: Edna Watson [2]	65-70	0	0	65-70	7	75-80
Employee Director: Ian Sandilands [3]	50-55	0	0	50-55	7	60-65
Other Senior Employees						
Director of Clinical Services: Simon Bokor-Ingram	90-95	0	0	90-95	18	105-110
Director of Public Health: Susan Webb [5]	35-40	0	0	0	0	35-40
Total					**160**	

Notes in respect of 2016-17 disclosure:

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

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

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

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

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

SHETLAND NHS BOARD PENSION VALUES (AUDITED INFORMATION) YEAR ENDED 31 MARCH 2017					
Director	**Accrued pension at age 60 as at 31/03/2017 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500)**	**CETV at 31/03/2017**	**CETV at 31/03/2016**	**Real Increase in CETV**
	£'000s	**£'000s**	**£'000s**	**£'000s**	**£'000s**
Executive Members					
Chief Executive: Ralph Roberts	35-40 (110-115)	0-2.5	728	666	27
Medical Director: Dr Roger Diggle	5-10 (0)	2.5-5	132	82	32
Dir of Nursing: Kathleen Carolan	15-20 (40-45)	0-2.5	250	212	29
Dir of Finance: Colin Marsland	20-25 (55-60)	0-2.5	367	332	25
Dir of Human Resources and Support Services: Lorraine Hall	10-15 (35-40)	0-2.5	239	209	14
Non-Executive Members					
The Chair: Ian Kinniburgh	0	0	0	0	0
Drew Ratter [until 31/08/2016]	0	0	0	0	0
Dr Catriona Waddington [until 10/01/2017]	0	0	0	0	0
Keith Massey [until 31/05/2016]	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
Andrew Glen [from 01/12/2016]	0	0	0	0	0
Thomas Morton [from 20/06/2016]	0	0	0	0	0
Daisy Leask [from 01/09/2016 until 11/11/2016]	0	0	0	0	0
Other Board Members					
Chair of Area Clinical Forum: Edna Watson	20-25 (65-70)	0-2.5	403	367	14
Employee Director: Ian Sandilands	15-20 (50-55)	0-2.5	359	330	16
Other Senior Employees					
Director of Clinical Services: Simon Bokor-Ingram	25-30 (70-75)	0-2.5	485	446	28
Total					**185**

Notes in respect of 2016-17 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 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 [4]	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 [4]	65-70	0	0	65-70	51	120-125
Dir of Human Resources and Support Services: Lorraine Hall [4]	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 [4]	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 (General Practitioner).

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

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

[4] 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 31/03/2016 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500)**	**CETV at 31/03/2016**	**CETV at 31/03/2015**	**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.

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.

2016-17		2015-16	
Range of staff remuneration (£000s)	16-186	Range of staff remuneration (£000s)	15-172
Highest Earning Director's Total Remuneration (£000s)	125-130	Highest Earning Director's Total Remuneration (£000s)	150-155
Median Total Remuneration (£s)	29,813	Median Total Remuneration (£s)	29,432
Ratio	1:4	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 increase in the median salary value is the result of pay inflation uplift applied in 2016-17.

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.

	2017	2016
Band (bands of £5,000)	**Number of Staff**	**Number of Staff**
60-65	0	0
65-70	2	1
70-75	1	1
75-80	0	0
85-90	1	1
90-95	1	1
100-105	1	1
125-130	1	0
130-135	0	1
145-150	0	0
150-155	0	1
Total	**7**	**7**

(b) Higher paid employees remuneration

Other employees whose remuneration fell within the following ranges:

2016 Number		2017 Number
	Clinicians	
14	£ 50,001 to £ 60,000	1
10	£ 60,001 to £70,000	3
4	£ 70,001 to £ 80,000	9
7	£ 80,001 to £ 90,000	2
1	£ 90,001 to £100,000	1
1	£100,001 to £110,000	3
4	£110,001 to £120,000	1
2	£120,001 to £130,000	5
0	£130,001 to £140,000	2
1	£140,001 to £150,000	1
2	£150,001 to £160,000	1
0	£160,001 to £170,000	0
1	£170,001 to £180,000	0
0	£180,001 to £190,000	1
0	£190,001 to £200,000	0
0	£200,001 and above	0
	Other	
2	£ 50,001 to £ 60,000	16
1	£ 60,001 to £ 70,000	9
2	£ 70,001 to £ 80,000	4
1	£ 80,001 to £ 90,000	2
0	£ 90,001 to £100,000	1
1	£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

(c) Staff costs

2016 Total £'000	STAFF COSTS	Executive Board Members £'000	Non Executive Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	Outward Secondees £'000	2017 Total £'000
21,676	Salaries and wages	463	187	20,591	0	0	0	**21,241**
1,690	Social security costs	58	17	2,071	0	0	0	**2,146**
2,801	NHS scheme employers' costs	65	15	2,751	0	0	0	**2,831**
0	Other employers' pension costs	0	0	0	0	0	0	**0**
48	Inward secondees	0	0	0	555	0	(9)	**546**
1,925	Agency staff	0	0	0	0	2,407	0	**2,407**
28,140		586	219	25,413	555	2,407	(9)	**29,171**
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**
28,140	**TOTAL**	**586**	**219**	**25,413**	**555**	**2,407**	**(9)**	**29,171**
	STAFF NUMBERS							
557	Whole time equivalent (WTE)	5	8	546	0	0	0	**559**

2016		2017
0	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
26	Included in the total staff numbers above were disabled staff of:	29
0	Included in the total staff numbers above were Special Advisers of:	0

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

d) Staff composition

	2017				2016			
	Male	Female	Prefer not to say	**Total**	Male	Female	Prefer not to say	**Total**
Executive Directors	3	2	0	**5**	3	2	0	**5**
Non-Executive Directors and Employee Director	7	1	0	**8**	6	2	0	**8**
Senior Employees	1	0	0	**1**	1	0	0	**1**
Other	110	557	0	**667**	111	550	0	**661**
Total Headcount	121	560	0	**681**	121	554	0	**675**

e) Sickness absence data

	2017	**2016**
Sickness Absence Rate	4.51%	5.20%

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

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

g) 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

	2017	**2016**
	£	**£**
ICT Consultancy	0	6,890
Management Consultancy	0	70,320
Construction Projects Consultancy	0	11,360

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

For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last longer than six months:

	2017	2016
	Number	**Number**
Number of new engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017	8	6
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	0	2
Number for whom assurance has been requested	0	0
Of which:		
assurance has been received	0	0
assurance has not been received	0	0
engagements terminated as a result of assurance not being received	0	0

For all new off-payroll engagements between 1 April 2016 and 31 March 2017, for more than £220 per day and that last longer than six months:

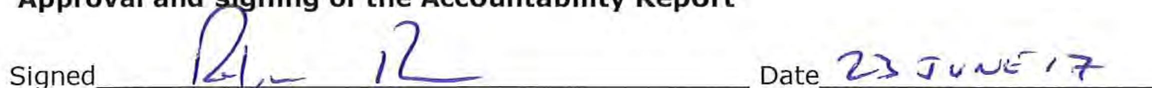
	2017	2016
	Number	**Number**
Number of existing engagements as of 31 March 2017	8	9
Of which, the number that have existed:		
for less than one year at the time of reporting	4	4
for between one and two years at the time of reporting	1	2
for between 2 and 3 years at the time of reporting	1	0
for between 3 and 4 years at the time of reporting	2	0
for 4 or more years at the time of reporting	0	3

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.

i) Exit packages

None in 2016/17 or prior year, Note 32.

Approval and signing of the Accountability Report



Signed__________ Date 23 JUNE 17

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

Report on the audit of the financial statements

Opinion on financial statements
We have audited the financial statements in the annual report and accounts of Shetland Health Board and its group for the year ended 31 March 2017 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 Cashflows, the Statement of Consolidated Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2016/17 Government Financial Reporting Manual (the 2016/17 FReM).
In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the affairs of the board and its group as at 31 March 2017 and of their net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

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

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

Auditor's responsibilities for the audit of the financial statements
Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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.

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

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

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to 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 us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on regularity of expenditure and income

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

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

Report on other requirements

Opinions on other prescribed matters
We are required by the Auditor General for Scotland to express an opinion on the following matters.

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

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

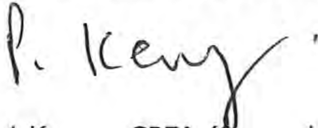
the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX

Date: 23 June 2017

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2017

2016 Restated £'000		Note	2017 £'000	2017 £'000
	Clinical Services Costs			
47,288	Hospital and Community	4	65,082	
10,020	Less: Hospital and Community Income	8	26,106	
37,268				38,976
14,341	Family Health	5	14,368	
397	Less: Family Health Income	8	561	
13,944				13,807
51,212	**Total Clinical Services Costs**			**52,783**
1,923	Administration Costs	6	1,763	
64	Less: Administration Income	8	86	
1,859				1,677
3,799	Other Non Clinical Services	7	3,952	
1,057	Less: Other Operating Income	8	170	
2,742				3,782
0	Associates and joint ventures accounted for on an equity basis (33a)			(62)
55,813	**Net Operating Costs**			**58,180**

OTHER COMPREHENSIVE NET EXPENDITURE

2016 Restated £'000		2017 £'000
0	Net gain on revaluation of Property Plant and equipment	(3,572)
0	Loss on revaluation of available for sale financial assets	0
0	Other Comprehensive Expenditure	(3,572)
55,813	**Total Comprehensive Expenditure**	**54,608**

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

FOR THE YEAR ENDED 31 MARCH 2017

SUMMARY OF CORE REVENUE RESOURCE OUTTURN	**Note**	**2017 £'000**
Net Operating Costs		**58,180**
Total Non Core Expenditure (see below)		(2,059)
FHS Non Discretionary Allocation		(1,414)
Donated Assets Income		0
Associates and Joint Ventures accounted for on an equity basis		62
Total Core Expenditure		**54,769**
Core Revenue Resource Limit		55,081
Saving against Core Revenue Resource Limit		**312**
SUMMARY OF NON CORE REVENUE RESOURCE OUTTURN		
Capital Grants to / (from) Other Bodies		0
Depreciation/Amortisation		1,291
Annually Managed Expenditure – Impairments		148
Annually Managed Expenditure - Creation of Provisions		507
Annually Managed Expenditure - Depreciation of Donated Assets		83
Additional SGHSCD Non-Core Funding		0
AME – Pension Valuation		30
IFRS PFI Expenditure		0
Total Non Core Expenditure		**2,059**
Non Core Revenue Resource Limit		2,061
Saving against Non Core Revenue Resource Limit		**2**

SUMMARY RESOURCE OUTTURN

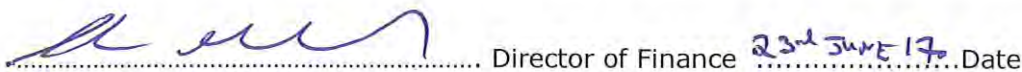
	Resource £'000	**Expenditure £'000**	**Saving £'000**
Core	55,081	54,769	312
Non Core	2,061	2,059	2
Total	**57,142**	**56,828**	**314**

SHETLAND NHS BOARD

CONSOLIDATED BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2017

Board and Consolidated			**Consolidated**	**Board**
2016 Restated £'000		**Note**	**2017 £'000**	**2017 £'000**
29,129	Property, plant and equipment	11	31,926	31,926
36	Intangible assets	10	27	27
	Financial assets:			
0	Available for sale financial assets	14	0	0
	Investments in associates and joint ventures		62	0
29,165	**Total non-current assets**		**32,015**	**31,953**
	Current Assets:			
394	Inventories	12	431	431
	Financial assets:			
1,311	Trade and other receivables	13	1,137	1,137
143	Cash and cash equivalents	15	88	88
138	Assets classified as held for sale	11	0	0
1,986	**Total current assets**		**1,656**	**1,656**
31,151	**Total assets**		**33,671**	**33,609**
	Current liabilities			
(326)	Provisions	17	(324)	(324)
	Financial liabilities:			
(6,335)	Trade and other payables	16	(7,329)	(7,329)
(6,661)	**Total current liabilities**		**(7,653)**	**(7,653)**
24,490	**Non-current assets plus/less net current assets/liabilities**		**26,018**	**25,956**
	Non-current liabilities			
(829)	Provisions	17	(1,289)	(1,289)
	Financial liabilities:			
(829)	**Total non-current liabilities**		**(1,289)**	**(1,289)**
23,661	**Assets less liabilities**		**24,729**	**24,667**
	Taxpayers' Equity			
13,386	General fund		11,350	11,350
10,275	Revaluation reserve		13,317	13,317
0	Other reserves - associates and joint ventures		62	0
23,661	**Total taxpayers' equity**		**24,729**	**24,667**


.... Director of Finance 23rd JUNE 17 ..Date

............Chief Executive 23 JUNE 17 ..Date

SHETLAND NHS BOARD

STATEMENT OF CONSOLIDATED CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2017

2016 Restated £'000		Note	2017 £'000	2017 £'000
	Cash flows from operating activities			
(55,813)	Net operating cost		(58,180)	
1,293	Adjustments for non-cash transactions	3	1,335	
0	Add back: interest payable recognised in net operating cost		0	
0	Deduct: interest receivable recognised in net operating cost		0	
0	Investment income		0	
(17)	(Increase) / decrease in trade and other receivables	13	174	
63	(Increase) / decrease in inventories	12	(37)	
(628)	Increase / (decrease) in trade and other payables	16	1,048	
98	Increase / (decrease) in provisions	17	458	
(55,004)	**Net cash outflow from operating activities**			**(55,202)**
	Cash flows from investing activities			
(687)	Purchase of property, plant and equipment	11	(736)	
0	Purchase of intangible assets			
0	Investment Additions		0	
711	Proceeds of disposal of property, plant and equipment		261	
0	Receipts from sale of investments		0	
0	Interest received		0	
24	**Net cash outflow from investing activities**			**(475)**
	Cash flows from financing activities			
54,986	Funding		55,676	
18	Movement in general fund working capital		(54)	
55,004	Cash drawn down		55,622	
(6)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	18	0	
0	Interest paid		0	
0	Interest element of finance leases and on-balance sheet PFI/PPP contracts		0	
54,998	**Net Financing**			**55,622**
18	Net Increase / (decrease) in cash and cash equivalents in the period			(55)
125	Cash and cash equivalents at the beginning of the period			143
143	**Cash and cash equivalents at the end of the period**			**88**
	Reconciliation of net cash flow to movement in net debt/cash			
18	Increase / (decrease) in cash in year			(55)
125	Net cash at 1 April			143
143	**Net cash at 31 March**			**88**

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

SHETLAND NHS BOARD
STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2017

	Note	General Fund	Revaluation Reserve	Associates and Joint Ventures	Total Reserves
		£'000	£'000	£'000	£'000
Balance at 31 March 2016		13,386	10,275	0	23,661
Restated balance at 1 April 2016		**13,386**	**10,275**	**0**	**23,661**
Changes in taxpayers' equity for 2016-17					
Net gain on revaluation of property, plant and equipment	10	0	3,572	0	3,572
Net result on revaluation of available for sale financial assets	14	0	0	0	0
Impairment of property, plant and equipment	11a		(159)	0	(159)
Transfers between reserves		530	(530)	0	0
Impairments taken to operating costs	3	0	159	0	159
Net operating cost for the year		(58,242)	0	62	(58,180)
Total recognised income and expense for 2016-17		(57,712)	3,042	62	(54,608)
Funding:					
Drawn down		55,622	0	0	55,622
Movement in General Fund (Creditor) / Debtor		54	0	0	54
Balance at 31 March 2017		**11,350**	**13,317**	**62**	**24,729**

STATEMENT OF CONSOLIDATED CHANGES IN TAXPAYERS' EQUITY – PRIOR YEAR - RESTATED
FOR THE YEAR ENDED 31 MARCH 2016

	Note	General Fund	Revaluation Reserve	Associates and Joint Ventures	Total Reserves
		£'000	£'000	£'000	£'000
Balance at 31 March 2015		13,651	10,837	0	24,488
Restated balance at 1 April 2015		**13,651**	**10,837**	**0**	**24,488**
Changes in taxpayers' equity for 2015-16					
Net gain on revaluation of intangible assets	10	0	10	0	10
Net result on revaluation of available for sale financial assets	14	0	0	0	0
Impairment of property, plant and equipment	11a	0	(217)	0	(217)
Transfers between reserves		562	(562)	0	0
Impairments taken to operating costs	3	0	207	0	207
Net operating cost for the year		(55,813)	0	0	(55,813)
Total recognised income and expense for 2015-16		(55,251)	(562)	0	(55,813)
Funding:					
Drawn down		55,004	0	0	55,004
Movement in General Fund (Creditor) / Debtor		(18)	0	0	(18)
Balance at 31 March 2016		**13,386**	**10,275**	**0**	**23,661**

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 Financial Statements have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the financial statements.

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

(a) Standards, amendments and interpretations effective in 2016-17

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

(b) Standards, amendments and interpretation early adopted in 2016-17

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

(c) Standards, amendments and interpretation not yet adopted in 2016-17

There are no new standards, amendments or interpretations not yet adopted.

2. Basis of Consolidation

Consolidation

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

The basis of consolidation used is IFRS 11 - Joint Arrangements. Note 33 to the Financial Statements details how these consolidated Financial Statements have been calculated.

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

The IJB approved the 2016/17 Strategic Commissioning Plan on 28 June 2016. The basis of consolidation used is a joint venture under IFRS 11.

The reporting period of the IJB financial statements is consistent with that of NHS Shetland (01 April 2016 to 31 March 2017).

3. Prior Year Adjustments

The Shetland Health Board Endowment Funds were consolidated into the Board's group financial statements up to the 2015/16 financial year. A decision was made to discontinue this practice, due to materiality, from the 1st April 2016 and therefore the prior year comparative figures have been restated to remove the Shetland Health Board Endowment Funds. Details of the adjustments are contained in Note 25 to the Financial Statements.

4. Going Concern

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

5. Accounting Convention

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

6. Funding

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

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

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

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

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

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

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

7. Property, plant and equipment

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

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

7.1 Recognition

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

All assets falling into the following categories are capitalised:

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

7.2 Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

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

Valuations of all land and building assets are reassessed by valuers under a 3-year programme of professional valuations and adjusted in intervening years to take account of movements in prices since the latest valuation. The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Scottish Government.

The Board changed from a 5-year to a 3–year programme of professional valuations during 2013/14 with the latest full valuation of the estate taking place as at 31st March 2017. This programme was deemed to be the most economically advantageous option during the contract renewal process. This will also ensure the value of the asset base more accurately reflects movements in the market.

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:

<u>Internally generated intangible assets:</u>

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 no assets held that met the definition of non-current assets held for sale.

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

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable 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 published was on 20 January 2015. This actuarial valuation was for scheme as at 31 March 2012. The consequence of this review was that the Employers contribution increased from 13.5% to 14.9% from 1 April 2015.

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 financial statements since the Board has no beneficial interest in them.

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

28. Key sources of judgement and estimation uncertainty

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

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

Estimates and uncertainties mainly relate to the value of property and provisions for future liabilities. The value of fixed assets is based on valuations provided by a professional valuer. The two key provisions in the financial statements 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.

Note 2 – STAFF COSTS

Total staff costs for the year to 31 March 2017 were £29,171k (2016: £28,140k). Further detail and analysis of staff costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

Note 3 – OTHER OPERATING COSTS

2016 Restated £'000		Note	2017 £'000
	Expenditure Not Paid In Cash		
1,294	Depreciation	11a	1,282
19	Amortisation	10	9
83	Depreciation Donated Assets	11b	83
207	Impairments on property, plant & equipment charged to SOCNE	11a	159
0	Funding Of Donated Assets	11b	0
(310)	Profit on disposal of property, plant and equipment		(136)
0	Investment in Integration Joint Board		(62)
1,293	**Total Expenditure Not Paid In Cash**		**1,335**
	Interest Payable		
0	Provisions - Unwinding of discount		0
0	**Total**		**0**
	Statutory Audit		
65	External auditor's remuneration and expenses		75

Note 4 – HOSPITAL AND COMMUNITY HEALTH SERVICES

2016 Restated £'000	BY PROVIDER	2017 £'000
29,070	Treatment in Board area of NHSScotland Patients	30,135
7,125	Other NHSScotland Bodies	7,935
28	Health Bodies outside Scotland	64
288	Private sector	153
	Community Care	
1,835	Resource Transfer	1,452
8,931	Contribution of Health Board to Integration Joint Board	25,267
0	Contributions to Voluntary Bodies and Charities	69
47,277	**Total NHSScotland Patients**	**65,075**
11	Treatment of UK residents based outside Scotland	7
47,288	**Total Hospital & Community Health Service**	**65,082**

Note 5 – FAMILY HEALTH SERVICE EXPENDITURE

2016 Restated £'000		2017 Unified Budget £'000	2017 Non Disc £'000	2017 TOTAL £'000
4,755	Primary Medical Services	4,961	0	4,961
5,932	Pharmaceutical Services	4,774	767	5,541
3,213	General Dental Services	3,107	327	3,434
441	General Ophthalmic Services	0	432	432
14,341	**Total Family Health Service Expenditure**	**12,842**	**1,526**	**14,368**

Note 6 – ADMINISTRATION COSTS

2016 Restated £'000		2017 £'000
990	Board members' remuneration	805
266	Administration of Board Meetings and Committees	267
111	Corporate Governance and Statutory Reporting	125
363	Health Planning, Commissioning and Performance Reporting	450
193	Other	116
1,923	**Total Administration Costs**	**1,763**

Note 7 – OTHER NON CLINICAL SERVICES

2016 Restated £'000		2017 £'000
169	Compensation payments – Clinical	541
20	Pension enhancement & redundancy	18
2,911	Patients' Travel Highlands and Islands scheme	2,797
679	Health Promotion	576
20	Emergency Planning	20
0	Endowment Expenditure	0
3,799	**Total Other Non Clinical Services**	**3,952**

Note 8 – OPERATING INCOME

2016 Restated £'000		2017 £'000
	Hospital and Community Health Services Income	
	NHSScotland Bodies	
0	SGHSCD	127
146	Boards	573
0	NHS Non-Scottish Bodies	113
	Non NHS	
0	Private Patients	0
943	Other Hospital and Community Health Services income	1,041
8,931	Income for services commissioned by Integration Joint Board	24,252
10,020	**Total Hospital and Community Health Services Income**	**26,106**
	Family Health Service Income	
389	Unified	449
8	Non Discretionary General Dental Services	112
397	**Total Family Health Services Income**	**561**
64	**Administration Income**	**86**
	Other Operating Income	
525	NHS Scotland Bodies	0
120	NHS Non-Scottish Bodies	0
310	Profit on disposal of non current assets	136
0	Donated Asset Additions	0
0	Endowment Income	0
102	Other	34
1,057	**Total Other Operating Income**	**170**
11,538	**Total Income**	**26,923**
671	**Of the above, the amount derived from NHS bodies**	**686**

Note 9 – ANALYSIS OF CAPITAL EXPENDITURE

2016 Restated £'000		Note	2017 £'000
	EXPENDITURE		
687	Acquisition of Property, Plant and Equipment	11a	736
0	Donated Asset Additions	11b	0
687	**Gross Capital Expenditure**		**736**
	INCOME		
1	Net book value of disposal of Property, plant and equipment	11a	125
400	Value of disposal of Non-Current Assets held for sale	11c	0
401	**Capital Income**		**125**
286	**Net Capital Expenditure**		**611**
	SUMMARY OF CAPITAL RESOURCE OUTTURN		
286	Core capital expenditure included above		611
362	Core Capital Resource Limit		661
76	**Saving against Core Capital Resource Limit**		**50**
0	Non Core capital expenditure included above		0

0	Non Core Capital Resource Limit	0
0	**Saving against Non Core Capital Resource Limit**	**0**
286	Total Capital Expenditure	611
362	Total Capital Resource Limit	661
76	**Saving against Total Capital Resource Limit**	**50**

Note 10 – INTANGIBLE ASSETS – CONSOLIDATED AND BOARD

CURRENT YEAR

	Info. technology - software £'000	Total £'000
Cost or Valuation:		
At 1st April 2016	97	97
Transfers	10	10
Disposals	(10)	(10)
At 31st March 2017	**97**	**97**
Amortisation		
At 1st April 2016	61	61
Provided during the year	9	9
Transfers	10	10
Disposals	(10)	(10)
At 31st March 2017	**70**	**70**
Net Book Value at 1st April 2016	**36**	**36**
Net Book Value at 31 March 2017	**27**	**27**

PRIOR YEAR

	Info. technology - software £'000	Total £'000
Cost or Valuation:		
At 1st April 2015	97	97
Disposals	(10)	(10)
Revaluation	10	10
At 31st March 2016	**97**	**97**
Amortisation		
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**

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

	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 1st April 2016	614	26,312	1,338	8	4,974	1,158	37	32	34,473
Additions	0	85	0	0	489	162	0	0	736
Transfers	0	0	0	24	68	(146)	0	0	(54)
Transfers from non-current assets held for sale	0	0	138	0	0	0	0	0	138
Revaluation	0	925	114	0	0	0	0	0	1,039
Impairment charge [1]	0	(85)	0	0	(73)	(1)	0	0	(159)
Disposals	(25)	0	(106)	(9)	(715)	(185)	(7)	0	(1,047)
At 31st March 2017	**589**	**27,237**	**1,484**	**23**	**4,743**	**988**	**30**	**32**	**35,126**
Depreciation									
At 1st April 2016	0	1,629	79	8	3,045	761	37	0	5,559
Provided during the year	0	794	37	0	311	140	0	0	1,282
Transfers	0	0	0	24	68	(146)	0	0	(54)
Revaluation	0	(2,423)	(110)	0	0	0	0	0	(2,533)
Disposals	0	0	(6)	(9)	(715)	(185)	(7)	0	(922)
At 31st March 2017	**0**	**0**	**0**	**23**	**2,709**	**570**	**30**	**0**	**3,332**
Net Book Value at 1st April 2016	**614**	**24,683**	**1,259**	**0**	**1,929**	**397**	**0**	**32**	**28,914**
Net Book Value at 31 March 2017	**589**	**27,237**	**1,484**	**0**	**2,034**	**418**	**0**	**32**	**31,794**
Open Market Value of Land and Dwellings Included Above	**460**		**1,484**						
Asset financing:									
Owned	589	27,237	1,484	0	2,034	418	0	32	31,794
Net Book Value at 31 March 2017	**589**	**27,237**	**1,484**	**0**	**2,034**	**418**	**0**	**32**	**31,794**

[1] Impairment consists of £85k due to building works which did not add value to the estate plus £74k relating to plant which was written down to market value prior to disposal.

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

	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 1st 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 31st March 2016	**614**	**26,312**	**1,338**	**8**	**4,974**	**1,158**	**37**	**32**	**34,473**
Depreciation									
At 1st April 2015	0	816	40	28	3,884	899	36	0	5,703
Provided during the year	0	813	39	4	316	122	0	0	1,294
Disposals	0	0	0	(24)	(1,155)	(260)	1	0	(1,438)
At 31st March 2016	**0**	**1,629**	**79**	**8**	**3,045**	**761**	**37**	**0**	**5,559**
Net Book Value at 1st April 2015	**614**	**25,483**	**1,436**	**4**	**1,896**	**405**	**1**	**38**	**29,877**
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**

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

	Transport Equipment £'000	Plant & Machinery £'000	Total £'000
Cost or valuation			
At 1st April 2016	0	651	651
Transfers	0	44	44
Disposals	0	(44)	(44)
At 31st March 2017	**0**	**651**	**651**
Depreciation			
At 1st April 2016	0	436	436
Provided during the year	0	83	83
Transfers	0	44	44
Disposals	0	(44)	(44)
At 31st March 2017	**0**	**519**	**519**
Net Book Value at 1st April 2016	**0**	**215**	**215**
Net Book Value at 31 March 2017	**0**	**132**	**132**
Asset financing:			
Owned	0	132	132
Net Book Value at 31 March 2017	**0**	**132**	**132**

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

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

Note 11 (c) –ASSETS HELD FOR SALE – CURRENT YEAR – CONSOLIDATED AND BOARD

	Note	Property, Plant & Equipment £'000	Total £'000
At 1st April 2016		138	**138**
Transfers (to)/from property, plant and equipment	11a	(138)	**(138)**
Disposals			**0**
At 31st March 2017		0	0

Note 11 (c) –ASSETS HELD FOR SALE – PRIOR YEAR – CONSOLIDATED AND BOARD

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

11 (d) – PROPERTY, PLANT AND EQUIPMENT DISCLOSURES

2016 Restated £'000		Note	2017 £'000
	Net book value of property, plant and equipment at 31 March		
28,914	Purchased	11a	31,794
215	Donated	11b	132
29,129	**Total**		**31,926**

Land and buildings were fully revalued by an independent valuer, Gerald Eve, at 31/03/2017 on the basis of fair value. The valuer was a qualified Member of the Royal Institute of Chartered Surveyors (MRICS). A full revaluation will be carried out again on 31/03/2020 in line with the Board's three year cycle.

NOTE 12 – INVENTORIES

Board and Cons		Cons	Board
2016 Restated £'000		2017 £'000	2017 £'000
394	Raw Materials and Consumables	431	431
394	**Total Inventories**	**431**	**431**

NOTE 13 – TRADE AND OTHER RECEIVABLES

Board and Cons 2016 Restated £'000		Cons 2017 £'000	Board 2017 £'000
	Receivables due within one year NHS Scotland		
246	Boards	135	135
246	**Total NHS Scotland Receivables**	**135**	**135**
26	NHS Non-Scottish Bodies	9	9
45	VAT recoverable	44	44
183	Prepayments	214	214
75	Accrued income	116	116
625	Other Receivables	560	560
0	Reimbursement of provisions	0	0
111	Other Public Sector Bodies	59	59
1,311	**Total Receivables due within one year**	**1,137**	**1,137**
1,311	**TOTAL RECEIVABLES**	**1,137**	**1,137**
116	The total receivables figure above includes a provision for impairments of:	100	100
	WGA Classification		
246	NHSScotland	135	135
45	Central Government Bodies	44	44
111	Whole of Government Bodies	59	59
26	Balances with NHS Bodies in England and Wales	9	9
883	Balances with bodies external to Government	890	890
1,311	**Total**	**1,137**	**1,137**

Movements on the provision for impairment of receivables are as follows:

Board 2016 £'000		Cons 2017 £'000	Board 2017 £'000
109	At 1 April	116	116
49	Provision for impairment	100	100
(6)	Receivables written off during the year as uncollectable	0	0
(36)	Unused amounts reversed	(116)	(116)
116		**100**	**100**

As of 31 March 2017, receivables with a carrying value of £99,696 (2016: £116,207) were impaired and provided for. The amount of the provision was £99,696 (2016: £116,207). The aging of these receivables is as follows:

Board 2016 £'000		Cons 2017 £'000	Board 2017 £'000
13	3 to 6 months past due	0	0
103	Over 6 months past due	100	100
116		**100**	**100**

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.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2017, receivables with a carrying value of £133,000 (2016: £196,000) were past their due date but not impaired. The aging of receivables which are past due but not impaired is as follows:

Board 2016 £'000		Cons 2017 £'000	Board 2017 £'000
159	Up to 3 months past due	119	119
22	3 to 6 months past due	4	4
15	Over 6 months past due	10	10
196		**133**	**133**

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;

Board 2016 £'000		Cons 2017 £'000	Board 2017 £'000
1,311	Existing customers with no defaults in the past	1,137	1,137
1,311	Total neither past due or impaired	**1,137**	**1,137**

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.

The carrying amount of receivables are denominated in the following currencies:

Board 2016 £'000		Cons 2017 £'000	Board 2017 £'000
1,311	Pounds	1,137	1,137
0	Euros	0	0
0	US Dollars	0	0
1,311		**1,137**	**1,137**

All non-current receivables are due within one year (2015-16: 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 (2015-16: £0)

The effective interest rate on non-current other receivables is 0% (2015-16: 0%).

NOTE 14 – AVAILABLE FOR SALE FINANCIAL ASSETS

None

NOTE 15 – CASH AND CASH EQUIVALENTS

CURRENT YEAR

	01/04/2016 £'000	Flow £'000	31/03/2017 £'000
Government Banking Service account balance	100	(57)	43
Cash at bank and in hand	43	2	45
Total cash and cash equivalents - balance sheet	**143**	**(55)**	**88**
Total cash - cash flow statement	**143**	**(55)**	**88**

PRIOR YEAR

	At 01/04/2015 £'000	Cash Flow £'000	At 31/03/2016 £'000
Government Banking Service account balance	82	18	100
Cash at bank and in hand	43	0	43
Total cash and cash equivalents - balance sheet	**125**	**18**	**143**
Total cash - cash flow statement	**125**	**18**	**143**

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

NOTE 16 – TRADE AND OTHER PAYABLES

Board and Cons 2016 Restated £'000		Note	Cons 2017 £'000	Board 2017 £'000
	Payables due within one year:			
	NHSScotland			
993	Boards		1,269	1,269
993	**Total NHSScotland Payables**		**1,269**	**1,269**
5	NHS Non-Scottish Bodies		21	21
142	Amounts Payable to General Fund		88	88
1,147	FHS Practitioners		1,304	1,304
380	Trade Payables		305	305
1,622	Accruals		1,613	1,613
62	Deferred income		88	88
0	Payments received on account		18	18
0	Net obligations under Finance Leases	22	0	0
490	Income tax and social security		542	542
374	Superannuation		390	390
115	Holiday Pay Accrual		168	168
380	Other Public Sector Bodies		819	819
0	Other payables		0	0
625	Other Significant Payables [Pay accrual]		704	704
6,335	**Total Payables due within one year**		**7,329**	**7,329**
0	**Total Payables due after more than one year**		**0**	**0**
6,335	**TOTAL PAYABLES**		**7,329**	**7,329**
	WGA Classification			
993	NHSScotland		1,269	1,269
864	Central Government Bodies		932	932
380	Whole of Government Bodies		819	819
5	Balances with NHS Bodies in England and Wales		21	21
4,093	Balances with bodies external to Government		4,288	4,288
6,335	**Total**		**7,329**	**7,329**

The carrying amount of payables are denominated in the following currencies:

Board and Cons 2016 £'000		Cons 2016 £'000	Board 2016 £'000
6,335	Pounds	7,329	7,329
0	Euros	0	0
0	US Dollars	0	0
6,335		**7,329**	**7,329**

NOTE 17 – PROVISIONS – CURRENT YEAR – CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2017 Total £'000
At 1st April 2016	270	60	825	0	1,155
Arising during the year	21	5	502	0	528
Utilised during the year	(27)	(40)	0	0	(67)
Unwinding of discount	9	0	0	0	9
Reversed unutilised	(12)	0	0	0	(12)
At 31st March 2017	**261**	**25**	**1,327**	**0**	**1,613**

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board 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 2017

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2017 £'000
Payable in one year	25	25	274	0	324
Payable between 2 - 5 yrs	100	0	593	0	693
Payable between 6 - 10 yrs	103	0	28	0	131
Thereafter	33	0	432	0	465
Total At 31st March 2017	**261**	**25**	**1,327**	**0**	**1,613**

NOTE 17 – PROVISIONS – PRIOR YEAR – CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2016 Total £'000
At 1st 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 31st March 2016	**270**	**60**	**825**	**0**	**1,155**

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board 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 £'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 31st March 2016	**270**	**60**	**825**	**0**	**1,155**

NOTE 17 – PROVISIONS – 2014/15 – CONSOLIDATED AND BOARD

	Pensions and similar obligations £'000	Clinical & Medical £'000	Participation in CNORIS £'000	Other £'000	2015 Total £'000
At 1st 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 31st March 2015	**279**	**115**	**663**	**0**	**1,057**

The amounts shown above in relation to Clinical & Medical Legal Claims against NHS Board 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 £'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 31st March 2015	**279**	**115**	**663**	**0**	**1,057**

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 0.24% (2015/16: 1.37%) in real terms. The Board expects expenditure to be charged to this provision for a period of up to 21 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 financial statements.

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)

2016 £'000		Note	2017 £'000
60	Provision recognising individual claims against the NHS Board as at 31 March	17	25
0	Associated CNORIS receivable at 31 March	13	0
825	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	17	1,327
885	**Net Total Provision relating to CNORIS at 31 March**		**1,352**

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

NOTE 18 – MOVEMENT ON WORKING CAPITAL BALANCES

2016 Net Movement Restated £'000		Note	Opening Balances £'000	Closing Balances £'000	2017 Net Movement £'000
	INVENTORIES				
63	Balance Sheet	12	394	431	
63	**Net Decrease/(Increase)**				**(37)**
	TRADE AND OTHER RECEIVABLES				
(17)	Due within one year	13	1,311	1,137	
(17)	**Net Decrease/(Increase)**				**174**
	TRADE AND OTHER PAYABLES				
(616)	Due within one year	16	6,335	7,329	
(18)	Less: General Fund Creditor included in above	16	(142)	(88)	
6	Less: Lease and PFI Creditors included in above	16	0	0	
			6,193	7,241	
(628)	**Net (Decrease)/Increase**				**1,048**
	PROVISIONS				
98	Balance Sheet	17	1,155	1,613	
0	Transfer from Provision to General Fund		0	0	
98	**Net (Decrease)/Increase**				**458**
(484)	**NET MOVEMENT (Decrease)/Increase**				**1,643**

NOTE 19 – CONTINGENT LIABILITIES

The following contingent liability relates to one low risk clinical legal claim against the Board. If the claimant is successful the settlement date is expected to be May 2018.

2016 Value £'000	Nature	2017 Value £'000
25	**Clinical and medical compensation payments**	20
25	**TOTAL CONTINGENT LIABILITIES**	**20**
	CONTINGENT ASSETS	
0	**Clinical and medical compensation payments**	**0**
0	**Employer's liability**	**0**
0	**TOTAL CONTINGENT ASSSETS**	**0**

NOTE 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 financial statements.

NOTE 21 – COMMITMENTS

The Board has the following Capital Commitments which have not been included for in the financial statements:

2016 Total £'000	Capital Commitments	Property, plant and equipment £'000	Intangible assets £'000	2017 Total £'000
	Contracted			
0		0	0	0
0	**Total**	**0**	**0**	**0**
	Authorised but not Contracted			
211	Estates capital projects	291	0	291
333	Statutory compliance & backlog maintenance	425	0	425
349	Medical equipment	131	0	131
104	ICT projects	150	0	150
997	**Total**	**997**	**0**	**997**

NOTE 22 - COMMITMENTS UNDER LEASES

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

2016 Total £'000	Operating Leases	2017 Total £'000
	Obligations under operating leases comprise:	
	Buildings	
53	Not later than one year	53
53	Later than one year, not later than two years	53
106	Later than two year, not later than five years	80
	Other	
75	Not later than one year	58
28	Later than one year, not later than two years	21
2	Later than two year, not later than five years	5
	Amounts charged to Operating Costs in the year were:	
189	Hire of equipment (including vehicles)	198
73	Other operating leases	71
262	**Total**	**269**
	Contingent rents recognised as an expense in the period were:	
0	Contingent rents	0

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

2016 Total £'000	Finance Leases		2017 Total £'000
	Other		
0	Rentals due within one year	16	0
0	Rentals due between one and two years (inclusive)	16	0
0			0
0	Less interest element		0
0			**0**

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

2016		2017
	Aggregate Rentals Receivable in the year	
63	Total of finance and operating leases	68

NOTE 23 – COMMITMENTS UNDER PFI CONTRACTS

None.

NOTE 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 on scheme will be based upon data as at 31st March 2016 and actuarial review began in 2016-17. Any changes arising from that valuation will apply from 1st April 2019.

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 2015 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 2015. 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 2016 were £739.2 million, to 31 March 2015 were £659.8 million per most recent published accounts for the NHS Superannuation Scheme, note3. NHS Shetland paid contributions of £2.8m (prior year £2.5m) in this period which represents a 0.38% participation level (prior year 0.37%). Contributions collected in the year to 31 March 2017 will be available in November 2017.

NHS Shetland has no liability for other employer's 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,2016-17, normal employer contributions of £2.8m were payable to the SPPA (prior year,2015-16, £2.8m) at the rate of 14.9% (prior year: 14.9%) of total pensionable salaries. In addition, during the accounting period the NHS board incurred additional costs of £30k (prior year £20k) arising from the early retirement of staff.

Provisions amounting to £261k 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.

	2017	2016
	£'000	£'000
Pension cost charge for the year	2,831	2,801
Additional Costs arising from recalculation of the early retirement provision to reflect revised length of life.	30	20
Provisions/Liabilities/Pre-payments included in the Balance Sheet	261	270

NOTE 25 – EXCEPTIONAL ITEMS AND PRIOR YEAR ADJUSTMENTS

		Dr. £000	Cr. £000
Adjustment 1			
	SOCNE		
	Remove Endowment expenditure		75
	Remove Endowment income	121	
Adjustment 2			
	Balance Sheet		
	Remove Endowment available for sale financial assets		1,170
Adjustment 3			
	Balance Sheet		
	Remove Endowment trade and other receivables	68	
	Remove Endowment trade and other payables		26
Adjustment 4			
	Balance Sheet		
	Remove Endowment cash and cash equivalents		24
Adjustment 5			
	Balance Sheet		
	Remove Endowment funds held on trust		1,152

NOTE 26 – RESTATED SOCNE, BALANCE SHEET AND STATEMENT OF CASHFLOWS

26a. RESTATED SOCNE

	Previous Accounts £000	Adjustments £000	These Account s £000
Clinical Services Costs			
Hospital and Community	47,288	0	47,288
Less: Hospital and Community Income	10,020	0	10,020
	37,268	0	37,268
Family Health Services	14,341	0	14,341
Less: Family Health Services Income	397	0	397
	13,944	0	13,944
Total Clinical Services Costs	51,212	0	51,212
Administration Costs	1,923	0	1,923
Less: Administration Income	64	0	64
	1,859	0	1,859
Other Non Clinical Services	3,874	(75)	3,799
Less: Other Operating Income	1,178	(121)	1,057
	2,696	46	2,742
Associates and Joint Ventures accounted for on an equity basis	0	0	0

Net Operating Costs	55,767	46	55,813

26b. RESTATED BALANCE SHEET	Previous Accounts £000	Adjustments £000	These Accounts £000
Non-current assets			
Property, plant and equipment	29,129	0	29,129
Intangible assets	36	0	36
Financial assets:			
Available for sale financial assets	1,170	(1,170)	0
	30,335	(1,170)	29,165
CURRENT ASSETS			
Inventories	394	0	394
Financial assets:			
Trade and other receivables	1,243	68	1,311
Cash and cash equivalents	167	(24)	143
Assets classified as held for sale	138	0	138
	1,942	44	1,986
TOTAL ASSETS	32,277	(1,126)	31,151
CURRENT LIABILITIES			
Provisions	(326)	0	(326)
Financial liabilities:			
Trade and other payables	(6,309)	(26)	(6,335)
TOTAL CURRENT LIABILITIES	(6,635)	(26)	(6,661)
NON-CURRENT ASSETS PLUS/LESS NET CURRENT ASSETS/LIABILITIES	25,642	(1,152)	24,490
Non-current liabilities			
Provisions	(829)	0	(829)
Total non-current liabilities	(829)	0	(829)
Assets less liabilities	24,813	(1,152)	23,661
TAXPAYERS' EQUITY			
General Fund	13,386	0	13,386
Revaluation Reserve	10,275	0	10,275
Funds held on Trust	1,152	(1,152)	0
Total taxpayers' equity	24,813	0	23,661

26c. RESTATED CASH FLOW STATEMENT

	Previous Accounts £000	Adjustments £000	These Accounts £000
Cash flows from operating activities			
Net operating cost	(55,767)	(46)	(55,813)
Adjustments for non-cash transactions	1,183	110	1,293
Add back: interest payable recognised in net operating cost	0		0
Deduct: interest receivable recognised in net operating cost	0		0
Investment income	(31)	31	0
(Increase) / decrease in trade and other receivables	(1)	(16)	(17)
(Increase) / decrease in inventories	63		63
Increase / (decrease) in trade and other payables	(672)	44	(628)
Increase / (decrease) in provisions	98		98
Net cash outflow from operating activities	(55,127)	123	(55,004)
Cash flows from investing activities			
Purchase of property, plant and equipment	(687)		(687)
Purchase of intangible assets	0		0
Investment additions	(382)	382	0
Transfer of assets to/(from) other NHS bodies	0		
Proceeds of disposal of property, plant and equipment	711		711
Proceeds of disposal of intangible assets	0		0
receipts from the sale of investments	427	(427)	0
Interest received	31	(31)	0
Net cash outflow from investing activities	100	(76)	24
Cash flows from financing activities			
Funding	54,986		54,986
Movement in general fund working capital	18		18
Cash drawn down	55,004	0	55,004
Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	(6)		(6)
Interest paid	0		0
Interest element of finance leases and on-balance sheet PFI / PPP contracts	0		0
Net Financing	54,998	0	54,998
Net Increase / (decrease) in cash and cash equivalents in the period	(29)	47	18
Cash and cash equivalents at the beginning of the period	196	(71)	125
Cash and cash equivalents at the end of the period	167	(24)	143

Reconciliation of net cash flow to movement in net debt/cash

	Previous Accounts £000	Adjustments £000	These Accounts £000
Increase / (decrease) in cash in year	(29)	47	18
Net debt / cash at 1 April	196	(71)	125
Net debt / cash at 31 March	167	(24)	143

NOTE 27 - FINANCIAL INSTRUMENTS

(a) Financial Instruments by Category

Financial Assets

BOARD AND CONSOLIDATED	Note	Loans And Receivables £'000	Available for Sale £'000	Total £'000
At 31st March 2017				
Assets per balance sheet				
Investments	14	0	0	0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	879	0	879
Cash and cash equivalents	15	88	0	88
		967	**0**	**967**

BOARD AND CONSOLIDATED - PRIOR YEAR	Note	Loans And Receivables £'000	Available for Sale £'000	Total £'000
At 31st March 2016				
Assets per balance sheet				
Investments	14	0	0	0
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	13	1,083	0	1,083
Cash and cash equivalents	15	143	0	143
		1,226	**0**	**1,226**

Financial Liabilities

BOARD AND CONSOLIDATED	Note	Other Financial Liabilities £'000	Total £'000
At 31st March 2017			
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	6,309	6,309
		6,309	**6,309**

BOARD AND CONSOLIDATED - PRIOR YEAR	Note	Other Financial Liabilities £'000	Total £'000
At 31st March 2016			
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	16	5,409	5,409
		5,409	**5,409**

(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.

NOTE 28 – DERIVATIVE FINANCIAL INSTRUMENTS

None.

NOTE 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 2016/17, where expenditure was £2,702k (of which £819k 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 beginning of 2016/17 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. In 2016/17 the Health Board incurred costs of £25,523k for its contribution to the IJB. Mr. K Massey, Mrs. M Williamson, Mrs. C Waddington and Mr. C Smith were members of the Board and members of the IJB during the year.

NOTE 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.

CURRENT YEAR	Dir of Acute & Spec Services £'000	Dir of Comm Health & Social Care £'000	Off Island Clinical Services £'000	Public Health £'000	Support Services £'000	2017 £'000
Net operating cost	14,132	20,311	10,659	617	12,462	**58,180**
Total assets	8,179	11,755	6,169	357	7,212	**33,671**
Total liabilities	(2,172)	(3,122)	(1,638)	(95)	(1,915)	**(8,942)**

PRIOR YEAR	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	13,557	19,484	10,225	592	11,955	**55,813**
Total assets	7,567	10,875	5,707	330	6,673	**31,151**
Total liabilities	(1,819)	(2,615)	(1,372)	(79)	(1,604)	**(7,490)**

NOTE 31 - THIRD PARTY ASSETS

None.

NOTE 32 - EXIT PACKAGES

No exit packages agreed in 2016/17 or prior year.

NOTE 33(a) – CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Group 2016 Restated £'000		Board 2017 £'000	Shetland IJB 2017 £'000	Cons 2017 £'000
	Clinical Services Costs			
47,288	Hospital and Community	65,082	0	65,082
10,020	Less: Hospital and Community Income	26,106	0	26,106
37,268		38,976	0	38,976
14,341	Family Health	14,368	0	14,368
397	Less: Family Health Income	561	0	561
13,944		13,807	0	13,807
51,212	**Total Clinical Services Costs**	**52,783**	**0**	**52,783**
1,923	Administration Costs	1,763	0	1,763
64	Less: Administration Income	86	0	86
1,859		1,677	0	1,677
3,799	Other Non Clinical Services	3,952	0	3,952
1,057	Less: Other Operating Income	170	0	170
2,742		3,782	0	3,782
0	Associates and joint ventures accounted for on an equity basis	0	(62)	(62)
55,813	**Net Operating Costs**	**58,242**	**(62)**	**58,180**

NOTE 33(b) - CONSOLIDATED GROUP BALANCE SHEET

Group 2016 Restated £'000		Note	Board 2017 £'000	Shetland IJB 2017 £'000	Group 2017 £'000
	Non-current assets:				
29,129	Property, plant and equipment	11	31,926	0	31,926
36	Intangible assets	10	27	0	27
	Financial assets:			0	
0	Available for sale financial assets	14	0		0
0	Investments in associates and joint ventures		0	62	62
29,165	**Total non-current assets**		**31,953**	**62**	**32,015**
	Current Assets:				
394	Inventories	12	431	0	431
	Financial assets:				
1,311	Trade and other receivables	13	1,137	0	1,137
143	Cash and cash equivalents	15	88	0	88
138	Assets classified as held for sale	11c	0	0	0
1,986	**Total current assets**		**1,656**	**0**	**1,656**
31,151	**Total assets**		**33,609**	**62**	**33,671**
	Current liabilities				
(326)	Provisions	17	(324)	0	(324)
	Financial liabilities:			0	
(6,335)	Trade and other payables	16	(7,329)	0	(7,329)
(6,661)	**Total current liabilities**		**(7,653)**	**0**	**(7,653)**
24,490	**Non-current assets plus/less net current assets/liabilities**		**25,956**	**62**	**26,018**
	Non-current liabilities				
(829)	Provisions	17	(1,289)	0	(1,289)
(829)	**Total non-current liabilities**		**(1,289)**	**0**	**(1,289)**
23,661	**Assets less liabilities**		**24,667**	**62**	**24,729**
	Taxpayers' Equity				
13,386	General fund		11,350	0	11,350
10,275	Revaluation reserve		13,317	0	13,317
0	Other reserves - joint venture		0	62	39
23,661	**Total taxpayers' equity**		**24,667**	**62**	**24,729**

NOTE 33(c) – CONSOLIDATED STATEMENT OF CASHFLOWS

Board and cons

2016 Restated £'000		Board 2017 £'000	Endowment 2017 £'000	Group 2017 £'000
	Cash flows from operating activities			
(55,813)	Net operating cost	(58,180)	0	(58,180)
1,293	Adjustments for non-cash transactions	1,335	0	1,335
0	Add back: interest payable recognised in net operating cost	0	0	0
0	Investment Income	0	0	0
(17)	(Increase) / decrease in trade and other receivables	174	0	174
63	(Increase) / decrease in inventories	(37)	0	(37)
(628)	Increase / (decrease) in trade and other payables	1,048	0	1,048
98	Increase / (decrease) in provisions	458	0	458
(55,004)	**Net cash outflow from operating activities**	**(55,202)**	**0**	**(55,202)**
	Cash flows from investing activities			
(687)	Purchase of property, plant and equipment	(736)	0	(736)
0	Investment Additions	0	0	0
711	Proceeds of disposal of property, plant and equipment	261	0	261
0	Receipts from sale of investments	0	0	0
0	Interest and dividends received		0	0
24	**Net cash outflow from investing activities**	**(475)**	**0**	**(475)**
	Cash flows from financing activities			
54,986	Funding	55,676	0	55,676
18	Movement in general fund working capital	(54)	0	(54)
55,004	Cash drawn down	55,622	0	55,622
(6)	Capital element of payments in respect of finance leases and on-balance sheet PFI contracts	0	0	0
0	Interest paid	0	0	0
54,998	**Net Financing**	**55,622**	**0**	**55,622**
18	**Net Increase /(decrease) in cash and cash equivalents in the period**	(55)	0	(55)
125	**Cash and cash equivalents at the beginning of the period**	143	0	143
143	**Cash and cash equivalents at the end of the period**	**88**	**0**	**88**
	Reconciliation of net cash flow to movement in net debt/cash			
18	Increase/(decrease) in cash in year	(55)	0	(55)
125	Net debt/cash at 1 April	143	0	143
143	**Net debt/cash at 31 March**	**88**	**0**	**88**

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