DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Shetland NHS Board Annual Report and Accounts for the Year Ended 31 March 2022

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Table of Contents

Annual Accounts and Notes for Year Ended 31 March 2022 1

Performance Overview Report 1

Section 5 Performance Analysis Report... 13

Analysis of Financial Performance.. 15

Analysis of the Clinical Key Performance Statistics 20

Analysis of other important Non-Financial Indicators... 27

Highlights of some other significant events and achievements at NHS Shetland during 2021–22.. 32

The Accountability Report 35

Corporate Governance Report 35

The Statement of Accountable Officer's Responsibilities...................................... 38

The Statement of Board Members' Responsibilities 39

Governance Statement.. 40

Remuneration and Staff Report 51

Staff Report 64

Independent auditor's report to the members of Shetland Health Board, the Auditor General for Scotland and the Scottish Parliament.. 72

Reporting on the audit of the financial statements.. 72

Reporting on regularity of expenditure and income 75

Reporting on other requirements 76

Shetland NHS Board Statements and Summaries 78

Statement of Consolidated Comprehensive Net Expenditure (SoCNE) for the Year Ended 31 March 2022 78

Summary of Resource Out-turn (SoRo) for the Year Ended 31 March 2022........ 79

Consolidated Statement of Financial Position as at 31 March 2022..................... 81

Consolidated Statement of Cash Flows (CFS) for the Year Ended 31 March 2022 83

Consolidated Statement of Changes in Taxpayers' Equity 85

Consolidated Statement of Changes in Taxpayers' Equity—Prior Year, Ended 31 March 2021.. 86

Note 1—Accounting Policies 88

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Basis of Consolidation 90
Note 2—Notes to the Cash Flow Statement 104
Note 3—Expenditure 107
Note 4—Operating Income 109
Note 5—Segmental Analysis 110
Note 6—Intangible Assets 111
Note 7a—Property, Plant and Equipment—Consolidated and Board 112
Note 8—Inventories and Work in Progress 119
Note 9—Trade and Other Receivables 119
Note 10—Investments 123
Note 11—Cash and Cash Equivalents 123
Note 12—Trade and Other Payables 124
Note 13—Provisions 126
Note 14—Contingent Liabilities 130
Note 15—Events After the End of the Reporting Year 130
Note 16—Commitments 131
Note 17—Commitments Under Leases 131
Note 18—Pension Costs 132
Pension Scheme Declaration 132
Note 19—Financial Instruments 135
Note 20—Related Party Transactions 142
Note 21—Consolidation of Subsidiaries and Disclosure of Interest in Associates and Joint Ventures 144
Glossary of commonly abbreviated terms and acronyms, as well as local terms, in the report 157
Direction by the Scottish Ministers 160

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Annual Accounts and Notes for Year Ended 31 March 2022

Performance Overview Report

Section 1—Chief Executive's Statement

NHS Shetland contended with Covid-19 once again throughout 2021–22, as new variants arose and the need to isolate meant staffing levels often fell. A rapid and sustained Covid-19 vaccination programme presented its own challenges, but also increased staff and community resilience against the virus tremendously. Meanwhile, the Board strove to sustain services and to nurture staff wellbeing in the face of ongoing uncertainty and pressure of work.

I have been so impressed by NHS Shetland staff capacity to work with professionalism and grace under trying circumstances, and to ask for support when life or work sometimes becomes too much. I would like to sincerely thank all our staff and partners for their efforts in health and social care throughout the year, which have simply made life better for many, many people across the islands during difficult times.

Waves of the Delta and Omicron variants of Covid-19 reached Shetland's shores in 2021–22, testing the resolve of a community and a health and care service already wearied by a year of battling the pandemic. But Shetland held on—wearing masks, foregoing social gatherings, testing, isolating, vaccinating, caring, enduring.

NHS Shetland staff were not, of course, immune from either Covid-19 or the protective measures it necessitated, and services were hit by sudden staffing pressures. The Communications team worked hard to make sure the community was informed and advised as required, and national services like NHS 24 and NHS Inform offered new and innovative ways to engage with the NHS, a model that can be expanded on moving forward.

The Covid-19 vaccination programme, which began in Shetland on 11 December 2020, continued apace through 2021–22. Vaccinations have offered a significant defence against Covid-19 and so brought hope for some kind of return to normality. The vaccination roll-out grew steadily wider and wider, as first the most elderly and vulnerable of the population received their jabs, then younger age groups, followed by first, second, third, and fourth boosters as needed. The vaccination programme continues and while it has certainly not ended the health threat of Covid-19, it has drastically reduced it, and a return to normal life starts to seem imaginable.

During the winter, Covid-19 and flu vaccinations were frequently offered in tandem, as part of a flu-vaccination programme with almost double its normal reach in an attempt to ease potential pressure on health and care services, and to protect the most vulnerable in our midst.

As a Board we redoubled our efforts in 2021–22 to maintain and expand services using a clear local remobilisation plan, but acknowledge that many patients still face a significant wait as well as persistent Covid-19-related challenges.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The NHS Shetland dental service was unable to work at the level it could prior to the pandemic—though all treatments can now be performed under pre-pandemic hygiene guidance, other important factors, such as physical distancing, infection control measures, and the impact of self-isolation on the workforce, have kept the service from returning to its previous capacity. While emergency dental treatment is always available to Shetland residents and visitors, the capacity-challenges remain an area of frustration for the community. NHS Shetland is working hard to address this. The Board has been in talks with the Scottish Government about how to increase dental workforce and facilities in Shetland, as well as how to address national shortages in the workforce.

The Board succeeded in securing funding and support to bring crucial visiting services to Shetland in the last year—a mobile MRI scanner came to Lerwick in November 2021, closely followed by a Vanguard Mobile Operating Theatre. The theatre enabled over 332 local cataract and orthopaedic procedures during a three-month period. Patients from both Shetland and Orkney were treated, bringing substantial reductions in waiting lists in both communities for joint replacements and ophthalmology surgery.

The year saw strong performances from departments across NHS Shetland, particularly Accident and Emergency (A&E), Children and Adolescent Mental Health Services, and Adult Mental Health. On top of existing services, a steering group was established in March 2022 to improve support for people in Shetland experiencing eating disorders, and the NHS Shetland Mental Health team provided mental health and suicide prevention training to Coastguard officers, at that organisation's request.

NHS Shetland sees the value in supporting a more community-based response to mental health in the islands. Such a response would, where appropriate, move people away from needing to access formal mental health services and build the capacity of individuals, as well as their friends, their families, and their workplaces, to support one another.

Working across sectors is a vital element of providing health and care services in such a remote and rural location, and NHS Shetland has continued to engage consistently and enthusiastically with local partners, including Shetland Islands Council (SIC), the Integration Joint Board, the Shetland Charitable Trust, and Shetland Health Board Endowment Fund. Through 2021–22 NHS Shetland played a key role in drafting a new and wide-ranging Clinical and Care Strategy, which includes integrating services around the needs of local communities, making best use of technology, and assessing the future of the Gilbert Bain Hospital.

We must always remember the health and care staff who look after the people of Shetland are also members of the community they serve, in need of care and support themselves. NHS Shetland has endeavoured in 2021–22 to keep staff wellbeing top of mind, through existing policy frameworks and a number of creative initiatives. Managers have encouraged employees to make full use of annual leave, to allow for rest and recharging, and there has been a flexible and considerate approach to hybrid working, with the needs and feelings of each member of a team sought out and considered each step of the way.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

NHS Shetland has promoted excellent national services to staff, including access to apps that support mental health and improved sleep; fun challenges around sustainable, active travel to work; and free online events hosted by wellbeing experts. Local services also play a key role in supporting staff in various facets of wellbeing, such as support with smoking cessation, improving English skills, joining in with led-walks at lunchtimes, or free access to e-bikes at work. The Wellbeing Group continues to explore and champion staff wellbeing, and it will be exciting to see what more can be done in the year to come.

At the close of 2021–22, NHS Shetland achieved a year-end balanced financial position, as is required of all NHS Boards in Scotland. It's important to acknowledge this was in part achieved through continued additional Covid-19 funding from the Scottish Government, and financial challenges do lie ahead as this funding comes to an end.

It was again necessary to engage higher-cost locums in 2021–22, and NHS Shetland is committed to finding creative, sustainable ways to reduce reliance on temporary staff. Concerns around this expenditure should not devalue the essential and much-appreciated service provided by locum staff. However, we must find ways to move to a more efficient model of care and demonstrate the fine judgment and courage needed to make the difficult decisions this entails.

NHS Shetland is committed to providing the best possible service to the community within the bounds of funds available, and the Board is looking hard at how this will be achieved in the year ahead. I look forward to working alongside the wonderful staff, partners, community, and Executive Management Team to meet the challenges the coming year will inevitably bring, and to celebrate together the many successes and achievements we can also anticipate with confidence.

Michael Dickson,

Chief Executive, NHS (National Health Service) Shetland

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Section 2—Overview

This overview will give the reader a summary of what an NHS Board does. It will also describe the nature of NHS Shetland, our purpose, the key risks to the achievement of our objectives, and our performance during 2021–22.

- **NHS Board Purpose**

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

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

Specific roles of the Board include:

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

The work of the Board includes:

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

- **The nature of NHS Shetland**

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

NHS Shetland and SIC cover the same area and have the same boundaries and work jointly through our Health and Social Care Partnership.

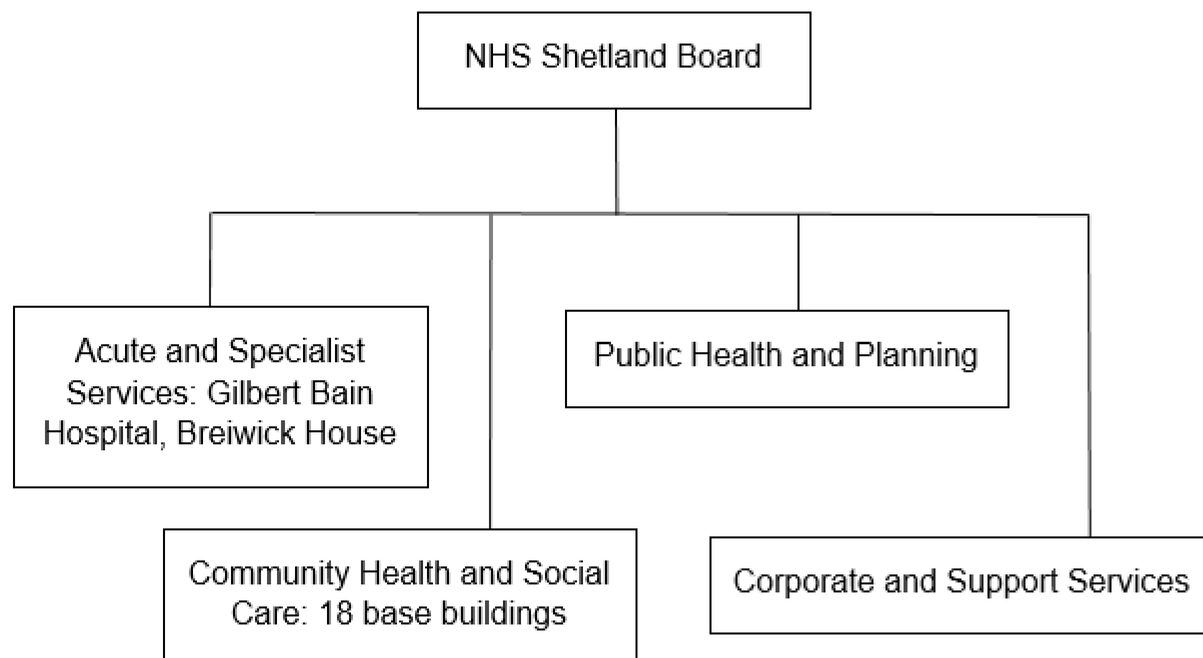
The map in Figure 1 below shows the Shetland Islands, which has a population of around 23,000 people, distributed across 16 of the 100 islands. These islands cover a land mass of 567 square miles. They are surrounded by the North Sea and have a coastline 1,679 miles long.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Figure 1—Map of Shetland

Figure 2 below outlines a summary structure of NHS Shetland's organisational structure. The detailed organisational management structure for NHS Shetland is available on our website, along with the organisational governance structure.

Figure 2—Diagram of NHS Shetland Summary Organisational Structure



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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

Directly Provided Healthcare	Commissioned Healthcare Services
8 General Practitioner (GP) Practices with 19,420 registered patients	2 GP Practices with 3,553 registered patients
Community Healthcare Service	3 Ophthalmic Practices
Dental Services from 5 locations	1 Dental Practice
Gilbert Bain Hospital during 2021–2022 **Acute and Specialist Services:** • 9,110 in-patient bed-days • 1,909 day cases • 31,980 outpatients (5,006 new) • 84 births • 6,645 A&E Attendances	5 Pharmacy Contractors
	NHS Grampian—Acute and Maternity Services
	Golden Jubilee—Orthopaedic Services NHS Lothian—Acute Services NHS Greater Glasgow and Clyde—Acute Services
Child and Adolescent Mental Health Service (CAMHS), Breiwick House	NHS Tayside—Specialist Mental Health Services for Adults, Children and Adolescents
Adult Community Mental Health Service	NHS Grampian—Mental Health Services
Public Health	Tertiary Specialist Services

- **Summary of NHS Shetland Priority Outcomes in 2021–22**

The next phase of the Health and Social Care Covid-19 re-mobilisation response was submitted to Scottish Government on 26 February 2021. It was formally approved by the Scottish Government on 2 April 2021. This was NHS Shetland's Remobilisation Plan Version 3, to address the Re-mobilise, Recover, Re-design framework for NHS Scotland priorities for safe and effective mobilisation of services.

In respect of living with Covid-19, the local population's response to Covid-19 vaccination was emphatic—Shetland had the highest Covid-19 vaccination rates in Scotland. The Test and Protect service was in place throughout 2021–22 and saw an up-turn in activity in the latter half of the year, as Covid-19 positive cases began to rise. Cases peaked in February 2022 with 2,000 cases, out of the 5,337 total cases recorded in 2021–22.

As highlighted in the performance analysis, re-mobilisation and re-design brought services closer, to minimise the risk from travelling off island for 1,717 patients attending out-patients and 318 patients who had surgery in the mobile operating theatre. In

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

addition to Acute Services, Community Services were redesigned and remobilised to tackle waiting lists and to ensure care was in the right place.

- **Section 3—Risk and Uncertainty**

The Board and the Governance Committees have continued to monitor risk throughout 2021–22, with the Risk Management Committee reviewing the entire risk register and agreeing a new Strategic Risk register. The Board approved this register on 26 April 2022, along with the Risk Management Strategy, and also noted the Risk Management Summary Report 2021–22. Every risk is assigned to a specific Governance Committee.

The inherent underlying core risks have increased in complexity due to the impact of Covid-19 pandemic. The Board started the year using the Remobilisation Plan Version 3 to address these risks, but during the year the Board updated the plan to reflect the changing developments and moved to implementing Version 4 of the Remobilisation Plan.

- **Top Underlying Risks in NHS Shetland 2021–22 Strategic Risk Register**

The top risks in NHS Shetland 2021–22 Corporate Risk Register are summarised in Table 2 below. The principal recurring themes amongst these risks are:

  - Cyber security;
  - Workforce; and
  - National Standard: Key Performance Targets (Table 5 and Performance Analysis Report).

The Strategic Risk Register SR02, in respect of the Board's financial performance, is reviewed in Section 4 within the Finance Performance review. Covid-19 pandemic also remains as a risk and impacts these three.

- **Table 2—Top Risks in NHS Shetland 2021–22 Corporate Risk Register**

Theme	**Risk Description**
Cyber security (Risk Ref: SR17)	IT Failure Due to Cyber Attack. This could cause system downtime and/or loss of data and/or data disclosure, which could result in disruption to services caused by system downtime, risk of delays in treatment, risk to public reputation, and significant financial costs for a full system recovery. In responding to Covid-19 policy for home working to limit the spread of the virus, the Board had to act rapidly to implement steps to facilitate home working. This meant staff working at home would need remote access through the Board's firewalls. There was also across the world an increase in fraudster user of cyber technology for financial gain and misinformation. Mitigation: Multiple layers of technical controls in place including anti-malware, firewalls, intrusion detection, access logging, encryption, web filtering, advanced threat protection, software patching. Cyber awareness via communications and staff training

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Theme	Risk Description
	to highlight security issues and national fraud concern warnings. Digital Security Framework strategy at the Board for discussion.
National Standards (Risk Ref: SR1)	National Standards for breaches of key access targets set by the Scottish Government. This could potentially cause poorer patient outcomes as a result in delays in assessment of treatment. During Covid-19 pandemic to ensure there would be sufficient in-patient elective in-patient and out-patient services was significantly. Mitigation: Waiting Times Group has governance in place to monitor national Treatment Time Guarantee breaches and react to identify remedial action to address issues. Board has oversight via performance score card reporting to both Clinical Governance Committee and Board. To address backlogs created by the Covid-19 mitigation plans additional activity was commissioned in 2021–22. Amongst these access initiatives was the mobile MRI scanner and laminar flow operating theatre. They will also return in 2022–23 to assist in our local actions to address the management of waiting list access.
Workforce (Risk Ref: SR1)	Workforce risk on current and future service delivery due to gaps caused by shortage of skilled staff. Gaps in staff rota created by the current method to recruit and retain and other service factors. The cost of temporary staff to fill gaps is financially unsustainable and service sustainability for patient care and outcomes. Mitigation: Reviews to redesign of current workforce model looking at alternative delivery models and new ways of working. Methods of recruitment of staff being reviewed and use of external recruitment partners for overseas recruitment.

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

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

The most significant risk to the delivery of quality patient-centred services, as well as the sustainable recurring financial balance of NHS Shetland, is the recruitment and retention of staff. Audit Scotland previously identified in NHS Scotland workforce reviews that NHS Shetland has the highest staff turnover rate in Scotland, at almost twice the Scottish average. Current staff turnover is 8%, down from 12% last year.

To address this key issue, NHS Shetland has:

- Entered an International Recruitment Memorandum of Understanding Agreement with Yeovil District Hospital NHS Foundation Trust to address nursing vacancies;

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- Changed models in Primary Care such as increasing number of Advanced Nurse Practitioners and expanding the digital innovation via ask my GP and modernising practice websites to support self-care;
- Reviewed of nursing models for Islands with a small population;
- Sought Scottish Government funding for investment in staff accommodation;
- Continued our work with the Promote Shetland website, Shetland Islands of Opportunity, in addition to the standard NHS recruitment website; and
- Host remote and rural GP recruitment hub, GP Joy.
- **Mitigating risk filling essential clinical posts with agency and locum staff**

The use of agency and locum staff to fill essential clinical posts continues to be a financial pressure. It also makes it hard to maintain continuity in a patient's pathway and create sustainable pathways, objective three. The cost of locum staff is not sustainable.

- Been engaging locums on NHS national contract rates through a direct engagement model via third party partner TempRe, to reduce costs; and
- Increased the number of temporary medical staff engaged as NHS bank staff, to ensure there are no gaps in essential services.

- **Managing risks arising from Covid-19 pandemic principal risk in 2021–22**

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

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

Covid-19 Risk Issue	Mitigation Management Action Taken
Risk of patients accessing care in health and care facilities during the pandemic recovery period transmitting or acquiring Covid-19 which would result in potential harm to patients, clients and staff.	Ensuring staff have access to personal protective equipment (PPE) including a PPE hub in hospital and a community hub. Patient risk management whilst in hospital via the use of Red and Green pathways. Assessment of air flow in hospital and adapting hospital in line with guidance.
Risk of community virus transfer	Track and trace team as part of Scottish Government Covid-19 public health campaign FACTS to mitigate the spread of the virus. Covid-19 vaccination programme. PCR Testing in local laboratory, Covid-19 community testing hub and testing at via home lateral flow. Training to support lateral flow tests.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Covid-19 Risk Issue	Mitigation Management Action Taken
Risk of Care Homes outbreak	Establishment of quality assurance group for Care Homes. Infection control team support extended responsibilities to support Care Homes. Ensuring staff have access to appropriate PPE.

Section 4—Performance Summary Appraisal

- **Financial Performance**

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

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

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

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

- **Table 4—Out-turn against net expenditure limits**

	Limit as set by Scottish Government Health and Social Care Directorate	Actual Out-turn	Variance Under/(over)
	£000	**£000**	**£000**
Core RRL	83,698	83,653	45
Non-core RRL	1,868	1,868	0
Total RRLs	**85,566**	**85,521**	**45**
Core CRL	3,206	3,205	1
Non-core CRL	0	0	0
Total CRLs	**3,206**	**3,205**	**1**
Cash requirement	86,033	86,033	0

Memorandum for In Year Out-turn	£000
Core Revenue Resource Variance Surplus in 2021–22	45

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

	Limit as set by Scottish Government Health and Social Care Directorate	**Actual Out-turn**	**Variance Under/(over)**
Financial flexibility: funding banked with/(provided by) Scottish Government			63
Underlying (Deficit)/Surplus against Core RRL			**(18)**
Percentage			**0%**

- **Financial plan, 2021–22**

A one-year financial plan was initially submitted to the Scottish Government by NHS Shetland in February 2021. Due to the impact of the Covid-19 pandemic, the Scottish Government paused the three year Annual Operating and financial planning process. Recognising the exceptional nature of 2021–22 and the impact on delivery of financial plans, additional non-repayable funding was provided to support in-year financial balance across all NHS Boards. NHS Shetland received in total an additional £9.011m in RRL resources. This was in respect of £6.893m for additional NHS services costs and a further £2.118m which was transferred via the Integration Joint Board (IJB) to SIC to mitigate the additional Covid-19 costs it incurred in delegated social care services.

Further detail on financial out-turn is in the Performance Analysis section of the 2021–22 RRL performance review.

Capital Resource Limit (CRL)

The Board's net expenditure on capital assets during 2021–22 was £3.205m, 2020–21 was £2.925m.

This out-turn at £3.206m is £0.001m under the approved CRL (equivalent to 0.0%).

In addition to the RRL being increased for Covid-19, the CRL included £0.418m for equipment and infrastructure at the Gilbert Bain Hospital to mitigate the impact of Covid-19. In 2020–21 the CRL included £1.056m to mitigate the impact of Covid-19.

Summary Performance Overview against Key Non-Financial Targets

Information in the summary key non-financial report is at 31 March 2022 unless stated. The Board meeting on 23 June 2022 will receive the annual Performance Report with all the 2021–22 non-financial targets. The Board also receives quality reports regularly.

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Table 5—Summary of Key Performance Statistics**

Compliance	National Target	2019–20	2020–21	2021–22	Movement
✖	18 weeks from GP referral to outpatient appointment and/or treatment	86.9%	83.6%	82.6%	↓
✖	The percentage of patients waiting less than six weeks for one or more of the eight key diagnostic tests	98.0%	83.0%	74.7%	↓
✓	31-day standard from decision-to-treat to start of treatment for newly diagnosed primary cancers	97.1%	100.0%	100.0%	↔
✖	62-day standard from receipt of referral to start of treatment for newly diagnosed primary cancers	94.2%	94.9%	86.5%	↓
✓	A&E discharged within four hours	95.2%	98.1%	97.6%	↓
(1)	Delayed discharges—occupied bed days	1,505	376	981	↑
(1)	Delayed discharges—number of people waiting more than 14 days to be discharged from hospital into a more appropriate care setting, as measured on in-year "census dates"	19	1	8	↑
✖	Mental Health: 18-week referral to treatment for Psychological Therapies	29.0%	19.0%	50.0%	↑
✓	Mental Health: 18-week referral to treatment for specialist CAMHS	94.5%	60.3%	95.7%	↑
✓	Drug and alcohol patients seen within three weeks	95.0%	100.0%	91.7%	↓
✖	Staff sickness absence rate	3.8%	2.9%	4.3%	↑

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

- **Covid-19 Key Milestones**

In respect of mitigating Covid-19 the national vaccination programme is a key element of the national strategy. The participation of the local community has been phenomenal at all three stages of the vaccination programme, as outlined below in Table 6. NHS Shetland community immunisation rate is the highest at Health Board level on both dates listed. For comparison the Scottish average rates were 72.0% and 72.7%.

- **Table 6—Summary Shetland Population Covid-19 Vaccination Immunisation Rate 12 Years and Over**

	As at 31 March 2022	As at 5 May 2022
1st dose immunisation rate	93.3% (Ranking 1st)	94.5% (Ranking 1st)
2nd dose immunisation rate	90.7% (Ranking 1st)	92.1% (Ranking 1st)
3rd dose immunisation rate	79.6% (Ranking 1st)	80.0% (Ranking 1st)

Section 5 Performance Analysis Report

- **Objectives of Shetland NHS Board**

During 2021–22, NHS Shetland has continued to focus on delivering the key Board Objectives, prioritised in our 2021–22 Plan on a Page alongside focusing on addressing the significant issues arising from the Covid-19 pandemic. These key objectives are to:

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

- **The first objective—"continue to improve and protect the health of the people of Shetland"**

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

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

- Using feedback from patients and their families or carers to learn from incidents and adverse events to inform service quality reviews;

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- Working with NHS Grampian and the NHS Waiting Times Centre to improve pathways for patients referred to services off-island (although in 2021–22 activity off-island was still significantly reduced due to focus on Covid-19); and
- Using the Annual Operating Plan (AOP) to identify priorities for improvement, such as:
  - Individual clinical services plans,
  - Provision of services for older people,
  - Primary care,
  - And arranging Health and Social Care integration.

In 2021–22 the AOP also addressed the Public Health pandemic in containing Covid-19 and remobilising services as agreed at the Board meeting in June 2021.

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

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

- Whole Population
- Sustainable Services
- Organisational Issues

NHS Shetland has also been revitalizing its Clinical and Care Strategy, to ensure the operation of local services over the next ten years reflects our changing times. We have been using a digital approach to engage with, consult and talk to as many stakeholders as possible, including over 200 completing a feedback questionnaire and interactive online workshops, recordings from which are still available through the NHS Shetland website to create our ten-year vision for the local Clinical and Care Strategy 2021–31.

- **Investment in the Gilbert Bain Hospital**

The Gilbert Bain Hospital has been providing local access to Acute and Maternity Services in Shetland since it opened in 1961. However, a review of the space was required to address the challenges of managing Covid-19 in a hospital setting, resulting in significant operational changes to prevent cross-transmission. This included the creation of "red pathways" and "green pathways" throughout the hospital, to ensure clear separation.

The Board was advised in June 2021 that delivery of its sustainability targets was contingent on a replacement health campus for the Gilbert Bain Hospital. In October 2019, the Board had started a process to review future service needs. At the December 2021 Board meeting, our strategic assessment report was approved for submission to NHS Scotland Capital Investment Group for consideration.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

In 2019, the Board agreed the latest strategic development to the hospital—an investment of £1.3m in developing an Ambulatory Care unit, which would be achieved by refurbishing the Day Surgical Unit to create more capacity. We began preparatory work on this project in 2020–21, and it is scheduled to be completed in 2022–23. The opening of this facility will make it possible to repatriate some additional services back to Shetland in future, in line with key objectives two and three.

NHS Shetland continued to make repatriation of services to Shetland a high priority in 2021–22. Indeed, part of the Covid-19 transmission-management strategy has been to minimise patient travel to the mainland for care and treatment that could be provided locally. Not only has this saved a significant amount of money but, more importantly, it has saved around 1,717 patients from having to travel. Recently introduced Age Related Macular Degeneration (AMD) service that has positive patient feedback accounts for 749 of the journeys avoided. Also, through the expansion of telehealth through the local Near Me initiative, there are 55 services that residents can now access from home.

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

During 2021–22, NHS Shetland has continued to work closely with Shetland Islands' Health and Social Care Partnership, which is commonly referred to in Shetland as the Integration Joint Board (IJB).

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

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

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

Tackling inequalities was the joint discussion at IJB in its December 2021 meeting, and response to National Care Service consultation at the October 2021 meeting.

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

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

Analysis of Financial Performance

- **Revenue Resource Limit (RRL) -2021–22 Performance Review**

The Board delivered a £0.045m underspend against its RRL for 2021–22. This compares to a £0.063m underspend for 2020–21, which was carried forward and added to the Board's 2021–22 RRL. The Board's out-turn would have been £0.018m over spent if it had not benefited, non-recurrently, from this carry-forward.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The RRL in 2021–22 includes additional funding to support the Board and the Shetland Islands Health and Social Care Partnership (also referred to as Integration Joint Board, or IJB) in their action plans to contain and mitigate the impact of Covid-19 in Shetland.

The expenditure on Covid-19 response in Shetland totalled £9.011m. That figure includes £2.118m which was transferred to SIC to mitigate the additional Covid-19 costs it incurred in social care services they delegated to the IJB.

- **IJB delegated budget**

Out-turn on services delegated to the IJB exceeded the original delegated budget set by NHS Shetland. However, the Board gave £2.466m in additional funds to bridge the gap in 2021–22 non-recurrently. This is more than double the amount in 2020–21, £1.021m.

The IJB also carried forward £1.950m of resources originally allocated to NHS Shetland by the Scottish Government for services delegated to the IJB. The funding carry-forward is for various initiatives however the majority, £1.301m, relates to Covid-19 services.

- **Savings targets**

The revised Financial Plan for 2021–22 included a recurring savings target of £2.417m, equivalent to 4.4% of the Board's opening baseline resource allocation. While there has been some slippage in progress against the recurring target at year-end, £0.687m in-year recurring savings were delivered, an in-year achievement rate of only 28.4% of the overall target. The impact of Covid-19 was a contributing factor to achieved recurring savings being below the target set. To compensate for this the Scottish Government Covid-19 funding received included £0.862m in funding to offset this delivery gap.

The full-year effect of the savings achieved is £0.674m, 27.9% of the target, with the consequence that a carry-forward recurring savings target of £1.744m has initially been included in the ongoing financial plan. The Board's reserves are being reviewed, along with its ability to realise non-recurring savings recurrently in 2022–23, which should reduce the underlying deficit. Relevant figures are highlighted in Table 7 below, which highlights the Board's track record in successfully achieving the total savings target, year on year, over the last five years, albeit with a reliance on delivering non-recurring savings to address in-year gap.

The Board still carries an underlying recurring deficit in the resource budget for ongoing activities. At the close of 2021–22, this stood at £1.744m, up from £1.133m in 2021–22.

The Board's underlying deficit has increased by 53.9% in the year.

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

	2017–18	**2018–19**	**2019–20**	**2020–21**	**2021–22**
Efficiency Savings	**£m**	**£m**	**£m**	**£m**	**£m**
Recurring	2.375	1.591	0.818	0.873	0.687
Non-Recurring	2.232	2.239	2.655	1.254	0.868
Net Total	4.607	3.830	3.473	2.127	1.555

Efficiency Savings	2017–18 £m	2018–19 £m	2019–20 £m	2020–21 £m	2021–22 £m
Target	4.306	3.455	2.579	2.012	2.417
Surplus (Deficit) achieved	0.301	0.375	0.894	0.115	(0.862)

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

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

Year	2018–19	2019–20	2020–21	2021–22
	£m	£m	£m	£m
Savings Delivered	0.223	0.320	0.400	0.465
Journeys avoided	460 trips	625 trips	1,328 trips	1,717 trips

In-year non-recurrent savings of £0.868m were also achieved, as outlined in Table 7. These made a key contribution to addressing the £1.730m gap in recurring savings in-year, as well as staff costs incurred from using locums to cover vacant posts—a result of difficulties in recruiting permanent clinical staff. The cost pressures caused by these difficulties were principally in the following areas:

- GP vacancies at Board-run practices £0.724m (£0.564m 2020–21);
- Consultant Mental Health post £0.518m (£0.427m 2020–21); and
- Physicians and anaesthetists consultant vacancies at Gilbert Bain Hospital at £1.183m (£0.654m 2020–21).

In total the cost of locum and agency staff increased from £7.552m in 2020–21 to £9.508m in 2021–22. An increase in expenditure between years of £1.956m, up 24.6%. Staff engaged for the mobile theatre project accounted for £1.169m of this increased locum costs. The redesigned Obstetrics Consultant model did however reduce the service locum usage by £0.169m, offsetting these other increases.

Overall the Board's total pay costs increased from £44,370m in 2020–21 to £48.827m in 2021–22. An increase in expenditure between years of £4.457m, up 10.0%. The other two primary causes of the increase was NHS staff pay award at 3.0% and additional cost for staff involved in the Test and Protect and Vaccination programmes at £0.975m.

- **Financial plan—2022–23**

The Board's Financial Plan for 2022–23 was submitted to the Scottish Government in March 2022. In line with the Scottish Government timetable for draft AOP, this is scheduled to be submitted by 30 June 2022.

The financial plan submitted on 31 March 2022 includes a "Covid-19 Pandemic Mobilisation Plan" alongside the standard plan. This plan focused on addressing local

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

service needs, as well as identifying the potential risks to NHS Shetland's capacity to keep Covid-19 transmission in check while remobilising services to tackle backlog.

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

The draft financial plan requires £3.072m in efficiency savings to be achieved in 2022–23. Detailed plans to deliver these savings through recurring and non-recurring actions are being developed by the Board through deliver better outcomes through leaner delivery of services in line with the principle set out in the Board's clinical strategy.

Management will ensure it takes significant and appropriate management action to achieve financial balance at 2022–23 year-end. Regular updates will be given to the Board on performance against the plan throughout 2022–23.

There is a significant degree of uncertainty in the Financial Plan for 2022–23. This is due to the overall position of public finances, as well as the unpredictability of the full impact of Covid-19 in the coming year.

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

Capital Resource Limit (CRL)

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

The key components of the capital programme are set out below in Table 9.

- **Table 9—Summary Outline of 2021–22 Capital Programme**

Project	**Amount**
	£m
Gilbert Bain Hospital, Medical Equipment	1.121
Property	0.483
IT Equipment	0.334
Gilbert Bain Hospital, other Plant and Equipment	1.267
Gross Additions Total	**3.205**

In addition to the RRL being increased for Covid-19, the CRL included £0.418m for equipment and infrastructure at the Gilbert Bain Hospital to mitigate the impact of Covid-19. Our baseline CRL was also used to fund these measures.

A local Bed and Breakfast property was bought as part of strategy to relive accommodation issues for visiting staff.

Statement of Financial Position

The Statement of Financial Position contains information about investments of £1.480m (2020–21, £1.495m) relating to Shetland Health Board Endowment Funds and an interest of £2.158m (2020–21, £1.085m) in the IJB. These figures are included in the financial commentary below.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Board's net assets at 31 March 2022 stood at £23.782m. When compared with £22.753m at 31 March 2021, this represents an increase of £1.029m. As in previous years, the Board's Statement of Financial Position at 31 March 2022 shows net current liabilities. The total at 31 March 2022 was £12.417m, which is a change of £2.608m from the previous year's value of £9.809m. Despite the net current liabilities at 31 March 2022, and the inevitable challenges of the year ahead, the "going concern" basis of NHS Shetland remains appropriate on the basis of continued service provision. The Government Financial Reporting Manual (FReM) requires accounts to be prepared on a going concern basis unless there is an indication that the services are to cease.

NHS Shetland also has a strong record of achieving financial balance, and with the added support from the Scottish Government during the Covid-19 pandemic, that trend is expected to continue into 2022–23 and beyond. However in respect of 2022–23 there will be significantly less Covid-19 pandemic funding from the Scottish Government. There is a currently a commitment to funding a sustainable vaccinations workforce and limited Test and Protect service plus £1.3m to support all non-delegated NHS services.

At the end of the year, the Board carried four provisions totalling £2,047k for future liabilities (compared to £2,047k in 2020–21), as laid out in Note 13. In Note 14, the Board has disclosed contingent liabilities totalling £115k (compared to £115k in 2020–21). This is with respect to less than five medical negligence claims, ranked as low-risk by the Central Legal Office.

Payment Policy

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

- In 2021–22 the average credit taken was 21 days (compared with 23 days in 2020–21)
- In 2021–22 the Board paid 88.42% by value and 85.49% by volume within 30 days (compared with 84.41% by value and 83.04% by volume in 2020–21)
- In 2021–22 the Board paid 63.48% by value and 61.01% by volume within 10 working days (compared with 65.50% by value and 64.34% by volume in 2020–21)

Pension Liabilities

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

Analysis of the Clinical Key Performance Statistics

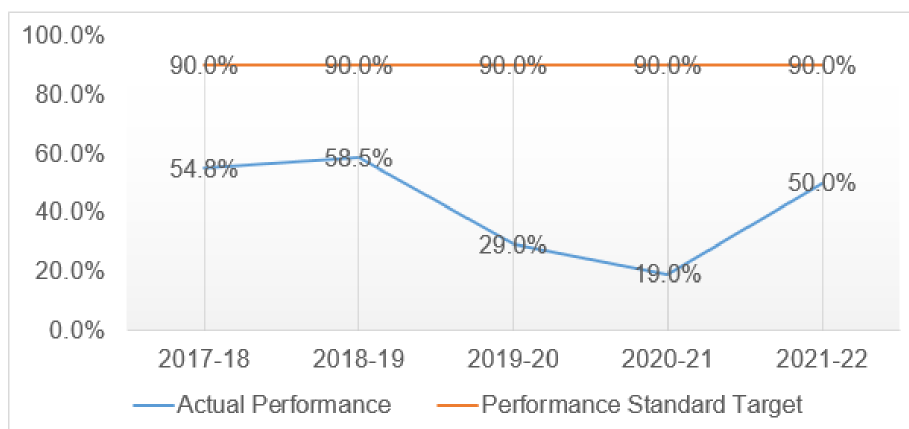
Mental Health

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

As highlighted in Figure 3 below, local performance against access to Psychological Therapies within 18-weeks of referral access target remains significantly below 90% performance standard. Sitting at 50% at the end of March 2022 though, this is a significant positive step to address access issues compared to 19% of patients at the end of March 2021.

In 2021–22, 29 patients waited more than a year to access Psychological Therapies, with the longest wait at 171 weeks. This unfortunately is an adverse movement to 2020–21. During 2020–21, 13 patients waited over a year, with the longest wait at 163 weeks. While the service has been impacted by Covid-19, Figure 3 shows the trend over the last five years has been a significant below performance the 90% access target. The performance and recovery plan for Psychological Therapies was discussed at Shetland IJB meeting on 25 March 2021 and Board's Audit and Risk Committee in April 2021. As part of the recovery plan, the Psychological Therapies team recruited additional staff, and the service is embedding new technologies such as Near Me for talking therapies. Additional funding of £0.089m was received in 2021–22 to support service recovery with additional staff employed.

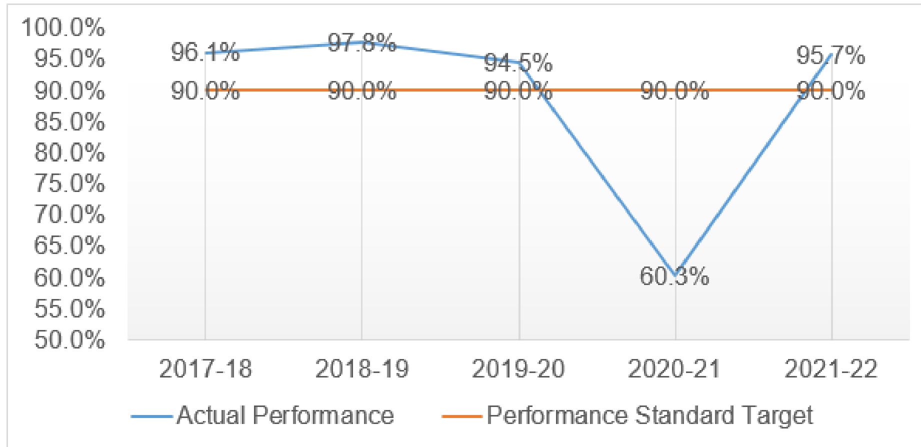
Figure 3—Patients starting treatment with Psychological Therapies within 18-weeks of referral



As suggested by Figure 4, performance against the access target of 18-weeks Referral to Treatment for specialist CAMHS was not as significantly impacted by Covid-19 in 2021–22. The overall performance of patients treated within 18-weeks across the year at 95.7% met the key performance indicator. This a significant improvement to 2020–21 overall performance when only 60.3% met the 18-week target.

The average waiting period in 2021–22 was 10.2 weeks, with the longest wait being 35 weeks. This compares to an average waiting period in 2020–21 of 14.8 weeks, with a longest wait of 45 weeks. At the end of March 2022, the longest wait on the waiting list was 18-weeks. At the end of March 2021 the longest wait was 20 weeks.

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



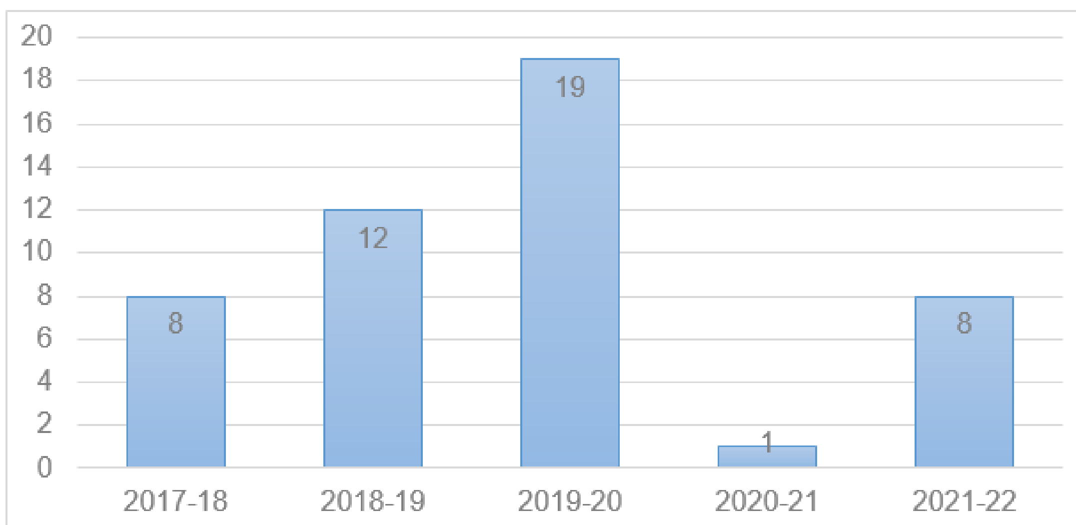
Although Figure 4 illustrates that the access target was met in the four of the last five years, we recognise ongoing issues associated with the fragility of NHS Shetland Mental Health services, and we are continuing to address this. Additional Scottish Government investment been received to deliver Mental Health Strategy 2017–2027.

We did receive £0.62m of new additional investment from the Scottish Government in CAMHS for 2021–22, from the recovery and renewal fund allocations.

Delayed Discharges

Reducing the number of patients delayed in hospital has had added significance since beginning of the Covid-19 pandemic March in 2020, to minimise the risk of patients contracting Covid-19 during their stay. At 31 March in both 2020 and 2021, there were no patients in hospital as a result of delayed discharge. On 31 March 2022 there were three patients in hospital as a result of delayed discharge. As Figure 5 below illustrates, there were eight delayed discharges on the census day in 2021–22, compared to one in 2020–21.

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



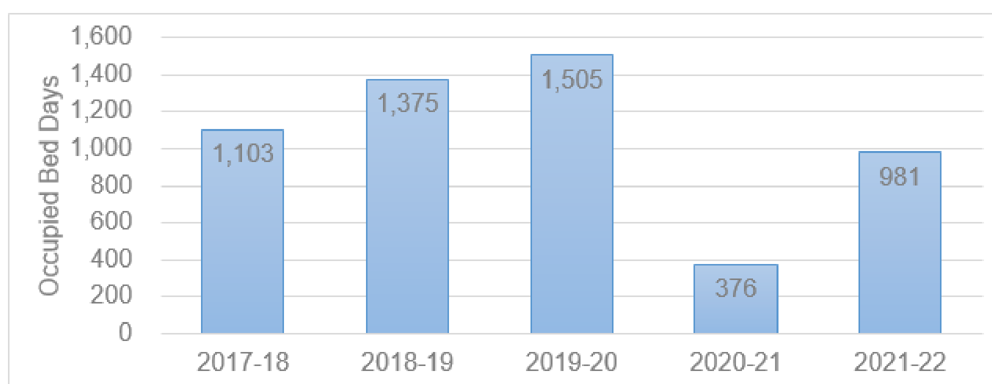
DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

To reduce delayed discharge, there has been an increased focus on daily reporting. As part of our partnership work, we have also seen more dedicated Social Work input to support the hospital, as well as the development of an Intermediate Care Team. Integration funding has been deployed to create seamless pathways.

Similar to the increase in the number of patients subject to delayed discharge, the number of occupied bed days increased by 160.9% in 2021–22, as illustrated below in Figure 6. The chart also illustrates that on average during 2021–22, only three beds a day were occupied, compared to an average of one day in 2020–21.

Progress to sustainably reduce delayed discharges is not driven by a desire to reduce delay-figures through rapid discharge, which could result in inappropriate residential care placements. Rather our strategy-driver locally is to get people back to the most appropriate community setting in line with our second key organisational objective: "provide quality, effective and safe services, delivered in the most appropriate setting for the patient." The Professional Alliance continues to look at how we can make unscheduled care more effective, which will impact positively on admission avoidance.

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

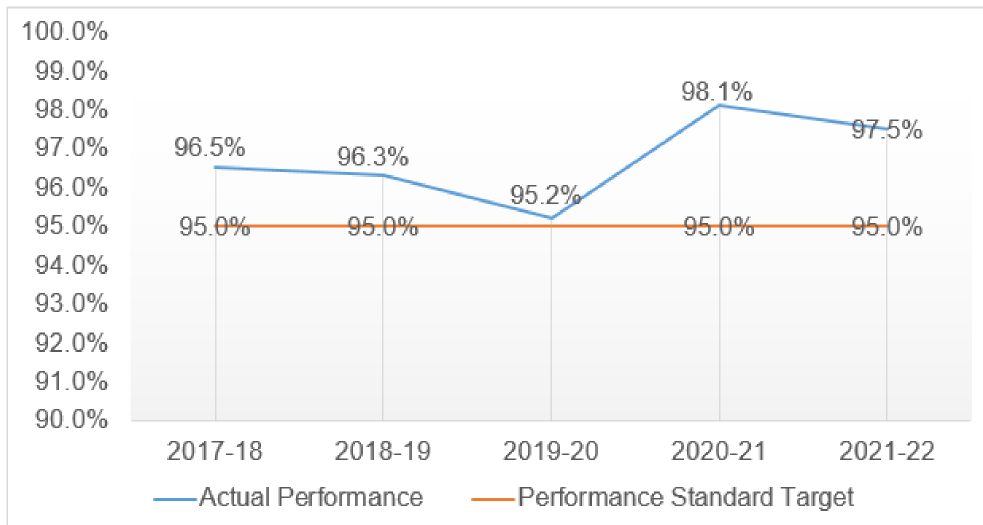


Unscheduled Care

During 2021–22, NHS Shetland continued to meet the target of discharging, or admitting to a ward, 95.0% of patients attending A&E within four hours. In 2021–22 the monthly performance never fell below the target. Only one other Board in Scotland, NHS Western Isles, achieved this level of performance. Performance in June 2021 at 99.3% had the best rate whilst a rate of 95.8% in October was our lowest. The Board actively reviews each breach of this target and has a process in place to escalate cases when a patient is about to breach.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

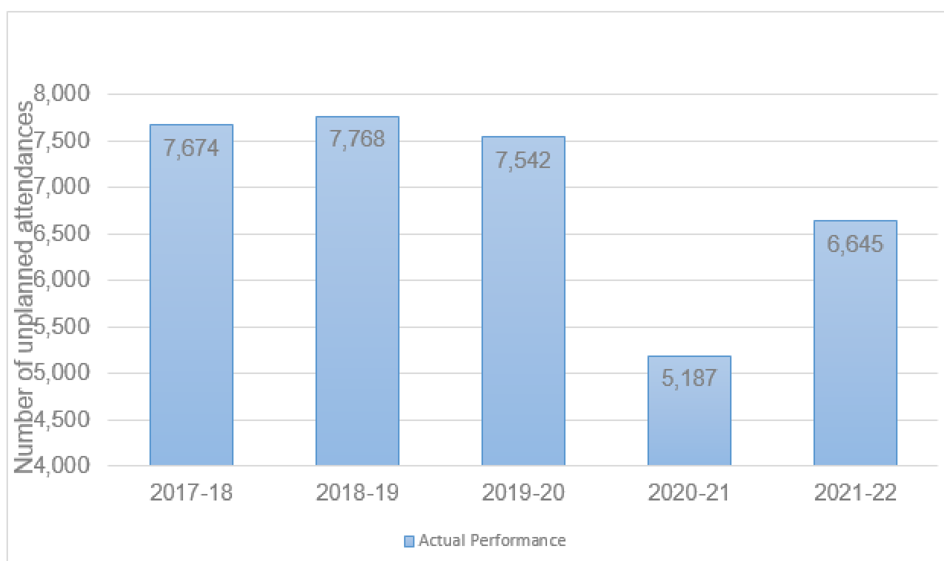
Figure 7—A&E Discharged within 4 hours



Since March 2020, one impact of Covid-19 has been a reduction in A&E attendance, in line with the rest of Scotland and the United Kingdom. The impact in Shetland is highlighted in Figure 8 below, with 2020–21 and 2021–22 lower than the three preceding years. A&E attendance activity increased 28.1% in in 2021–22 compared to 2020–21. However 2021–22 activity is 14.5% below 2018–19 levels—the last full year where activity was unaffected by Covid-19 pandemic.

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

Figure 8—A&E Annual Activity Levels



- **Waiting Times Targets—Secondary Care**

The Covid-19 pandemic impacted upon the elective performance of NHS Shetland and our partner NHS Boards in both 2020–21 and 2021–22.

Figure 9 below shows that the Board has not achieved the 18-week access standard from GP referral to outpatient appointment and/or treatment in Shetland over the last

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

five years, averaging around 84.9% against the 90% performance standard. In 2021–22 only December 2021 at 90.5% met the target in comparison to three months in 2020–21, with April 2020 at 100% being the best. Our lowest month for achievement in 2021–22 was January 2022 at 68.9% when the [Vanguard waiting times remobilisation project] commenced. December 2020 at 58.3% was the lowest month in 2020–21. This has been primarily due to issues in meeting the 95% target of a first outpatient appointment within 12 weeks.

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

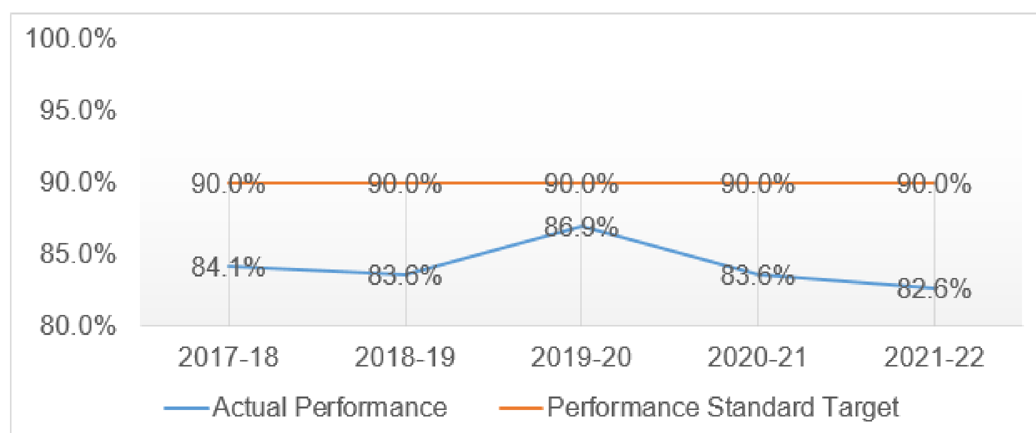


Figure 9 shows that the Board has not achieved the 18-week access standard from GP referral to outpatient appointment and/or treatment in Shetland over the last five years, averaging around 84.9% against the 90% performance standard. In 2021–22 only December 2021 at 90.5% met the target in comparison to three months in 2020–21, with April 2020 at 100% being the best. Our lowest month for achievement in 2021–22 was January 2022 at 68.9% when the [Vanguard waiting times remobilisation project] commenced. December 2020 at 58.3% was the lowest month in 2020–21. This has been primarily due to issues in meeting the 95% target of a first outpatient appointment within 12 weeks.

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

At year-end, the Board's performance against the 12-week target for outpatients in 2021–22 improved in relation to 2020–21, with 271 outpatient appointments waiting longer than 12 weeks at 31 March 2022, compared to 325 at 31 March 2021. In 2021–22 Orthopaedics only accounted for 8.1% of these delays, with 22 cases, while in 2020–21 Orthopaedics accounted for 34% of delays, with 109 cases. In 2021–22 Ophthalmology accounted for 17.7% of these delays, with 48 cases, while in 2020–21 Ophthalmology accounted 75 cases being responsible for 23.1% of delays.

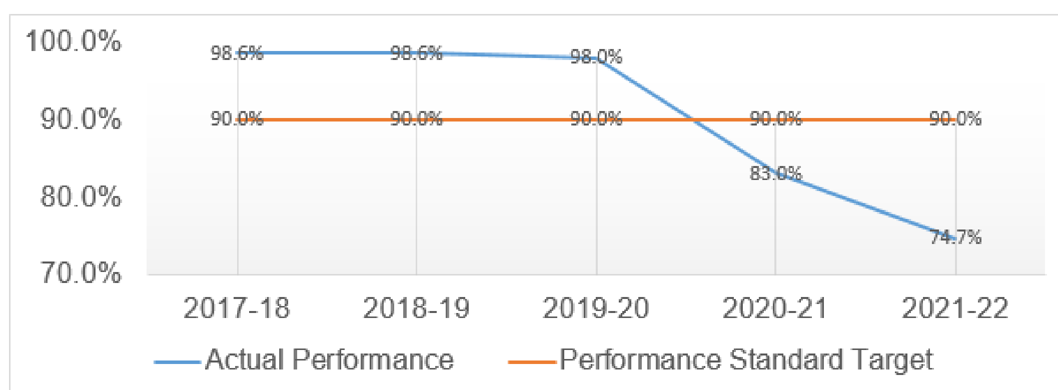
For new outpatient cases, 101 patients had been waiting longer than 26 weeks for their first appointment at 31 March 2021, a decrease from the 192 patients waiting over 26 weeks at 31 March 2021.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Scottish Government remobilisation plans include ring-fenced funding to assist in improving our access targets in 2022–23.

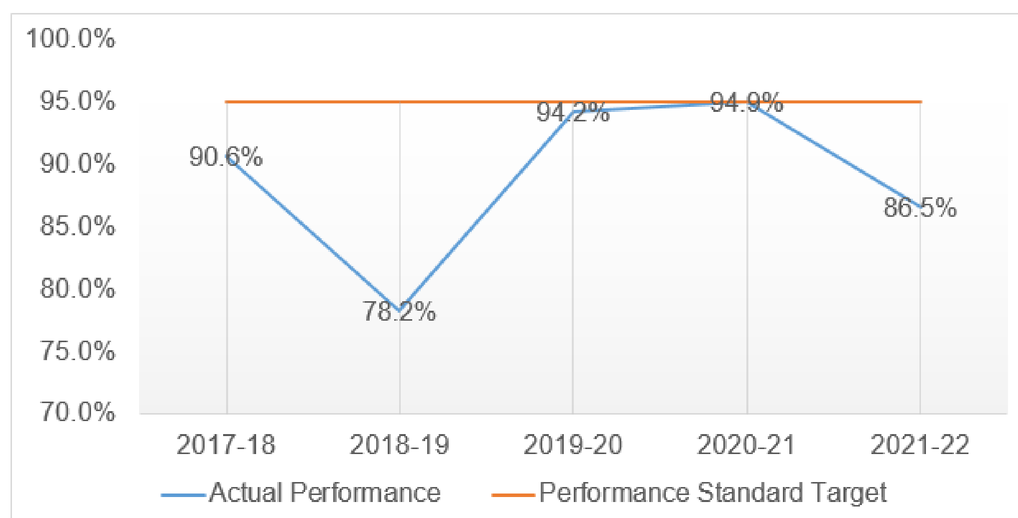
As highlighted in Figure 10 below, the Board has had good compliance in the three years prior to 2020–21 regarding patients waiting less than six weeks for one or more of the eight key diagnostic tests. The Covid-19 pandemic has affected performance delivery.

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



At 31 March 2021, there were 162 patients who had to wait longer than six weeks, and compliance with this standard was at 83.0%. Although performance against the national standard during 2021–22 was lower at 74.7%, the number of patients at 31 March 2022 with a wait longer than six weeks was reduced to 51. The total number of diagnostic test under taken though has increased by 44.4% from 2020–21 activity at 2,712 to 3,915 in 2021–22. The primary delay in respect of diagnostics is again non-obstetric ultrasound.

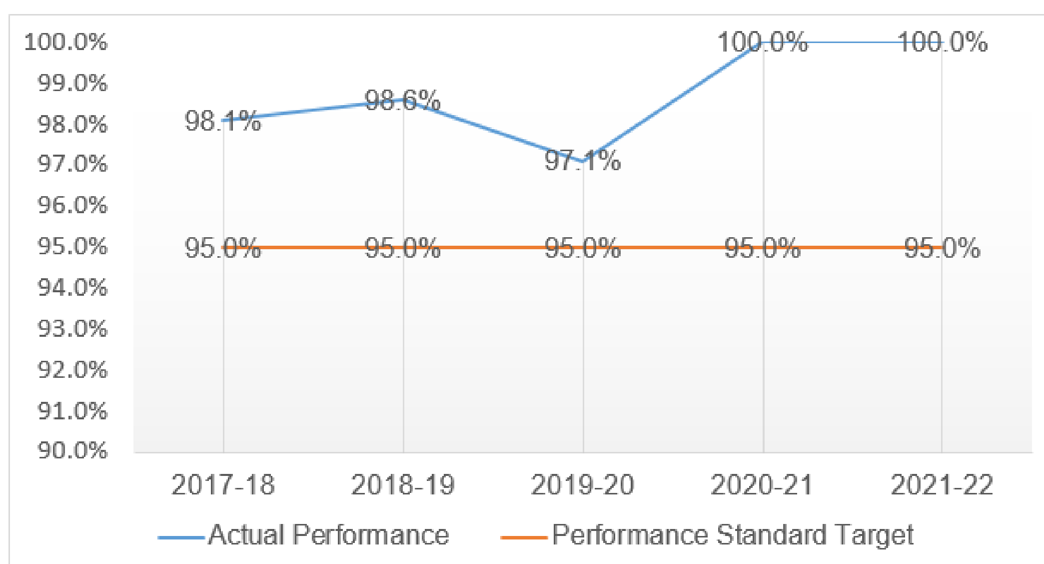
Figure 11—Cancer: 62-day standard from referral to start of treatment for newly diagnosed primary cancers



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

As Figure 11 above shows, the Board's joint cancer pathways with NHS Grampian did not maintain 100% compliance with the 62-day treatment target in any year over the last five years. In 2021–22 ten patients' treatment-time wait exceeded the 62-days target, whilst in 2020–21, two did. A principal factor behind the non-compliance was access to diagnostic services provided by NHS Grampian, which is actively working to improve patient flow in this pathway for all the Health Boards they manage.

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



As Figure 12 above shows, the Board's joint pathway with NHS Grampian has consistently maintained full compliance over the last five years with the 31-day cancer treatment target. In both 2020–21 and 2021–22, every patient's treatment plans met the 31-day performance standard.

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

While overall the Board continues to have some of the best access-target performance across Scotland, we recognise that we will continue to experience risks in sustaining performance, particularly where individual visiting services have staffing issues. Work continues to make all pathways sustainable, as well as to address the additional requirement in 2022–23 to working through the backlog caused by the focus on containment during the Covid-19 pandemic.

The most up-to-date summary information is published at NHS Scotland's NHS Performs website for selected statistics. Information is also published on the Public Health Scotland website in more detail for all national performance measures.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Analysis of other important Non-Financial Indicators

Primary Care

The Scottish Government GP access survey takes places every two years. The last survey took place in November 2019, however the result of the survey was not published until 13 October 2020. As such there is no new information on the surveys.

Two of the performance targets the GP access survey measures will have been negatively affected by the Covid-19 pandemic. During 2021–22, Lerwick, Brae and Levenwick had to implement reduced services on occasion due to the impact of Covid-19.

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

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

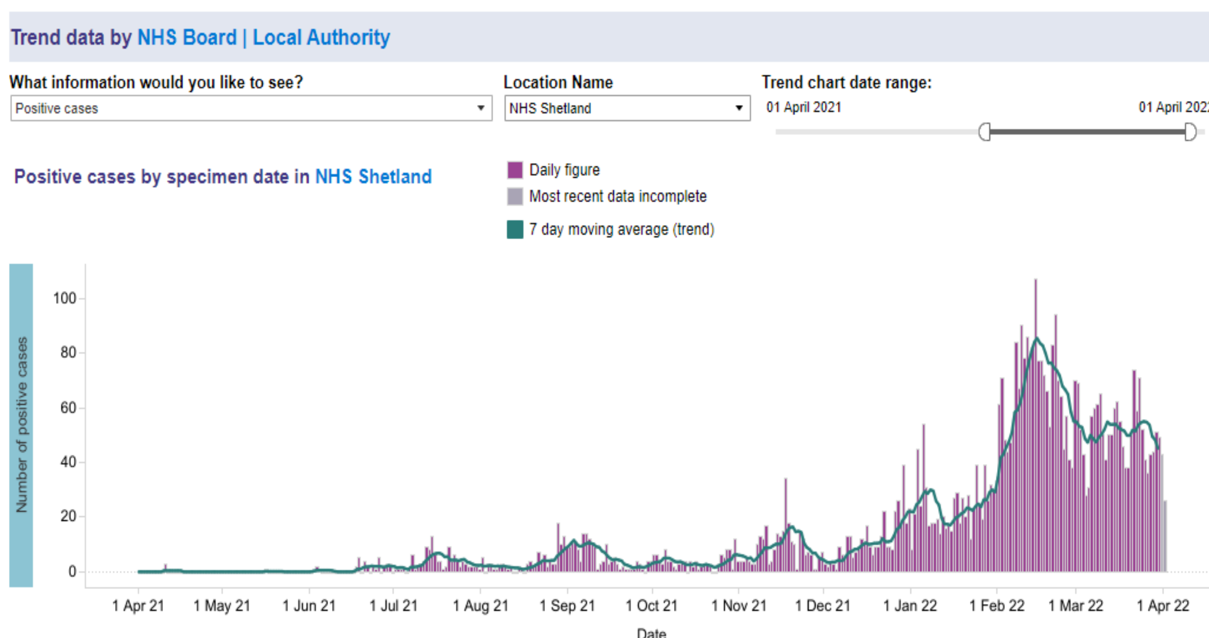
Public Health including Health Improvement and Tackling Health Inequalities

The Covid-19 pandemic continued to dominate the work of the Public Health team during 2021–22. The Public Health team focus was on the Pandemic Disease Plan that NHS Shetland officially implemented on 16 March 2020.

As the Public Health Scotland trend report at figure 13 below illustrates, the majority of positive cases locally were in the autumn and winter with the emergence of Omicron variant. In late 2021 this caused concern in the UK, leading to increased restrictions. However, although highly infectious, Omicron did not increase severity of the disease and restrictions were significantly eased in early 2022. This lead to a huge surge in cases, peaking on 14 February at 107 positive test results, and over 2,000 positive test results that month.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Figure 13—Trend data by NHS Board



During 2021–22 there have been a total of 5,337 cases recorded, bringing the total to 5,569 for the entire pandemic up to the end of March 2022. This is an underestimate of the total number of cases as many people will not have been tested due to changing testing strategies and asymptomatic cases and positive lateral flow tests have not been included in reports until latterly.

- **Test and Protect**

By April 2021 testing and contact tracing teams were well-established, with a Test and Protect Manager appointed in June. The team worked hard throughout the year, providing a service 12 hours a day, seven days a week. The team rapidly responded to frequent changes in guidance, surges in case numbers and localised outbreaks.

- **Covid-19 Vaccination**

NHS Shetland started the Covid-19 immunisation campaign on 11 December 2020. The campaign was significantly scaled up in February 2021 when the mass vaccination centres in Lerwick started to open. The vaccination programme has continued throughout 2021–2022, moving though the age ranges to include all those 12-and-over and introducing a booster dose on top of the two primary doses, along with a third primary dose for those who are severely immunosuppressed. Fair Isle became the first community to be fully vaccinated in the UK. The programme continues into 2022–2023 with children aged 5–11 now included, a second booster for the most vulnerable, and probably further boosters in the autumn.

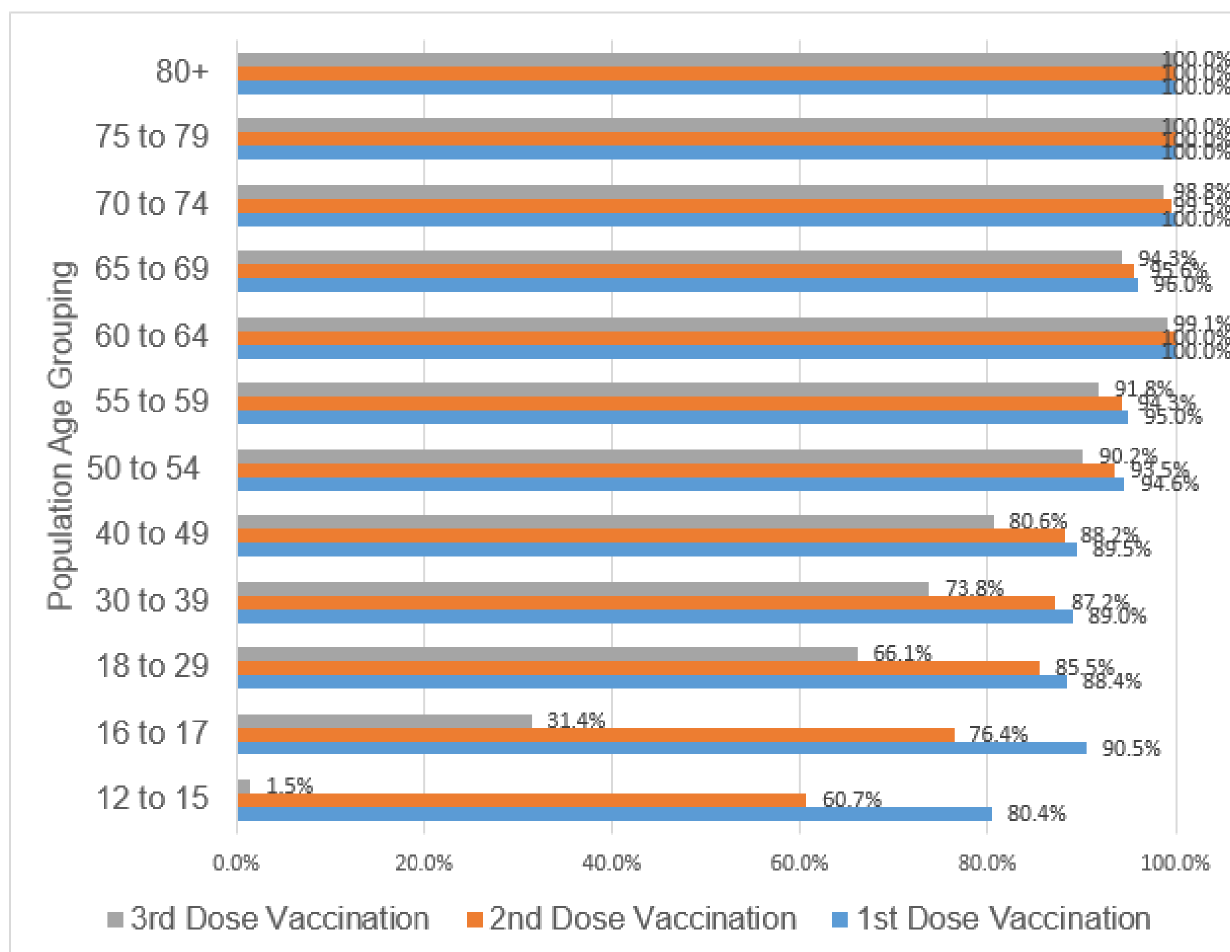
A huge number of staff have been involved in delivering this very complex programme, though by the end of 2021–2022 this had reduced to a core substantive team delivering the programme alongside primary care and community nursing colleagues.

During 2021–22, 39,000 doses of Covid-19 vaccine were delivered in Shetland to 19,000 people. Figure 14 below highlights how successful this local campaign was at

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

31 March 2022 across the age groups. By the end of March 2022, 93.3% of the Shetland community aged 12-and-over had received at least one dose of Covid-19 vaccine, and 85.7% of those aged 18-and-over had received a third or booster dose; 92.6% of those aged 40-and-over. This success gives Shetland the highest vaccination rates in Scotland.

Figure 14—NHS Shetland Covid-19 vaccine immunisation rate at 31 March 2022



- **Health Protection Team**

Two part-time Health Protection Nurse Specialists, appointed in June, have been managing outbreaks and individual cases of Covid-19 and other infectious disease. In the past year the team have dealt with over 100 individual Covid-19 outbreaks and situations (including in ships, care homes, other health and care settings, schools, and hospitality) and hundreds of enquiries and queries.

- **Health Improvement**

During 2021–2022 the Health Improvement Team have played a core role in remobilisation and supporting the COVID-19 response, as well as delivering and supporting others to deliver preventative approaches to poor health. Work included development of the focus on tackling inequalities and prevention within primary care, development of the Health Improvement Practitioner/Community Link Worker model, the Quit Your Way service, Counterweight/Healthy Shetland programme, mental health training delivery, review of Alcohol Brief Interventions, and Type II Diabetes Framework.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Health inequalities have worsened considerably during the pandemic and will continue to do so. Money Worries sessions were delivered locally in partnership with Citizens Advice Bureau, and we have gained commitment from the Integration Joint Board to consider the impact on inequality of any decisions taken by the Board. Work continues with our partners on the Child Poverty Strategy. The population health survey we are currently undertaking will help us to target our work more effectively.

Infection Control

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

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

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

During 2021–22 there was a formal external review undertaken with an unannounced Healthcare Improvement Scotland (HIS) Covid-19 inspection of the Gilbert Bain Hospital on 8 September 2021. An action plan was approved to address the two requirements the report highlighted as needing attention. The report also highlighted eight areas of good practice.

Sustainability and Environmental Reporting

The Climate Change (Scotland) Act 2009 set out measures adopted by the Scottish Government to reduce emissions in Scotland by at least 80% by 2050. The Climate Change (Emissions Reductions Targets) (Scotland) Act 2019 amended this longer-term target to net-zero by 2045, five years in advance of the rest of the UK. In 2020 the Climate Change (Scotland) Amendment order came into force to reflect this, requiring NHS Boards to report on their progress in delivering their emissions reduction targets.

All designated Major Players, of which NHS Shetland is one, are required to submit an annual report to the Sustainable Scotland Network detailing compliance with the climate change duties imposed by the Act and the Amendment order. The information returned by the Board is compiled into a national analysis report, published annually and superseding the prior requirement for public bodies to publish individual sustainability reports.

Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018–2032 while national reports can be found at the Sustainable Scotland Network website.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

NHS Shetland engaged with specialist consultants to develop a NHS Shetland Net Zero Route map to achieve the current Scottish Government targets. The route map was presented to the Board for consideration and approval at its June 2021 meeting. This report sets out the Board's:

- baseline impact assessment of the Board on the environmental;
- identifies actions to take to meet our mandatory sustainability targets; and
- that the replacement of Gilbert Bain Hospital is a key factor in achieving our targets.

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

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

- Continued to implement our Sustainability and Environmental Management Policy with sustainable development action plan ;
- NHS Shetland have a nominated Green Champion, Board Chair Gary Robinson;
- Joint project officer post with Sustrans Scotland to encourage active travel;
- Working in partnership with ZetTrans on progressing sustainable transport and active travel strategy across Shetland with the local community;
- Reduced planned patient travel flights off-island via repatriation schemes;
- Gilbert Bain and Montfield accommodation, Lerwick Health Centre and Breiwick House continue to use the Shetland Heat Energy and Power (SHEP) district heating system, minimising carbon dioxide emissions from heat energy;
- Health Centre Energy efficient electric storage radiators upgrade, £56k;
- Ongoing monitoring to reduce where possible electricity and water consumption;
- Increased electric vehicle charging infrastructure at Health Centre, £133k;
- Increased the number of electric and hybrid vehicles in the Board fleet; and
- Completed procurement process that will have all the Board's remaining 28 cars switched from internal combustion engines to electric vehicles by 31 March 2023.

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

Highlights of some other significant events and achievements at NHS Shetland during 2021–22

Key repatriation projects during 2021–22

- **AMD Service**

Figure 15—Photo showing AMD injection at Gilbert Bain Hospital

NHS Shetland continues moving forward with a multi-disciplinary approach to delivering care. The Age AMD Service in Shetland has over the last four years successfully developed an AMD clinic in Shetland, so patients who require sight-saving injections on a monthly basis no longer need to travel to Aberdeen for treatment. 749 AMD out-patient injections occurred on-island in 2021–22, with positive feedback.

The service was initially set up with Dr. Mike Bearn and over the last 12 months, he has been joined by Christina McDavitt, Senior Charge Nurse in Outpatients, to provide the injection clinic. Figure 15 above shows Dr. Bearn alongside Lisa Odie, Senior Staff Nurse in Outpatients, undertaking her first intra-ocular injection clinic. In developing these new specialist skills Lisa is helping the service be more resilient and sustainable for patients in Shetland.

- **Vanguard Healthcare Solutions Partnership Project—Enhanced Elective Care**

As part of NHS Shetland remobilisation of Elective Care, Scottish Government funding allowed a visiting Laminar flow theatre and visiting healthcare teams to be brought to Shetland to deliver orthopaedic and cataract procedures.

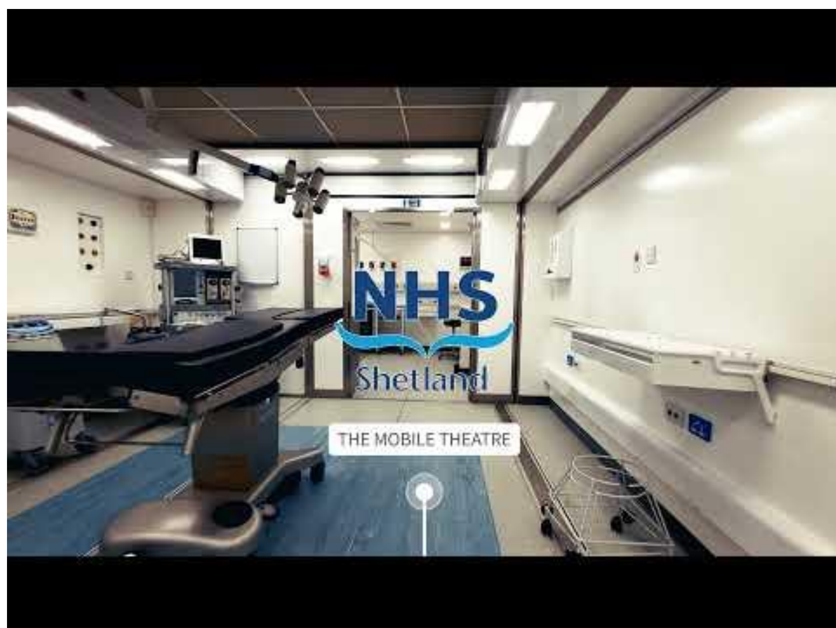
In total 332 patients received essential operations thanks to the arrival of a visiting mobile theatre which was brought in to support an additional programme of surgical treatments at the Gilbert Bain Hospital. To ensure patient confidence and support for the project a virtual video tour for patients was created, included below at Figure 16.

In support of this enhanced elective care programme a mobile MRI scanner came to Shetland in early November to undertake scans on 39 patients. During the 12-week

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

programme, a total of 206 cataract procedures and 126 orthopaedic procedures were carried out. This included 14 treatments for 14 NHS Orkney residents.

Figure 16—Video showing tour of Vanguard Mobile Theatre



Patient feedback from those benefitting from procedures in the mobile theatre has been extremely positive, both in terms of the treatment they received and their aftercare. The significant benefit of not having to travel off-island for treatment was welcomed by all. An NHS Orkney resident was interviewed by BBC Radio Orkney about their positive experience and the recording of the interview was heard at February Board meeting.

Community Engagement

- **Health Improvement**

The Health Improvement team tried out different approaches to connecting with people in order to support them in stopping smoking or in managing their weight, including on-line and telephone support. We do not have data for the end of 2021–2022 yet, but 19 people had stopped smoking for three months post-quit at October 2021, in the 60% most deprived data-zones in Shetland, which means we are just behind target for the end of the year.

HENRY, a programme delivered by local staff, is about babies and children getting the best possible start in life. This means supporting the whole family to make positive lifestyle changes, creating healthier and happier home environments, and building healthier communities.

- **Mental Health**

A new partnership plan, Good Mental Health for All, was established, and a steering group dedicated to improving support for people suffering with eating disorders was launched. As part of the ongoing work to support people suffering with eating disorders in the isles, the NHS Shetland group is focused on improving local services. Taking a whole system approach to preventing, responding to and mitigating against the impact

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

of eating disorders will be central to how the work of this group develops. The launch of the group coincided with Eating Disorders Awareness Week.

- **Oral Heath**

During the national Mouth Cancer Action Month our oral health team was busy raising awareness in the community. The oral health team carried out a 'Blue Walk for Mouth Cancer' around Lerwick, talking to members of the public and handing out information on how to carry out a self-check.

- **Celebrating Success**

In early December the annual Excellence in Care event took place virtually. This was a presentation and celebration of some of the best improvement work undertaken by NHS Shetland teams during the year. The event shone a spotlight on different parts of the health service, including many not in the public eye. The main focus was on how different parts of the organisation had been navigating the challenges of the pandemic and remobilising services. Topics were as varied as supporting better prescribing for people with a learning difficulty to improving access for young people to sexual health advice and support.

- **House of Care**

Scalloway GP Practice undertook a pilot House of Care project which will be evaluated and implemented in other Shetland practices this year. House of Care is a tried and tested model used in Scotland and England for offering care to people with long term conditions that recognises patient knowledge and includes their expertise in managing their health. During a visit to Shetland national clinical director Professor Jason Leitch visited the Scalloway practice to learn about the local House of Care model. The team at the health centre were praised for its person-centred approach.

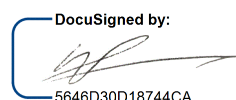
- **Visit from NHS Scotland Chief Executive and Clinical Director**

At the end of September 2021 Caroline Lamb, NHS Scotland Chief Executive and Director General of Health and Care and National Clinical Director Professor Jason Leitch visited Shetland. The motivation for the visit was to understand how NHS Shetland had adapted and innovated during the pandemic. Their reflections noted staff went beyond the call of duty to save lives and prevent illness in the pandemic, in every part of the organisation. By working together, we dramatically slowed the progression of the pandemic in the community and in so doing, reduced suffering.

Events after the end of the reporting year

There were changes in the membership of the Board after 31 March 2022, which are outlined in the Accountability report.

Section 6—Approval and signing of the Performance Report



Signed By: Date 23 June 2022

Michael Dickson, Chief Executive as Accountable Officer

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Accountability Report

Corporate Governance Report

Directors' Report

- **Date of Issue**

The Accountable Officer authorised these audited financial statements for issue on 23 June 2022 as that was the date the financial statements were approved by the Board.

- **Appointment of auditor**

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who will audit each Scottish health body. For the financial years 2016–17 to 2020–21, the Auditor General appointed Deloitte LLP to audit Shetland Health Board. However, as a result of the Covid-19 pandemic, Deloitte's appointment has been extended by one year to include 2021–22.

The general and statutory duties of the auditors of health bodies are set out in the Code of Audit Practice, issued by Audit Scotland and approved by the Auditor General.

- **Board membership**

Executive Board Members	**Position Held**
Michael Dickson	Chief Executive
Kirsty Brightwell	Medical Director
Kathleen Carolan	Director of Nursing and Acute Services
Colin Marsland	Director of Finance
Lorraine Hall	Director of Human Resources and Support Services
Susan Laidlaw	Interim Director of Public Health [from 1 May 2021]
Non-Executive Board Members	**Position Held**
Gary Robinson	Chair
Natasha Cornick	
Shona Manson [until 31 December 2021]	
Kathy Hubbard [from 17 January 2022]	
Jane Haswell	
Lincoln Carroll	
Colin Campbell	

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Stakeholder Non-Executive Board Members	Position Held
Ian Sandilands [until 5 June 2022]	Chair, Area Partnership Forum
Amanda McDermott	Chair, Area Clinical Forum
Malcolm Bell [until 30 April 2022]	Vice Chair / SIC Member

Under the terms of the Scottish Health Plan, the Health Board is a board of governance, and its membership will be conditioned by the functions of the Board.

Members of Health Boards are selected on the basis of their position or the particular expertise that enables them to contribute to the functions and decision-making process at a strategic level and reflects the partnership approach which is essential to improving health and healthcare.

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

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

The names and positions of the Board Members are set out above. Two members have retired after 31 March 2022. Employee Director, Ian Sandilands, retired on 5 June 2022 and new appointment, Bruce McCulloch, tenure started on 6 June 2022. Due to the Local Government Election the Local Government appointee, Malcolm Bell retired on 30 April 2022. Shetland Island Council new nominee for the Local Government appointee to the Board has still to be confirmed.

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

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

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

Directors' third party indemnity provisions

The Board has not provided a qualifying third party indemnity provision for any of its Directors at any time during the financial year 2021–22 (nor were any provided in 2020–21).

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Remuneration for non-audit work**

Deloitte LLP did not undertake any non-audit work for the Board in 2021–22 (nor in 2020–21).

- **Value of Land**

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

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

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

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

During 2021–22 there were seven cases reported to the Information Commissioner's Office (ICO). In comparison, during 2020–21 there were 12 cases reported to the ICO. The Board continued its education programme to increase organisational awareness of, and response to, the requirements of the Data Protection Act 2018. The ICO concluded that no further action was necessary in all 19 cases. They made recommendations for improvements to procedures and, in cases involving human error, highlighted the importance of ensuring staff training was effective and up-to-date.

- **Disclosure of Information to Auditor**

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

- **Financial instruments**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Statement of Accountable Officer's Responsibilities

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

This designation carries with it responsibility for:

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

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

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

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

I am responsible for ensuring proper records are maintained and that the financial statements are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter of March 2022.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare financial statements in accordance with the directions of Scottish Ministers which require that those financial statements give a true and fair view of the state of affairs of the Health Board as at 31 March 2022 and of its operating costs for the year then ended. In preparing these financial statements the Directors are required to:

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Governance Statement

Scope of Responsibility

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

My accountability arrangement, with respect to the Scottish Government Health and Social Care Directorate (SGHSCD), is as set out in the extant guidance and includes full responsibility for all governance arrangements as well as the performance of the Board. This performance is formally reviewed by the Scottish Government on a yearly basis via the Annual Review process. In addition, a number of other external scrutiny arrangements are in place including ongoing scrutiny of a range of quality and service issues by HIS and other bodies. During 2021–22 there was only one other formal external review undertaken with an unannounced HIS Covid-19 inspection of the Gilbert Bain Hospital on 8 September 2021. An action plan was approved to address the two requirements the report highlighted as needing attention.

Purpose of the System of Internal Control

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

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

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

Strategic Framework

NHS Shetland Board has approved a 2025 Vision when agreeing the Shetland Islands Health and Social Care Partnership: Joint Strategic Commissioning Plan 2019–2022 (JSCP).The 2025 Vision sets out its aim that by 2025 everyone is supported in their community to live longer, healthier lives and we will have reduced health inequalities.

The Board's five corporate objectives are:

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

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

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

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

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

Governance Framework

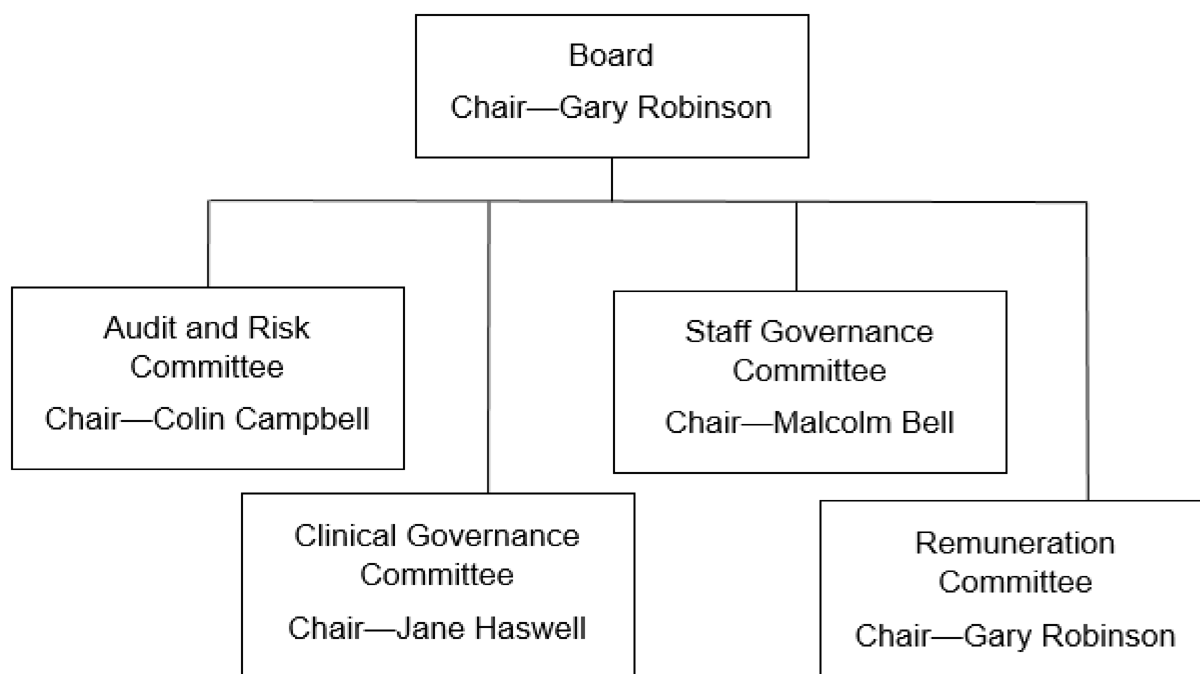
Under the terms of the Scottish Health Plan, an NHS Board is a Board of Governance. Its purpose is to ensure the efficient, effective and accountable governance for the local NHS system and to provide strategic leadership and direction for the system as a whole, focusing on agreed outcomes.

The Board's governance framework includes the committees outlined on pages 39–43 of the Accountability Report, plus the Risk Management Group (RMG). The Board outlines the remit, role and responsibilities of these committees in the Corporate Governance Handbook. The Board's high level governance structure is outlined in figure 17 below, and an organisational governance chart showing groups which provide assurance to these committees is available on the Board's website, along with the management reporting structures.

The Board met eight times in public during 2021–22 (2020–21, 11 times) and all the reports and minutes considered by the Board are publicly available on the Board's website. Two of these meetings though were held under our temporary governance arrangements (2020–21, seven such meetings) which were put in place following the activation of the Board's Pandemic Plan in response to the Covid-19 outbreak.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Figure 17—Diagram of High Level Board Governance



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

A number of revisions to the Corporate Governance Handbook were agreed during 2021–22. In June 2021, the Clinical, Care and Professional Governance Committee was disestablished and replaced by the Clinical Governance Committee. December 2021 meeting papers included a review and update to the Board's Scheme of Delegation.

Corporate Governance

In line with Scottish Government policy, in 2021–22, the Board had the following standing committees:

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

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

- Remuneration Committee.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

2021–22 saw some turnover in both executive and non-executive directors. This included the appointment of Dr Susan Laidlaw as Interim Director of Public Health. There has been a review and updating of some committee membership. Further information on changes can be found in the Remuneration Report, further below.

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

- **Clinical Governance Committee (CGC)**

The CGC has two key roles:

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

The membership of the CGC includes six non-executive Board Members and in 2021–22 has been chaired by Jane Haswell. The Committee met twice during 2021–22.

- **Audit and Risk Committee**

The Audit and Risk Committee comprises four non-executive Board Members and is chaired by Colin Campbell. The committee's primary function is to provide the Board with assurance that adequate control systems are in place to manage governance effectively. The committee met five times during 2021–22 to consider all aspects of control. It also met five times in 2020–21. As part of the committee's approach to continuous development and improvement, the business plan includes three development training session to inform members' understanding of nominated topics to address training issues identified. In 2021–22 these training sessions were organised in conjunction with the audit committees of NHS Western Isles and NHS Orkney.

The committee receives and discusses reports from internal and external audit and scrutinises the Annual Report and Accounts in detail on behalf of the Board. The committee received three Internal Audit reports in 2021–22 on Financial Systems, Bank/Locum/Agency Staff On-Boarding and Business Continuity Planning. There are ten management actions arising in these reports. Five of these are graded as high risk.

The committee agrees the Annual Internal Audit plan and receives the Chief Internal Auditors Annual Report. In 2021–22 that report highlights an opinion that a number of weaknesses, particularly in relation to the current Business Continuity Planning and the completion of statutory and mandatory training, are weaknesses which had previously been raised in audit reports and have not yet been satisfactorily addressed.

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

- **Endowment Committee**

The Endowment Committee comprises all members of the Board and the Chair is Lincoln Carroll. The committee oversees the management of Shetland Health Board Endowment Fund. The committee met four times in 2021–22 and five times in 2020–21.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Endowment Fund is registered with the Office of the Scottish Charity Regulator (OSCR); its charity reference number is SC011513. The Endowment Fund produces its own audited financial statements, however in line with IFRSs 10 (International Financial Reporting Standards 10) this has been consolidated with the Board's financial statements. 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.

The Endowment Fund was responsible for organising a community fundraising appeal for a MRI Scanner in Shetland. In 2021–22 the MRI procurement process commenced.

- **Staff Governance Committee**

The membership of the Staff Governance Committee comprises four non-executive Board Members, one of whom is the Employee Director and three members from the Area Partnership Forum (two staff-side and one management representative). The Committee was chaired by Malcolm Bell during 2021–22 and committee met on three occasions and in 2020–21 also met three times.

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

The Committee has an important role in ensuring consistency of policy and equity of treatment of all staff and assessing the Board's compliance with NHS Scotland Staff Governance standards to ensure compliance with all relevant laws and regulations. Activities undertaken within the Staff Governance action plan during the last year include focusing accelerated recruitment process to support deployment and redeployment of staff during the Covid-19 pandemic, staff wellbeing, updating relevant policies, and work to improve the organisational culture and transparency.

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

- **Reference Committee**

The Board has a Reference Committee which has a general duty of deciding whether allegations of breach of terms of service made against Family Health Contractors should be made to a Discipline Committee. The Reference Committee was not required to meet in 2021–22 or during 2020–21. The committee Chair is a non-executive Board Member.

- **Remuneration Committee**

The main function of the Remuneration Committee is to ensure the appropriate application and implementation of pay systems on behalf of the Board, as determined by the Scottish Government. During 2021–22 the committee met on two occasions and twice during 2020–21. The Remuneration Committee is chaired by the Board Chair.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Risk and Control Framework

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

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

NHS Scotland bodies are subject to the requirements of the SPFM and must operate a Risk Management Strategy in accordance with relevant guidance issued by Scottish Ministers. The local risk management strategy was agreed by the Board in April 2022.

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

As Chief Executive I ensure there is suitable review and management of strategic risks and that all significant risk management concerns are prioritised, considered in-line with our risk register hierarchy as outlined below in Figure 18. These are communicated to our Board and Governance Committees on a regular basis.

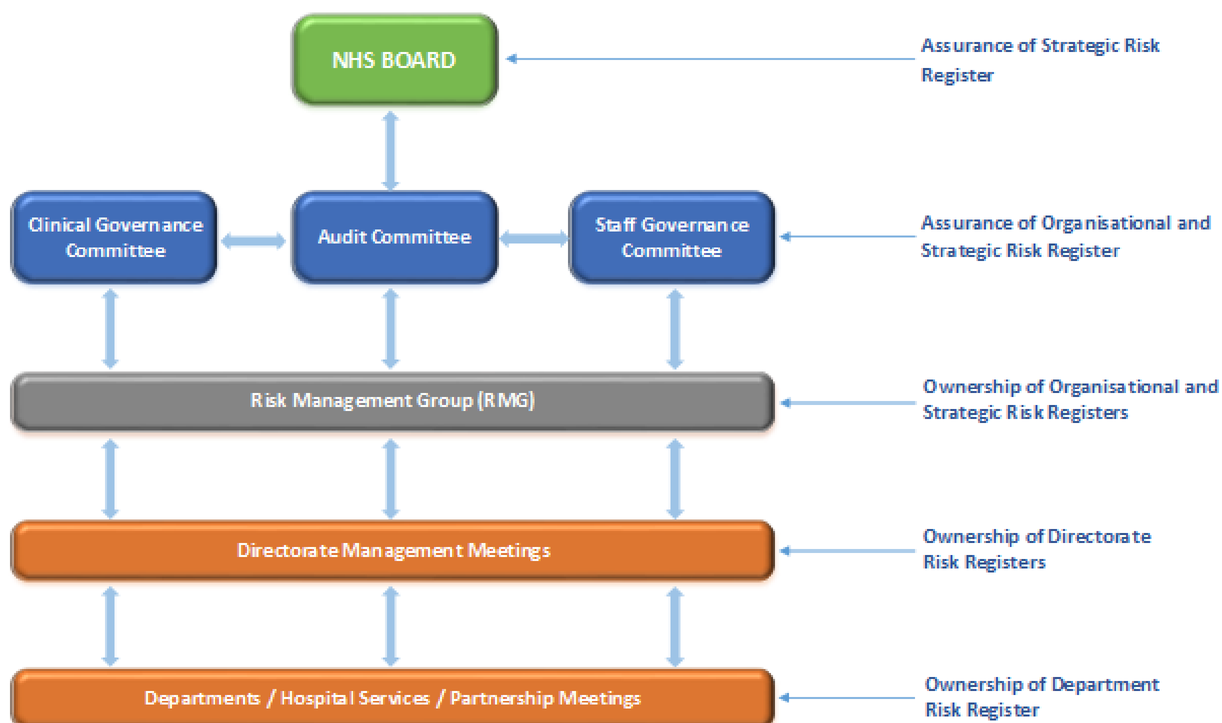
Figure 18—Diagram showing Risk Register Hierarchy

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

NHS Shetland risk arrangements are managed by the RMG with annual work plan to embed risk management in the organisation. The work of the RMG is now overseen by the Audit and Risk Committee with individual corporate risks allocated to the relevant committee as outlined below in Figure 19. Overall oversight is maintained by the Board.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Figure 19—Diagram showing Risk Management Governance Structure



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

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

The Strategic Risk Register is aligned to the corporate objectives of the Board and is focussed on key strategic risks. The Strategic Risk Register is published on the Board's website and is formally reviewed by the Board and Audit and Risk Committee.

A complete review of the corporate risks was undertaken during the year. The revised Strategic Risk Register was approved by the Board at April 2022 meeting. The review includes issues arising and mitigations in respect of the Covid-19 pandemic to our local services as well as other external factors such as Britain's exit from the European Union (EU) and other political issues.

More generally, the Board is committed to continuous development and improvement; developing systems in response to any relevant reviews; and developments in best practice. The Risk Management Summary Report 2021–22 presented to the April 2022 Board meeting summarises the activities undertaken in 2021–22 and plan for 2022–23.

- **Covid-19 pandemic**

Following the declaration of Covid-19 as a worldwide pandemic the Board implemented our emergency planning arrangements on 16 March 2020, overseen and guided via local and national operational, tactical and strategic response structures. In line with guidance from the Scottish Government, the Board agreed revised governance arrangements. For the duration of the Covid-19 pandemic our local response in response to mitigating the spread of the virus and recovery plans have been adjusted to

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

match. Local guidance has been published on our Covid-19 microsite, our Facebook site and to the local media via press releases.

The Board has worked in partnership with the IJB, SIC, Scottish Ambulance Service, NHS Grampian, NHS National Shared Services, Up Helly Aa committees and local volunteer groups to ensure the health and wellbeing of the Shetland population was paramount in working together to save lives locally. The Board takes this opportunity to thank them all for their support.

Annual Service Reports

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

NHS Ayrshire and Arran hosts National Single Instance Financial Ledger Services and the annual service audit found it operated effectively throughout the year from 1 April 2021 to 31 March 2022. The previous years' service audit also found that it operated effectively throughout 2020–21.

Last year, 2020–21, the payments to Practitioners service audits reports resulted in a qualified opinion. However due to management action to address issued highlighted in the report, the 2021–22 service audit found controls operated effectively this year.

National IT Services Service Audit report in 2020–21 audit found it operated effectively throughout the year. In respect of 2021–22 service audit it also reached this conclusion.

- **Whistleblowing**

NHS Shetland whistleblowing policy is NHS Scotland national whistleblowing standard. In February 2020, the Scottish Government appointed an additional non-executive to the Board who is the Board's Whistleblowing Champion. Shona Manson was appointed to this post but has since left this post during 2021–22. NHS Orkney non-executive lead, Jason Taylor, has been providing support in the interim. Whistleblowing Executive Lead, Kirsty Brightwell, Medical Director during 2021–22 led on implementing the national Whistleblowing Standards.

- **Counter Fraud Services**

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

CFS also provide a central intelligence base for Boards and provide support and training for staff in engendering an anti-fraud culture at the Board. In respect of fraud training, 231 members of staff completed CFS on-line training in Turas in year. At 31 March 2022, 642 members of staff have a valid completion certificate.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Information Governance

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

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

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

There are clear links between the IG framework and the clinical governance framework and the IG plan is normally presented to the CGC along with an annual review of prior year activities against the prior year plan.

During Covid-19 there was a number of new systems introduced nationally to address national pandemic response and local review and approval was promptly completed.

Progress has been made in the following areas during 2021–22:

- Draft 2022–26 Information Governance Strategy;
- Standard IG dashboard reports submitted to each meeting of IGSG and DISG;
- Education of staff through increasing the number of staff completing on-line training courses. Although at only 56% with valid certificate not at aspired rate;
- External FOISA training for nine key members of staff; and
- Ongoing work in respect to the Board becoming compliant with cyber security obligations under NISR with an action plan illustrated progress during year.

There have been 95 “near miss” data security incidents during 2021–22 reported to the Board’s Data Protection Office, there were 83 “near miss” in 2020–21. Actions have been taken to improve systems and remind staff of the importance of data security. While the physical security of our data has improved, we continue to work with staff to ensure they understand their responsibilities. During 2021–22 there were seven (2020–21, 12) incidents reported to the Information Commissioners Office. These cases have all been closed as the ICO concluded that no further action was necessary. Recommendations were made by ICO for improvements to procedures and, in cases involving human error, highlighted the importance of ensuring staff training was effective and up-to-date.

During the Covid-19 pandemic the number of Freedom of Information (FOI) requests initially reduced. In respect of the Board’s obligation just under 87% of requests were responded to on time, just under 91% in 2020–21. However as reported to FOISA there are 10 requests that have not yet received a response and are overdue, 19 in 2020–21.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Best Value

I can confirm that Shetland Health Board is committed to ensuring that its activities are undertaken in a manner that will secure best value in the use of public funds in line with the arrangements set out in the SPFM. The Board incorporates the principles of best value within its planning, performance and delivery activities ensuring that they are part of everyday business and integral to the Board's decision making in all key areas. In addition, the Board continues to seek opportunities to enhance the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of priority access targets and demonstrating best value and the efficient use of resources.

Board Compliance with SPFM

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

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

Review of Effectiveness

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

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

For the year 2021–22, all three of these Service Audit Report received a clear opinion that relevant controls were properly in place throughout the year.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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 Auditor draws up reports that consider various aspects of the Board's control systems and reports findings to the Audit and Risk Committee. These reports consider the extent to which the Board's processes support its system control objectives and offer an opinion as to the degree of risk to which the Board is exposed.

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

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

Significant Governance Issues

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

1. Waiting times' performance in Psychological Therapies is still falling significantly below the compliance standards highlighted above. A management action plan is in place to progress with a service redesign that has additional staff and allows for the use digital technology were appropriate. Although performance has been improving in 2021–22 against the 18-week access target, further action is still on-going in 2022–23; and

2. As highlighted by the Chief Internal Auditor, a number of weaknesses, particularly in relation to the current Business Continuity Planning and the completion of statutory and mandatory training, have previously been raised in audit reports and are not yet satisfactorily addressed. There are internal audit reports on both these issues. Work on implementing the action plan to address the issues is on-going across the entire organisation.

   Audit and Risk committee is monitoring progress in respect of business continuity planning, while the Staff Governance Committee is monitoring progress in respect of statutory and mandatory training compliance.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Remuneration and Staff Report

Remuneration Report

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

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

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

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

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Director	Director's Gross Salary (bands of £5,000)	Total Earnings in Year	Pension Benefits	Total Remuneration
Executive Members	**£000**	**£000**	**£000**	**£000**
Chief Executive: Michael Dickson [1]	140–145	140–145	34	175–180
Medical Director: Kirsty Brightwell	130–135	130–135	36	165–170
Director of Nursing: Kathleen Carolan	110–115	110–115	23	135–140
Director of Finance: Colin Marsland	85–90	85–90	31	115–120
Director of Human Resources and Support Services: Lorraine Hall [2]	120–125	120–125	39	155–160
Interim Director of Public Health: Susan Laidlaw [from 1 May 2021] [3]	140–145	140–145	78	215-220
Non-Executive Members	**£000**	**£000**	**£000**	**£000**
Chair: Gary Robinson	30–35	30–35	0	30–35
Natasha Cornick	5–10	5–10	0	5–10
Shona Manson [until 31 December 2021] [4]	5–10	5–10	0	5–10
Jane Haswell	5–10	5–10	0	5–10
Lincoln Carroll	5–10	5–10	0	5–10
Colin Campbell	5–10	5–10	0	5–10
Malcolm Bell	5–10	5–10	0	5–10
Kathy Hubbard [from 17 January 2022] [5]	0–5	0–5	0	0–5

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Notes in respect of 2021–22 disclosure:

1. The Chief Executive's salary reflects that he was Chief Executive for both NHS Shetland and NHS Orkney. This post is funded 50/50 by NHS Shetland and NHS Orkney.
2. The Director of Human Resources and Support Services salary reflects that she was performing this role for both NHS Shetland and NHS Orkney. This post is funded 50/50 by NHS Shetland and NHS Orkney.
3. The Interim Director of Public Health was employed for the full financial year 2021–22 and the salary above represents full year remuneration. Prior to 01 May 2021 they were employed as a Consultant in Public Health Medicine.
4. This Non Executive Director's full year equivalent salary is £5k-£10k.
5. This Non Executive Director's full year equivalent salary is £5k–£10k.
6. This Chair of the Area Clinical Forum salary includes £68k in respect of non-Board duties (Chief Nurse Acute).
7. The Employee Director's salary includes £61k in respect of non-Board duties (Clinical Team Leader).
8. No benefits in kind were received in 2021–22.
9. No bonus payments were made in 2021–22.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

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

Notes in respect of 2021–22 disclosure:

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

the period. It follows that the market valuations at the end of the current year may be different from those used in the previous year.

- **Shetland NHS Board—Year Ended 31 March 2021 (Audited Information)**

Director	Director's Gross Salary (bands of £5,000)	Benefits in Kind	Total Earnings in Year	Pension Benefits	Total Remuneration
Executive Members	**£000**	**£s**	**£000**	**£000**	**£000**
Chief Executive: Michael Dickson [1]	125–130	200	125–130	30	155–160
Medical Director: Kirsty Brightwell [from 6 July 2020] [2]	95–100	0	95–100	40	135–140
Interim Medical Director: Brian Chittick [until 5 July 2020] [3]	105–110	0	105–110	28	130–135
Director of Nursing: Kathleen Carolan	95–100	0	95–100	36	135–140
Director of Finance: Colin Marsland	80–85	0	80–85	30	110–115
Director of Human Resources and Support Services: Lorraine Hall [4]	110–115	0	110–115	114	225–230
Director of Public Health: Susan Webb [5]	35–40	0	35–40	0	35–40

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Director	Director's Gross Salary (bands of £5,000)	Benefits in Kind	Total Earnings in Year	Pension Benefits	Total Remuneration
Non-Executive Members	**£000**	**£s**	**£000**	**£000**	**£000**
Chair: Gary Robinson	30–35	0	30–35	0	30–35
Natasha Cornick	5–10	0	5–10	0	5–10
Shona Manson	5–10	0	5–10	0	5–10
Jane Haswell	5–10	0	5–10	0	5–10
Lincoln Carroll	5–10	0	5–10	0	5–10
Colin Campbell	5–10	0	5–10	0	5–10
Malcolm Bell	5–10	0	5–10	0	5–10

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Director	Director's Gross Salary (bands of £5,000)	Benefits in Kind	Total Earnings in Year	Pension Benefits	Total Remuneration
Other Board Members	**£000**	**£s**	**£000**	**£000**	**£000**
Chair of Area Clinical Forum: Edna Watson [until 28 February 2021] [6]	75–80	0	75–80	22	95–100
Chair of Area Clinical Forum: Amanda McDermott [from 1 March 2021] [7]	60–65	0	60–65	49	105–110
Employee Director: Ian Sandilands [8]	65–70	0	65–70	40	105–110
Other Senior Employees	**£000**	**£s**	**£000**	**£000**	**£000**
Interim Director of Community Health and Social Care: Jo Robinson [until 13 July 2020] [9]	15–20	0	15–20	0	15–20
Director of Community Health and social Care: Simon Bokor-Ingram [until 20 April 2020] [10]	95–100	0	95–100	62	160–165
Total				**451**	

Notes in respect of 2020–21 disclosure:

1. The Chief Executive's salary reflects that from 1 July 2020 he was Chief Executive for both NHS Shetland and NHS Orkney. The full year equivalent salary for this joint post is £130k–£135k and is funded 50/50 by NHS Shetland and NHS Orkney.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

2. This Medical Director's salary includes £12k in respect of non-Board duties (salaried GP). The full year equivalent salary of this Medical Director is £120k–£125k.
3. This Medical Director was in post until 5 July 2020 and then moved to the post of Interim Director of Community Health and Social Care from 14 July 2020. The gross salary above represents £22k as Medical Director and £85k as Interim Director of Community Health and Social Care. The full year equivalent salary of this Director of Community Health and Social Care is £95k–£100k.
4. The Director of Human Resources and Support Services salary reflects that from 19 October 2020 she was performing this role for both NHS Shetland and NHS Orkney. The full year equivalent salary for this joint post is £100k–£105k and is funded 50/50 by NHS Shetland and NHS Orkney.
5. The Director of Public Health is a joint post between NHS Shetland and NHS Grampian. They are employed by NHSG and provide services to NHSS through a Service Level Agreement (SLA). The annual cost of the SLA is included above. Their full annual salary paid by NHS Grampian was £185k–£190k.
6. This Chair of the Area Clinical Forum salary includes £70k in respect of non-Board duties (Chief Nurse Community).
7. This Chair of the Area Clinical Forum salary includes £60k in respect of non-Board duties (Chief Nurse Acute).
8. The Employee Director's salary includes £61k in respect of non-Board duties (Clinical Team Leader).
9. This Interim Director of Community Health and Social Care is a joint post between NHS Shetland and SIC. They are employed by SIC who recharge NHS Shetland 50% of the gross cost. The cost to NHS Shetland was £16k for 2020–21 and the full annual salary paid by SIC was £75–£80k.
10. This Director of Community Health and Social Care was in post until seconded to Moray Health and Social Care Partnership, as Chief Officer, from 20 April 2020. He was seconded until leaving NHS Shetland on 21 March 2021.
11. No bonus payments were made in 2021–22.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Shetland NHS Board—Pension Values—Year Ended 31 March 2021 (Audited Information)**

Director	Accrued pension at age 60 as at 31 March 2021 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2021	CETV at 31 March 2020	Real Increase in CETV
Executive Members	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive: Michael Dickson	0–5 (0)	0–2.5 (0)	33	6	27
Medical Director: Kirsty Brightwell [from 6 July 2020]	35–40 (80–85)	2.5–5 (0–2.5)	580	539	41
Interim Medical Director: Brian Chittick [until 5 July 2020]	10–15 (0)	0–2.5 (0)	128	103	25
Director of Nursing: Kathleen Carolan	25–30 (45–50)	0–2.5 (0–2.5)	400	362	38
Director of Finance: Colin Marsland	30–35 (65–70)	0–2.5 (0–2.5)	575	536	39
Director of Human Resources and Support Services: Lorraine Hall	20–25 (55–60)	5–7.5 (10–12.5)	411	312	99

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Director	Accrued pension at age 60 as at 31 March 2021 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2021	CETV at 31 March 2020	Real Increase in CETV
Director of Public Health: Susan Webb [3]	N/A	N/A	N/A	N/A	N/A

Director	Accrued pension at age 60 as at 31 March 2021 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2021	CETV at 31 March 2020	Real Increase in CETV
Non-Executive Members [2]					
Other Board Members	**£000**	**£000**	**£000**	**£000**	**£000**
Chair of Area Clinical Forum: Edna Watson [until 28 February 2021]	25–30 (80–85)	0–2.5 (2.5–5)	588	549	39
Chair of Area Clinical Forum: Amanda McDermott [from 1 March 2021]	10–15 (0)	2.5–5 (0)	132	102	30
Employee Director: Ian Sandilands	20–25 (65–70)	0–2.5 (5–7.5)	548	489	59

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Director	Accrued pension at age 60 as at 31 March 2021 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2021	CETV at 31 March 2020	Real Increase in CETV
Other Senior Employees	**£000**	**£000**	**£000**	**£000**	**£000**
Interim Director of Community Health and Social Care: Jo Robinson [3]	N/A	N/A	N/A	N/A	N/A
Director of Community Health and social Care: Simon Bokor-Ingram [until 20 April 2020]	35–40 (75–80)	2.5–5 (2.5–5)	721	647	74
Total					**471**

Notes in respect of 2020–21 disclosure:

1. Accrued annual pension and real annual increase stated first followed by lump sum payment inside brackets.
2. Non-executive members are not eligible for membership of NHS pension scheme so the value is nil in all columns for the pension values table.
3. Pension values are included in the financial statements of relevant employers NHS Grampian and SIC.

Scottish Public Pensions Agency (SPPA) are still assessing the impact of the McCloud judgement in relation to changes to benefits in 2015. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. SPPA has updated the methodology used to calculate CETV values as at 31 March 2021. The impact of the change in methodology is included within the reported real increase in CETV for the year.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

	2022	**2021**	**Change**
	£s		**%**
Range of staff remuneration	21–355	20–266	36%
Highest earning director's remuneration	141,860	128,399	10%
Median (Total pay and benefits)	34,886	33,860	3%
Median (Salary only)	32,915		
Ratio	1:4	1:4	0%
25th percentile (Total pay and benefits)	26,420		
25th percentile (Salary only)	23,603		
Ratio	1:5		
75th percentile (Total pay and benefits)	47,537		
75th percentile (Salary only)	40,736		
Ratio	1:3		

Commentary: The highest-earning director was the Chief Executive in both 2020–21 and 2021–22. The increase in remuneration was a result of being the Chief Executive of both NHS Shetland and NHS Orkney from 1 July 2020. Only nine months of this joint role is reflected in his 2020–21 remuneration above.

The range of remuneration has increased in 2021–22 due to various medical consultants working extra hours in connection with the mobile theatre project to address the backlog in elective care.

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Staff Report

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

This information is provided by headcount and represents the Executive Board Members and Other Senior Employees from the Remuneration Report. This information represents full year equivalent salaries of Board Members and Senior Employees still in employment at 31 March 2022.

	2022	**2021**
Band (bands of £10,000)	**Number of Staff**	**Number of Staff**
£70,001 to £80,000	0	1
£80,001 to £90,000	1	1
£90,001 to £100,000	0	2
£100,001 to £110,000	1	1
£110,001 to £120,000	1	1
£120,001 to £130,000	1	1
£130,001 to £140,000	1	0
£140,001 to £150,000	2	0
£180,001 to £190,000 [1]	0	1
Total	**7**	**8**

[1] The Director of Public Health was a joint post between NHS Shetland and NHS Grampian. They were employed by NHS Grampian and provided a service to NHS Shetland through an SLA. The annual cost of the SLA is £35k–£40k. Their full annual salary paid by NHS Grampian was £185k–£190k.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Other employees whose remuneration fell within the following ranges:

2022		**2021**
Number		**Number**
	Clinicians	
8	£70,001 to £80,000	6
10	£80,001 to £90,000	10
5	£90,001 to £100,000	5
4	£100,001 to £110,000	3
2	£110,001 to £120,000	1
2	£120,001 to £130,000	0
2	£130,001 to £140,000	4
2	£140,001 to £150,000	2
4	£150,001 to £160,000	3
2	£160,001 to £170,000	1
0	£170,001 to £180,000	1
0	£180,001 to £190,000	1
0	£190,001 to £200,000	1
6	£200,001 and above	3
	Other	
1	£70,001 to £80,000	2
3	£80,001 to £90,000	0
0	£90,001 to £100,000	1

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Staff costs (Audited Information)**

	Salaries and wages	**Social security costs**	**NHS scheme employers' costs**	**Inward secondees**	**Agency and other directly engaged staff**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Executive Board Members	613	94	142	0	0	**849**
Non-Executive Members	82	3	0	0	0	**85**
Permanent staff	31,409	3,428	5,434	0	0	**40,271**
Inward Secondees	0	0	0	429	0	**429**
Other Staff	0	0	0	0	7,193	**7,193**
2022 total	**32,104**	**3,525**	**5,576**	**429**	**7,193**	**48,827**
2021 total	**28,377**	**3,124**	**5,115**	**2,607**	**5,147**	**44,370**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

	Whole Time Equivalent
Executive Board Members	6
Non-Executive Members	2
Permanent staff	672
Inward Secondees	0
Other Staff	0
Outward Secondees	0
2022 total	**680**
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
Included in the total staff numbers above were disabled staff of:	54
Included in the total staff numbers above were Special Advisers of:	0
2021 total	**663**
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	0
Included in the total staff numbers above were disabled staff of:	50
Included in the total staff numbers above were Special Advisers of:	0

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Staff composition (Unaudited Information)**

Head Count of Staff	2022			2021		
	Male	Female	**Total**	Male	Female	**Total**
Executive Directors	2	4	6	2	4	6
Non-Executive Directors and Employee Director	5	4	9	5	4	9
Senior Employees	1	0	1	1	0	1
Other	149	671	820	153	647	800
Total Headcount	157	679	836	161	655	816

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

	2022	**2021**
Sickness absence rate	4.3%	2.9%

The NHS Scotland AOP compliance standard for Boards to achieve is a sickness absence rate of 4.0% or less. NHS Shetland moved from compliant to non-compliant against this KPI in 2021–22. However still well below the NHS Scotland average that was 5.7% in 2021-22.

The number of hours lost as sickness absence grew from 35,969 in 2020–21 to 58,309 in 2021–22. This increase of 22,339 hours was primary down to increase in three particular illness groups. When Covid-19 lockdown restrictions changed, non Covid-19 virus transmission chain was also impacted leading to increased cases.

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Exit packages (Audited Information)**

None in 2021–22 or prior year.

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

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31 July each year.

- **Relevant Union Officials**

Number of employees who were relevant union officials during the year 1 April 2021 to 31 March 2022	Full time equivalent employee number
13	1.3

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

Percentage of time	Number of representatives
1-50%	13

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

	£000s
Total cost of facility time	5
Total pay bill	48,784
Percentage of the total pay bill spent on facility time	0.01%

- **Paid trade union activities**

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

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

Period	Staff turnover percentage
2021–22	8%
2020–21	12%

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

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

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

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

- **Staff Survey (Unaudited Information)**

NHS Shetland participates in iMatter, NHS Scotland's Staff Experience continuous improvement tool.

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

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

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

There have been 15 consultancy firms engaged during 2021–22. Anderson Solutions provided expertise to the Shetland Children's Partnership to review the structure and function of the SCP and the strategic aims for the partnership in providing neuro-developmental pathways in Shetland. They are also supporting other projects aligned to partnership working which support children and young people in Shetland and have built up a good understanding of services that support children and families as a result of working across a range of projects with us over the last three years.

The remaining consultancy firms were architects and surveyors engaged to support the Board's capital Programme.

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

The Board has policies and procedures in place for other employee matters such as other diversity issues and equal treatment in employment and occupation;

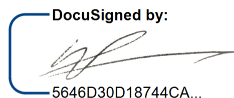
DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

employment issues including employee consultation and/or participation; health and safety at work; trade union relationships; and human capital management such as career management and employability, pay policy etc. Policies include 'Eliminating Bullying and Harassment', 'Work Life Balance' and 'Health and Safety Policy'. You can find the relevant documentation on NHS Shetland's external website.

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

There are no disclosures applicable, as NHS Shetland is not aware of any attempted fraud or irregular activities during 2021–22 or prior year that incurred a loss and only one payment was made within our delegated limits in respect of a medical negligence claim for £0.072m. The Board as required has provided for CNORIS (Clinical Negligence and Other Risks Indemnity Scheme) claims notified to it and which will be settled at a future date; details of these provisions can be found in Note 13.

Approval and signing of the Accountability Report



Signed Date: 23 June 2022

By Michael Dickson, Chief Executive as Accountable Office.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Reporting 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 2022 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Consolidated Comprehensive Net Expenditure, Consolidated Statement of Financial Position, Summary of Resource Out-turn, Consolidated Summary of Cash Flows, Consolidated Summary of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2021/22 Government Financial Reporting Manual (the 2021/22 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 2022 and of the net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2021/22 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 6 years. We are independent of the board and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability of the board and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the board's current or future financial sustainability. However, we report on the board's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

Risks of material misstatement

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the board and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

- considering the nature of the board's control environment and reviewing the board's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired with management, internal audit and those charged with governance about their own identification and assessment of the risks of irregularities;
- obtaining an understanding of the applicable legal and regulatory framework and how the board is complying with that framework;
- identifying which laws and regulations are significant in the context of the board;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

We obtained an understanding of the legal and regulatory framework that the body operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. This included the National Health Service (Scotland) Act 1978 and the Public Bodies (Joint Working) Scotland Act 2014.
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the body's ability to operate or to avoid a material penalty. These included the Data Protection Act 2018 and relevant employment legislation.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of the performing the above, we identified the greatest potential for fraud was in relation to the requirement to operate within the expenditure resource limits set by the Scottish Government. The risk is that the expenditure in relation to year-end transactions may be subject to potential manipulation in an attempt to align with its tolerance target or achieve a breakeven position. In response to this risk, we

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

obtained independent confirmation of the resource limits allocated by the Scottish Government and, tested a sample of accruals, prepayments and invoices received around the year-end to assess whether they have been recorded in the correct period.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, internal audit and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the board’s controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

Reporting 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.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, 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.

Reporting on other requirements

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

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

Other information

The Accountable Officer is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

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

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on the Performance Report and Governance Statement

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

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

110 Queen Street

Glasgow

G1 3BX

United Kingdom

23 June 2022

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Shetland NHS Board Statements and Summaries

Statement of Consolidated Comprehensive Net Expenditure (SoCNE) for the Year Ended 31 March 2022

2021			2022
£000		**Note**	**£000**
44,370	Staff costs	3a	48,827
	Other operating expenditure	3b	
3,600	Independent Primary Care Services		3,321
8,727	Drugs and medical supplies		9,683
55,642	Other health care expenditure		66,740
112,339	Gross expenditure for the year		128,571
(35,322)	Less: operating income	4	(41,390)
(596)	Associates and joint ventures accounted for on an equity basis		(1,073)
76,421	**Net expenditure for the year**		**86,108**

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

2021		2022
£000		**£000**
(327)	Net (gain) / loss on revaluation of investments	16
0	Net gain on revaluation of property	(1,188)
(327)	**Other comprehensive expenditure**	(1,172)
76,094	**Comprehensive net expenditure**	**84,936**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Summary of Resource Out-turn (SoRo) for the Year Ended 31 March 2022

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

		2022
Summary of Core Revenue Resource Out-turn	**Note**	**£000**
Net expenditure	**SoCNE**	**86,108**
Total non-core expenditure (see below)		(1,868)
Family Health Services non-discretionary allocation		(1,823)
Endowment net expenditure		163
Associates and joint ventures accounted for on an equity basis		1,073
Total core expenditure		**83,653**
Core RRL		83,698
Saving against Core RRL		**45**

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

		2022
Summary of Non-Core Revenue Resource Out-turn	**Note**	**£000**
Depreciation/amortisation	7a	1,661
Annually Managed Expenditure (AME)—impairments	7a	138
AME—provisions		33
AME—depreciation of donated assets		36
Total Non-Core Expenditure		**1,868**
Non-Core RRL		1,868
Saving against Non-Core RRL		**0**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Summary Resource Out-turn	**Resource**	**Expenditure**	**Saving/(Excess)**
	£000	**£000**	**£000**
Core	83,698	83,653	45
Non-Core	1,868	1,868	0
Total	**85,566**	**85,521**	**45**

Consolidated Statement of Financial Position as at 31 March 2022

Consolidated	Board			Consolidated	Board
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
31,432	31,432	Property, plant and equipment	7a	33,990	33,990
		Financial assets:			
1,495	0	Available for sale financial assets	10	1,480	0
1,085	0	Investments in associates and joint ventures		2,158	0
34,012	**31,432**	**Total non-current assets**		**37,628**	**33,990**
		Current Assets:			
475	475	Inventories	8	528	528
		Financial assets:			
2,861	2,919	Trade and other receivables	9	2,385	2,372
1,555	122	Cash and cash equivalents	11	1,806	190
4,891	**3,516**	**Total current assets**		**4,719**	**3,090**
38,903	**34,948**	**Total assets**		**42,347**	**37,080**
		Financial liabilities:			
(597)	(597)	Provisions	13a	(618)	(618)
(14,103)	(14,160)	Trade and other payables	12	(16,518)	(16,483)

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

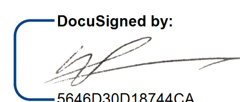
Consolidated	**Board**			**Consolidated**	**Board**
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
(14,700)	**(14,757)**	**Total current liabilities**		**(17,136)**	**(17,101)**
24,203	**20,191**	**Non-current assets plus / less net current assets / liabilities**		**25,211**	**19,979**
		Non-current liabilities			
(1,450)	(1,450)	Provisions	13a	(1,429)	(1,429)
(1,450)	**(1,450)**	**Total non-current liabilities**		**(1,429)**	**(1,429)**
22,753	**18,741**	**Assets less liabilities**		**23,782**	**18,550**
		Taxpayers' Equity			
6,860	6,860	General fund		5,874	5,874
11,881	11,881	Revaluation reserve		12,676	12,676
1,085	0	Other reserves - associates and joint ventures		2,158	0
2,927	0	Fund held on Trust		3,074	0
22,753	**18,741**	**Total taxpayers' equity**		**23,782**	**18,550**

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

The financial statements on pages 78 to 82 were approved by the Board on 23 June 2022 and signed on their behalf by:

Director of Finance

Date: 23 June 2022



Chief Executive

Date: 23 June 2022

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated Statement of Cash Flows (CFS) for the Year Ended 31 March 2022

2021			2022	2022
£000		**Note**	**£000**	**£000**
	Cash flows from operating activities			
(76,421)	Net expenditure	SoCTE (Summary of Resource Out-turn)	(86,108)	
1,463	Adjustments for non-cash transactions	2a	760	
31	Investment income		32	
2,231	Movements in working capital	2b	2,770	
(72,696)	**Net cash outflow from operating activities**	**21c**		**(82,546)**
	Cash flows from investing activities			
(2,832)	Purchase of property, plant and equipment		(3,205)	
73	Proceeds of disposal of property, plant and equipment		0	
(287)	Investment additions	10	(274)	
287	Receipts from sale of investments		275	
(31)	Interest received		(32)	
(2,790)	**Net cash outflow used in investing activities**	**21c**		**(3,236)**
	Cash flows from financing activities			
76,496	Funding	SoCTE	85,965	
(2)	Movement in general fund working capital	SoCTE	68	
76,494	Cash drawn down		86,033	
76,494	**Net Financing**	**21c**		**86,033**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

2021			**2022**	**2022**
£000		**Note**	**£000**	**£000**
1,008	**Net Increase in cash and cash equivalents in the year**			251
547	**Cash and cash equivalents at the beginning of the year**			1,555
1,555	**Cash and cash equivalents at the end of the year**			**1,806**
	Reconciliation of net cash flow to movement in net debt/cash			
1,008	Increase in cash in year	11		251
547	Net debt / cash at 1 April			1,555
1,555	**Net debt / cash at 31 March**			**1,806**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated Statement of Changes in Taxpayers' Equity

		General Fund	**Revaluation Reserve**	**Other reserve - associates and joint ventures**	**Funds Held on Trust**	**Total Reserves**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2021		6,860	11,881	1,085	2,927	22,753
Changes in taxpayers' equity for 2021–22						
Net gain on revaluation of property		0	1,188	0	0	1,188
Net loss on revaluation of investments		0	0	0	(16)	(16)
Impairment of equipment		0	(138)	0	0	(138)
Impairment taken to operating costs		0	138	0	0	138
Transfer between reserves		393	(393)	0	0	0
Net operating cost for the year	CFS	(87,344)	0	1,073	163	(86,108)
Total recognised income and expense for 2021–22		(86,951)	795	1,073	147	(84,936)
Funding:	**Note**					
Drawn down	CFS	86,033	0	0	0	86,033

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

		General Fund	Revaluation Reserve	Other reserve - associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Movement in General Fund creditor	CFS	(68)	0	0	0	(68)
Balance at 31 March 2022	**SoFP**	**5,874**	**12,676**	**2,158**	**3,074**	**23,782**

Consolidated Statement of Changes in Taxpayers' Equity—Prior Year, Ended 31 March 2021

		General Fund	Revaluation Reserve	Other reserve—associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 April 2020		7,063	12,282	489	1,838	21,672
Changes in taxpayers' equity for 2020–21						
Transfers between reserves		401	(401)	0	0	0
Net gain on revaluation of investments		0	0	0	327	327
Other non-cash costs – PPE (personal		677	0	0	0	677

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

		General Fund	Revaluation Reserve	Other reserve—associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
protective equipment)						
Net operating cost for the year	CFS	(77,777)	0	596	760	(76,421)
Total recognised income and expense for 2020–21		(76,699)	(401)	596	1,087	(75,417)
Funding:						
Drawn down	CFS	76,494	0	0	0	76,494
Movement in General Fund debtor	CFS	2	0	0	0	2
Balance at 31 March 2021	**SoFP**	**6,860**	**11,881**	**1,085**	**2,925**	**22,751**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 1—Accounting Policies

Authority

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

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

Adoption of new and revised Standards

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

In the current year, the Board has applied a number of amendments to IFRS (International Financial Reporting Standards) Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2021. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- Amendments to IAS 39, IFRS 4, IFRS 7 and IFRS 9: Interest Rate Benchmark Reform (Phase 2).
- Amendments to IFRS 4: Insurance contracts – deferral of IFRS 9
- Covid-19 Related Rent Concessions beyond 30 June 2021: (Amendment to IFRS 16)

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

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

- **Standards, amendments and interpretations issued but not adopted this year**

At the date of authorisation of these financial statements, the Board has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 16: Leases. HM Treasury have agreed to defer implementation until 1 April 2022.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- IFRS 17: Insurance Contracts. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Classification of Liabilities as Current or Non-Current. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 1: Disclosure of Accounting Policies. Applicable for periods beginning on or after 1 January 2023.
- Amendment to IAS 8: Definition of Accounting Estimates. Applicable for periods beginning on or after 1 January 2023.
- Amendments to IAS 16: Property, Plant and Equipment proceeds before intended use. Applicable for periods beginning on or after 1 January 2022.
- Amendments to IAS 37: Onerous Contracts, cost of fulfilling a contract. Applicable for periods beginning on or after 1 January 2022.
- Annual Improvements to IFRS Standards 2018-2020 Cycle. Applicable for periods beginning on or after 1 January 2022.

The Board does not expect that the adoption of the Standards listed above will have a material impact on the financial statements in future periods, except as noted below.

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the FReM from 1 April 2022. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

Under IFRS 16, lessees are required to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. While no standard definition of 'low value' has been mandated, NHS Scotland have elected to utilise the capitalisation threshold of £5,000 to determine the assets to be disclosed. The Board expects that its existing finance leases will continue to be classified as leases. All existing operating leases will fall within the scope of IFRS 16 under the 'grandfathering' rules mandated in the FReM for the initial transition to IFRS 16. In future years new contracts and contract renegotiations will be reviewed for consideration under IFRS 16 as implicitly identified right-of-use assets. Assets recognised under IFRS 16 will be held on the Statement of Financial Position as:

a) right of-use assets which represent the Board's right to use the underlying leased assets; and

b) lease liabilities which represent the obligation to make lease payments.

The bringing of leased assets onto the Statement of Financial Position will require depreciation and interest to be charged on the right-of-use asset and lease liability, respectively. Cash repayments will also be recognised in the Statement of Cash Flows, as required by IAS 7.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Board has assessed the likely impact to

c) comprehensive net expenditure and

d) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2022.

Analysis of the impact of applying the standard on the opening position at 1 April 2022 is as follows:

Statement of Financial Position	**(£000s)**
Right of use assets	1,317
Lease liability	1,317

Impact on financial year 2022–23:

SoCNE	**(£000s)**
Depreciation	267
Interest	8
Statement of Cash Flows	
Cash repayments	275

Basis of Consolidation

Consolidation

In accordance with IAS 27—Separate financial statements, the financial statements consolidate the Shetland Health Board Endowment Funds and the IJB which are both considered material to NHS Shetland.

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

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

The IJB reviewed the 2022–2025 Strategic Commissioning Plan on 17 February 2022. The basis of consolidation used is the equity method.

Going Concern

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

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

Covid-19 continues to cause disruption across the global economy but most restrictions have been lifted in spring 2022. Uncertainty does however remain over what the longer term impact on NHS Scotland will be. Based on the facts and circumstances known at this moment and the possible scenarios about how the Covid-19 virus and resulting government measures could evolve, we have determined that the use of the going concern assumption is warranted.

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

Accounting Convention

The financial statements are prepared on a historical cost basis, as modified by the revaluation of property at fair value.

Funding

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

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

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

Property, plant and equipment

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

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

Recognition

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

All assets falling into the following categories are capitalised:

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

Measurement

- **Valuation**

All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at fair value as follows:

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

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

The Board changed from a five-year to a three-year programme of professional valuations during 2013–14 with the latest full valuation of the estate taking place as at 31 March 2020. This programme was deemed to be the most economically advantageous option during the contract renewal process. This will also ensure the value of the asset base more accurately reflects movements in the market. The next full valuation of the estate is scheduled to take place at 31 March 2023.

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.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Revaluations and Impairment**

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

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

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

- **Depreciation**

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

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

1. Freehold land is considered to have an infinite life and is not depreciated.
2. Property, Plant and Equipment which has been reclassified as ‘Held for Sale’ ceases to be depreciated upon the reclassification.
3. Buildings, Dwellings and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
4. Plant and Machinery, Transport Equipment, IT and Furniture and Fittings are depreciated over the estimated life of the asset.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Asset Category	Component	Useful Life
Furniture and Fittings		5 to 15 years

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

Intangible Assets

- **Recognition**

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

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

The main classes of intangible assets recognised are:

- **Software**

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

- **Measurement**

Valuation:

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

- **Amortisation**

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

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

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

Amortisation is charged on a straight-line basis.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The following asset lives have been used:

Asset Category	Useful Life
Software	10

- **Donated Assets**

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

There were no donated assets acquired by the Board during 2021–22.

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

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

Leasing

- **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 IAS 17.

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

incentives received are added to the lease rentals and charged to expenditure over the life of the lease.

- **Leases of land and buildings**

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

Impairment of non-financial assets

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

General Fund Receivables and Payables

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Taking into account the high turnover of NHS inventories, the use of average purchase price is deemed to represent current cost. Work in progress (WIP) is valued at the cost of the direct materials plus the conversion costs and other costs incurred to bring the goods up to their present location, condition and degree of completion. There are no WIP at 31 March 2022.

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

provided insurance cover, the insurance premiums would have been included as normal revenue expenditure.

Short-term Employee Benefits

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

Pension Costs

The Board participates in the NHS Superannuation Scheme for Scotland providing defined benefits, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. The scheme was revised on 1 April 2015 to extend the retirement age to the State Pension age and to calculate benefits on a career average re-valued earnings basis (CARE).

The previous scheme was split in to two sections, 1995 and 2008, and any benefits earned by members prior to 1 April 2015 are protected and will be paid at the sections normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

The Board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 ‘Employee Benefits’.

As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Board’s employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to Exchequer. The pension cost is assessed every five years by the Government Actuary who determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Clinical and Medical Negligence Costs

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

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

NHS Shetland also provides for its liability from participating in the scheme. The Participation in CNORIS provision recognises the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

Related Party Transactions

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

Value Added Tax (VAT)

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

Provisions

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Board's control) are not recognised as assets, but are disclosed in Note 14 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in Note 14, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

Corresponding Amounts

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

Financial Instruments

- **Financial assets**
    - Business Model:

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

- Classification:

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

a) Financial assets at fair value through profit or loss

This is the default basis for financial assets.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

b) Financial assets held at amortised cost.

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

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

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

c) Financial assets at fair value through other comprehensive income

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

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

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

- Impairment of financial assets:

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

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

- Recognition and measurement:

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

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

b) Financial assets held at amortised cost.

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

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

- **Financial Liabilities**
  - Classification:

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

- these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- they contain embedded derivatives; and/or
- it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

a) Financial liabilities at fair value through profit or loss

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

b) Financial liabilities held at amortised cost

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

- Recognition and measurement:

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

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

b) Amortised costs

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

Segmental reporting

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

Cash and cash equivalents

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

Key sources of judgement and estimation uncertainty

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.

- **Assumptions and sources of estimation uncertainty**

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

- **Clinical and Medical Negligence Provision:**

The clinical and medical negligence provision is calculated using information received from the Central Legal Office regarding claims they have received relating to NHS Shetland. The provision covers all claims classified as category 3 and 50% of the value of claims in category 2 which have been assessed as having a

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

probability of settlement. The provision at 31 March 2022 is £116k (31 March 2021: £116k) The share of the NHS Scotland CNORIS liability is estimated based on actual settlement trends in prior years and is £1.684m at 31 March 2022 (£1.659m at 31 March 2021). There is a risk of a material adjustment to the carrying amount of the provision in the next financial year should there be significant changes to the claims received by the Central Legal Office. All claims are closely monitored by the Central Legal Office to reduce the level of risk.

- **Fair Value of Property, Plant & Equipment:**

NHS Shetland's land and property was fully revalued at 31 March 2020, shown in note 7, and resulted in a net gain on revaluation of £273,000. The professional valuer's estimates, assumptions and judgements are relied upon in relation to the valuation report.

Revaluations of 5% was applied to all buildings valued at Direct Replacement Cost (DRC) at 31 March 2022 on the advice of the Board's professional valuers. The net impact was an increase of £1.188m (2020–21: an increase of £0m) which was credited to the revaluation reserve. The net book value of these DRC buildings at 31 March 2022 was £24.949m therefore changes to the revaluations assumption could have a material impact on the accounts.

- **Critical judgements**

The pay ratio and other disclosures are required to be calculated including agency staff. Due to the availability of data on individuals working on an agency or bank basis, the Board needed to make assumptions and judgements in calculating the disclosures, which are not expected to have a significant impact on the values reported

Note 2—Notes to the Cash Flow Statement

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

2021			**2022**
£000		**Note**	**£000**
	Expenditure not paid in cash		
1,528	Depreciation	7a	1,661
27	Depreciation of donated assets	7a	36
(173)	Funding of donated assets		0
0	Impairments of PPE charged to SoCNE		138
(596)	Associates and joint ventures accounted for on an equity basis	SoCNE	(1,073)

677	PPE and testing kits		0
0	Retrospective restatement of opening balance of funds held on trust		(2)
1,463	**Total expenditure not paid in cash**	**CFS**	**760**

- **2b. Consolidated movements in working capital**

2021		**2022**			
Net movement		**Note**	**Opening balances**	**Closing balances**	**Net Movement**
£000			**£000**	**£000**	**£000**
	Inventories				
30	SoFP	8	475	528	(53)
	Trade and other Receivables				
(1,640)	Due within one year	9	2,861	2,385	
0	Due after more than one year	9	0	0	
(1,640)	**Net (increase)/decrease**		**2,861**	**2,385**	**476**
	Trade and other Payables				
3,876	Due within than one year	12	14,103	16,518	
2	Less: General Fund creditor included in above	12	(122)	(190)	
3,878	**Net decrease/ (increase)**		**13,981**	**16,328**	**2,347**
	Provisions				
(37)	Statement of Financial Position	13a	2,047	2,047	
(37)	**Net decrease/ (increase)**		**2,047**	**2,047**	**0**

2021		2022			
Net movement		**Note**	**Opening balances**	**Closing balances**	**Net Movement**
£000			**£000**	**£000**	**£000**
2,231	**Net movement (decrease)/ increase**	**CFS**			**2,770**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 3—Expenditure

- **3a. Staff costs**

2021			2022	2022
Total			**Board**	**Consolidated**
£000		**Note**	**£000**	**£000**
12,018	Medical and Dental		12,491	12,491
13,705	Nursing		14,695	14,695
18,647	Other Staff		21,641	21,641
44,370	**Total**	**SoCNE**	**48,827**	**48,827**

- **3b. Other operating expenditures**

2021		2022	2022
Total		**Board**	**Consolidated**
£000		**£000**	**£000**
	Independent Primary Care Services:		
1,434	General Medical Services [1]	1,222	1,222
1,163	Pharmaceutical Services	1,127	1,127
547	General Dental Services [2]	552	552
456	General Ophthalmic Services	420	420
3,600	**Total**	**3,321**	**3,321**
	Drugs and medical supplies:		
4,404	Prescribed drugs Primary Care	4,448	4,448
1,997	Prescribed drugs Secondary Care	2,250	2,250
881	PPE and testing kits	809	809
1,445	Medical Supplies	2,176	2,176
8,727	**Total**	**9,683**	**9,683**
	Other health care expenditure		
34,657	Contribution to IJBs	40,410	40,410

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

2021		2022	2022
Total		**Board**	**Consolidated**
£000		**£000**	**£000**
8,860	Goods and services from other NHS Scotland bodies	9,452	9,452
10	Goods and services from other UK NHS bodies	11	11
158	Goods and services from private providers	464	464
41	Goods and services from voluntary organisations	36	36
1,562	Resource Transfer	1,586	1,586
10,142	Other operating expenditure	14,624	14,624
77	External Auditor – statutory audit fee	78	78
13	External Auditor - other services – share of IJB audit fee	14	14
122	Endowment Fund expenditure	-	65
55,642	**Total**	**66,675**	**66,740**
67,969	**Total Other Operating Expenditure**	**79,679**	**79,744**

[1] This figure represents the costs of the independent GP practices only. The total cost of services in 2021–22, including Board run practices, is £7,171k (2020–21, £6,537k).

[2] This figure represents the costs of the independent dental practices only. The total cost of services in 2021–22, including Board run practices, is £2,914k (2020–21, £2,787k).

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 4—Operating Income

2021			2022	2022
Total			**Board**	**Consolidated**
£000		**Note**	**£000**	**£000**
33	Income from Scottish Government		67	67
959	Income from other NHS Scotland bodies		1,130	1,130
50	Income from NHS non-Scottish bodies		133	133
30,879	Income for services commissioned by IJB		37,167	37,167
34	Patient charges for primary care		99	99
284	Donations [1]		455	455
92	Contributions in respect of clinical and medical negligence claims		88	88
	Non NHS:			
5	Overseas patients (non-reciprocal)		9	9
882	Endowment Fund Income		0	228
2,104	Other		2,014	2,014
35,322	**Total Income**	**SoCNE**	**41,162**	**41,390**

[1] Donations represent Covid-19 Lateral Flow Devices (LFD) received at no cost from the UK Government.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 5—Segmental Analysis

- **5a. Segmental Analysis 2022**

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

- **The analysis relates solely to the Board element per SoCNE in Note 21a so excludes the Endowment Fund and IJB.**
- **5b. Segmental Analysis Previous Year, 2021**

		Net Operating Costs	**Total assets**	**Total liabilities**
Directorate of Acute and Specialist Services	**£000**	20,060	10,302	(4,277)
Directorate of Community Health & Social Care	**£000**	28,994	14,891	(6,182)
Off-island Clinical Services	**£000**	10,913	5,605	(2,327)
Public Health	**£000**	1,721	884	(367)
Support Services	**£000**	14,056	7,219	(2,997)
2021	**£000**	**75,744**	**38,901**	**(16,150)**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 6—Intangible Assets

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

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

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

		IT Software	**Total**
	Note	**£000**	**£000**
Cost or Valuation:			
At 1 April 2020		97	97
At 31 March 2021		**97**	**97**
Amortisation			
At 1 April 2020		97	97
Provided during the year		0	0
At 31 March 2021		**97**	**97**
Net book value at 1 April 2020		**0**	**0**
Net book value at 31 March 2021		**0**	**0**

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

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

	Land	**Buildings**	**Dwellings**	**Trans Equip**	**Plant & Machinery**	**ICT**	**Furniture & Fittings**	**Assets Under Construction**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation									
At 1 April 2020	577	24,692	1,461	0	5,970	1,194	30	129	34,053
Additions—purchased	0	0	0	0	2,231	285	0	316	2,832
Additions – donated	0	0	0	0	173	0	0	0	173
Disposals—purchased	0	0	0	0	(449)	(44)	0	(5)	(498)
At 31 March 2021	**577**	**24,692**	**1,461**	**0**	**7,925**	**1,435**	**30**	**440**	**36,560**
Depreciation									
At 1 April 2020	0	0	0	0	3,278	690	30	0	3,998
Provided during the year - purchased	0	847	53	0	480	148	0	0	1,528

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

	Land	**Buildings**	**Dwellings**	**Trans Equip**	**Plant & Machinery**	**ICT**	**Furniture & Fittings**	**Assets Under Construction**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Provided during the year - donated	0	0	0	0	27	0	0	0	27
Disposals—purchased	0	0	0	0	(381)	(44)	0	0	(425)
At 31 March 2021	0	847	53	0	3,404	794	30	0	5,128
Net book value at 1 April 2020	**577**	**24,692**	**1,461**	**0**	**2,692**	**504**	**0**	**129**	**30,055**
Net book value at 31 March 2021	**577**	**23,845**	**1,408**	**0**	**4,521**	**641**	**0**	**440**	**31,432**
Asset financing:									
Owned—purchased	577	23,845	1,408	0	4,329	641	0	440	31,240
Owned—donated	0	0	0	0	192	0	0	0	192
Net book value at 31 March 2021	**577**	**23,845**	**1,408**	**0**	**4,521**	**641**	**0**	**440**	**31,432**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 7b—Property, Plant and Equipment Disclosures

Consolidated	**Board**			**Consolidated**	**Board**
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
		Net book value of property, plant and equipment at 31 March			
31,240	31,240	Purchased		33,877	33,877
192	192	Donated		113	113
31,432	**31,432**	**Total**	**SoFP**	**33,990**	**33,990**
577	577	Net book value related to land valued at open market value at 31 March		577	577
23,845	23,845	Net book value related to buildings valued at open market value at 31 March		24,151	24,151

Land and buildings were fully revalued by an independent valuer, Gerald Eve, at 31 March 2020 on the basis of fair value. A full revaluation will be carried out again on 31 March 2023 in line with the Board's three-year cycle.

Revaluations of 5% was applied to all buildings at 31 March 2022 on the advice of Gerald Eve. The net impact was an increase of £1.188m (2020–21: an increase of £0m) which was credited to the revaluation reserve.

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

a) for those properties that are owner-occupied and are of a non-specialised nature, the basis of valuation is Fair Value assuming ongoing operational use,

b) for properties which are either owned but not occupied by the Board or have been declared surplus, these are also to be valued on the basis of Fair Value. Fair value is defined as "The price that would be received to sell an asset or

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

paid to transfer a liability in an orderly transaction between market participants at the measurement date". (In this context, Fair Value is generally taken to be the equivalent of the RICS definition of Market Value); and

c) for properties that are owner-occupied but are of a specialist nature, where few, if any, open market transactions involving a continuation of the existing use occur, then the basis of valuation is also Fair Value but the Depreciated Replacement Cost method of valuation is appropriate set against the assumption of a continuation of the existing health care use for the foreseeable future.

Note 7c—Analysis of Capital Expenditure

Consolidated	Board			Consolidated	Board
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
		Expenditure			
2,832	2,832	Acquisition of property, plant and equipment	7a	3,205	3,205
173	173	Donated asset additions		0	0
3,005	**3,005**	**Gross Capital Expenditure**		**3,205**	**3,205**
		Income			
73	73	Net book value on disposal of property, plant and equipment	7a	0	0
80	80	Donated asset income		0	0
153	**153**	**Capital Income**		**0**	**0**
2,852	**2,852**	**Net Capital Expenditure**		**3,205**	**3,205**
2,925	2,925	Total capital expenditure		3,205	3,205
3,096	3,096	Total CRL		3,206	3,206
171	**171**	**Saving against Total CRL**		**1**	**1**

Note 8—Inventories and Work in Progress

Consolidated	**Board**			**Consolidated**	**Board**
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
475	475	Raw materials and consumables		528	528
475	**475**	**Total inventories**	**SoFP**	**528**	**528**

Note 9—Trade and Other Receivables

Consolidated	**Board**			**Consolidated**	**Board**
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
		Receivables due within one year			
		NHS Scotland			
541	541	Boards		510	510
541	**541**	**Total NHS Scotland Receivables**			
25	25	NHS non-Scottish bodies		56	56
146	146	VAT recoverable		160	160
242	242	Prepayments		235	235
191	191	Accrued income		89	89
782	840	Other receivables		851	838
185	185	Reimbursement of provisions		50	50
749	749	Other public sector bodies		434	434

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated	**Board**			**Consolidated**	**Board**
2021	**2021**			**2022**	**2022**
£000	**£000**		**Note**	**£000**	**£000**
2,861	**2,919**	**Total Receivables**		**2,385**	**2,372**
541	541	NHS Scotland		510	510
146	146	Central Government bodies		160	160
749	749	Whole of Government bodies		433	433
25	25	Balances with NHS bodies in England and Wales		56	56
1,400	1,458	Balances with bodies external to Government		1,226	1,213
2,861	**2,919**	**Total**		**2,385**	**2,372**
		Movements on the provision for impairment of receivables are as follows:			
45	45	At 1 April		43	43
2	2	Provision for impairment		14	14
0	0	Receivables written off during the year as uncollectable		0	0
(4)	(4)	Unused amounts reversed		(4)	(4)
43	**43**	**At 31 March**		**53**	**53**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

As of 31 March 2022, receivables with a carrying value of £0.053m (2021: £0.043) were impaired and provided for. The ageing of these receivables is as follows:

Consolidated	**Board**		**Consolidated**	**Board**
2021	**2021**		**2022**	**2022**
£000	**£000**		**£000**	**£000**
0	0	3 to 6 months past due	0	0
43	43	Over 6 months past due	53	53
43	**43**		**53**	**53**

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

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2022, receivables with a carrying value of £0.827m (2021: £0.978m) were past their due date but not impaired. The ageing of receivables which are past due but not impaired is as follows:

Consolidated	**Board**		**Consolidated**	**Board**
2021	**2021**		**2022**	**2022**
£000	**£000**		**£000**	**£000**
855	855	Up to 3 months past due	783	783
56	56	3 to 6 months past due	25	25
67	67	Over 6 months past due	19	19
978	**978**		**827**	**827**

The receivables assessed as past due but not impaired were mainly NHS Scotland Health Boards, Local Authorities, Limited Companies and individuals. There is no history of default from these customers recently.

Concentration of credit risk is limited due to customer base being large and unrelated/government bodies. Due to this, management believe that there is no future credit risk provision required in excess of the normal provision for doubtful receivables.

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

Receivables that are neither past due nor impaired are shown by their credit risk below: Consolidated	**Board**		**Consolidated**	**Board**
2021	**2021**		**2022**	**2022**
£000	**£000**		**£000**	**£000**
2,861	2,919	Existing customers with no defaults in the past	2,385	2,372
2,861	**2,919**	Total neither past due or impaired	**2,385**	**2,372**
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.	**Board**		**Consolidated**	**Board**
2021	**2021**		**2022**	**2022**
£000	**£000**		**£000**	**£000**
		The carrying amount of receivables are denominated in the following currencies:		
2,861	2,919	Pounds	2,385	2,372
2,861	**2,919**		**2,385**	**2,372**

All current receivables are due within 1 year (2020–21: 1 year) from the reporting date. The carrying amount of short-term receivables approximates their fair value. The fair value of long-term other receivables are £0 (2020–221: £0). The effective interest rate on non-current other receivables is 0% (2020–21: 0%).

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 10—Investments

Consolidated	Board		Note	Consolidated	Board
2021	**2021**			**2022**	**2022**
£000	**£000**			**£000**	**£000**
1,495	0	Other		1,480	0
1,495	**0**	**TOTAL**	**SoFP**	**1,480**	**0**
1,168	0	**At 1 April**		1,495	0
287	0	Additions	CFS	274	0
(180)	0	Disposals		(323)	0
220	0	Revaluation surplus / (deficit) transferred to equity	**SoCTE**	**34**	0
1,495	**0**	**At 31 March**		**1,480**	**0**
1,495	0	Non-current	SoFP	1,480	0
1,495	**0**	**TOTAL**		**1,480**	**0**

Note 11—Cash and Cash Equivalents

		2022
	Note	**£000**
Balance at 1 April		1,555
Net change in cash and cash equivalent balances	CFS	251
Balance at 31 March	**SoFP**	**1,806**
Total Cash—Cash Flow Statement		**1,806**
The following balances at 31 March were held at:		
Government Banking Service		139
Commercial banks and cash in hand		51
Endowment cash		1,616
Balance at 31 March		**1,806**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 12—Trade and Other Payables

Consolidated	Board		Note	Consolidated	Board
2021	**2021**			**2022**	**2022**
£000	**£000**			**£000**	**£000**
		Payables due within one year			
		NHS Scotland			
2,477	2,477	Boards		2,201	2,201
2,477	**2,477**	**Total NHS Scotland Payables**		**2,201**	**2,201**
1	1	NHS Non-Scottish bodies		1	1
122	122	Amounts payable to General Fund		190	190
1,301	1,301	FHS practitioners		1,318	1,318
486	486	Trade payables		1,564	1,564
3,808	3,808	Accruals		4,896	4,896
82	82	Deferred income		63	63
0	0	Payments received on account		0	0
928	928	Income tax and social security		1,021	1,021
646	646	Superannuation		683	683
945	945	Holiday pay accrual		1,149	1,149
1,674	1,674	Other public sector bodies		2,498	2,498
0	0	Clinical and medical negligence claims		0	0
(57)	0	Other payables		35	0
1,690	1,690	Pay accrual		899	899
14,103	**14,160**	**Total payables**		**16,518**	**16,483**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated	**Board**		**Note**	**Consolidated**	**Board**
2021	**2021**			**2022**	**2022**
£000	**£000**			**£000**	**£000**
		WGA Classification			
2,477	2,477	NHS Scotland		2,201	2,201
1,574	1,574	Central Government bodies		1,704	1,704
1,674	1,674	Whole of Government bodies		2,498	2,498
1	1	Balances with NHS bodies in England and Wales		1	1
8,377	8,434	Balances with bodies external to Government		10,114	10,079
14,103	**14,160**	**Total**		**16,518**	**16,483**
		The carrying amount of payables are denominated in the following currencies:			
14,103	14,160	Pounds		16,518	16,483
14,103	**14,160**			**16,518**	**16,483**

Note 13—Provisions

- **13a. Provisions—Consolidated and Board**

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

Further details on Provision are included in Note 1—Accounting Policies.

- **Pensions arising from Staff Early Retirement**

The Board meets the additional costs of benefits beyond the normal National Health Service Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the National Health Service Superannuation Scheme for Scotland over the period between early departure and normal retirement date. The Board provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated payments discounted by the Treasury discount rate, currently 1.30% as advised by PES (2021) 10, (2020–21: 0.95%). The Board expects expenditure to be charged to this provision for a period of up to 16 years.

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

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

- **Other**

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

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Provisions—Consolidated and Board (Prior Year)**

	Pensions arising from Staff Early Retirement	**Clinical & Medical Legal Claims against NHS Board**	**Participation in CNORIS**	**Other**	**2021 Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2020	231	162	1,661	30	2,084
Arising during the year	11	54	93	14	172
Utilised during the year	(23)	(100)	(95)	0	(218)
Unwinding of discount	9	0	0	0	9
Reversed unutilised	0	0	0	0	0
At 31 March 2021	**228**	**116**	**1,659**	**44**	**2,047**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Analysis of expected timing of discounted flows to 31 March 2021**

	Pensions arising from Staff Early Retirement	Clinical & Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2021 Total
	£000	£000	£000	£000	£000
Payable in one year	23	116	414	44	597
Payable between 2–5 years	95	0	1,008	0	1,103
Payable between 6–10 years	84	0	85	0	169
Thereafter	26	0	152	0	178
At 31 March 2021	**228**	**116**	**1,659**	**44**	**2,047**

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

2021		**Note**	**2022**
£000			**£000**
116	Provision recognising individual claims against the NHS Board as at 31 March	13a	116
(185)	Associated CNORIS receivable at 31 March	9	(50)
1,659	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	1,684
1,590	**Net Total Provision relating to CNORIS at 31 March**		**1,750**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

directly from within Boards' own budgets. Participants, for example NHS Boards, contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS Board. If a claim is settled the Board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year legal claims to be managed and reduces the level of volatility that individual Boards are exposed to.

When a legal claim is made against an individual Board, the Board will assess whether a provision or contingent liability for that legal claim is required based upon NHS Central Legal advice. If a provision is required then the Board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The provision and associated receivable are shown in the first two lines above. The receivable has been netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, Boards should also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the Board's share of the total CNORIS liability of NHS Scotland has been made and this is reflected in third line above.

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

Note 14—Contingent Liabilities

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

2021		**2022**
£000		**£000**
	Nature	
115	Clinical and medical compensation payments	115
115	**Total Contingent Liabilities**	**115**

Note 15—Events After the End of the Reporting Year

There was retirements from the Board and new appointments as highlight in Board membership details in the Director Report above.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 16—Commitments

- **Capital Commitments**

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

2021		**2022**
£000		**£000**
	Authorised but not Contracted	
96	Estates capital projects	508
519	Statutory compliance & backlog maintenance	581
332	Medical equipment	0
100	ICT Projects (Tangible)	100
653	Covid-19	0
1,700	**Total**	**1,189**

Note 17—Commitments Under Leases

- **Operating Leases**

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

- **Obligations under operating leases comprise:**

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

2021		2022
£000		**£000**
33	Later than one year, not later than two years	75
19	Later than two year, not later than five years	21
0	Later than five years	0
	Amounts charged to Operating Costs in the year were:	
210	Hire of equipment (including vehicles)	357
146	Other operating leases	215
356	**Total**	**572**

- **Aggregate Rentals Receivable in the year**

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

Note 18—Pension Costs

	2022	2021
	£000	**£000**
Pension cost charge for the year	5,576	5,115
Additional costs arising from early retirement	21	20
Provisions / liabilities / prepayments included in the Statement of Financial Position	186	228

Pension Scheme Declaration

The NHS Shetland participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions.

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

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

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

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

The employer contribution rate for the period from 1 April 2021 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme) / Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

NHS Shetland level of participation in the scheme is 0.40% based on the proportion of employer contributions paid in 2020-21, 0.39% in 2019-20.

The NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The previous NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at pensions.gov.scot/nhs.

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,000, but will be reviewed every year by the government. The employee contribution is 4.6% of qualifying earnings, with an employer contribution of 3.4%.

Employers contribution to this scheme was £0.010m in 2021-22, 2020-21 £0.005m.

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Note 19—Financial Instruments

- **19a. Financial Instruments by Category**
- **Financial assets**

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated (Prior Year)		**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
As at 31 March 2021					
Assets per Statement of Financial Position					
Investments	10		0	1,495	1,495
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,747	0	0	1,747
Cash and cash equivalents	11	1,555	0	0	1,555
		3,302	**0**	**1,495**	**4,797**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Board (Prior Year)		**Financial assets at fair value through OCI**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
As at 31 March 2021					
Assets per Statement of Financial Position					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	1,805	0	0	1,805
Cash and cash equivalents	11	122	0	0	122
		1,927	**0**	**0**	**1,927**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Financial Liabilities**

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated (Prior Year)		**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note	**£000**	**£000**	**£000**
As at 31 March 2021				
Liabilities per Statement of Financial Position				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	9,970	9,970
		0	9,970	9,970
Board		**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note	**£000**	**£000**	**£000**
As at 31 March 2021				
Liabilities per Statement of Financial Position				
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	10,027	10,027
		0	**10,027**	**10,027**

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

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

a) Credit risk—the possibility that other parties might fail to pay amounts due.
b) Liquidity risk—the possibility that the NHS Board might not have funds available to meet its commitments to make payments.
c) Market risk—the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.
d) Because of the largely non-trading nature of its activities and the way in which government departments are financed, the NHS Board is not exposed to the degree of financial risk faced by business entities.

- Credit Risk

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

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

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

The utilisation of credit limits is regularly monitored.

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

- Liquidity Risk

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

- Market Risk

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

a) Cash flow and fair value interest rate risk

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

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

b) Foreign Currency Risk

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

- Price risk

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

- **19c. Fair value estimation**

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

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

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

Note 20—Related Party Transactions

NHS Shetland's Chief Executive Michael Dickson was also the Chief Executive of NHS Orkney (NHSO) during 2021-22.

Malcolm Bell was a member of the Board and an elected member of SIC during the year. Gary Robinson was a member of the Board and was an elected member of SIC from May 2022. Jane Haswell, also a Board member, was and employee of SIC during 2021-22.

Gary Robinson was also a Non-Executive Director of Lerwick Port Authority (LPA) during 2021-22.

Transactions during the year and outstanding balances as at 31 March 2022 with these three organisations are detailed in the table below:

	2021-22 £m				**Prior Year 2020-21 £m**			
Related Party	**Due to**	**Due from**	**Income from**	**Expenditure with**	**Due to**	**Due from**	**Income from**	**Expenditure with**
NHSO	0.093	0.173	0.488	0.137	0.056	0.068	0.237	0.074
SIC	2.498	0.433	1.556	7.152	1.674	0.749	1.415	5.111
LPA	0	0	0	0.297	0	0.001	0.001	0.003

The Scottish Government (SG) has significant influence over NHS Shetland and provides most of its funding. Core revenue funding received from SG in 2021-22 was £83.698m (2020-21: £74.355m).

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

The Board has Endowment Funds that are managed by Trustees who are also directors of the Board. The total funds held in Endowments at 31 March 2022 were £3.074m (2020–21: £2.925m). As disclosed in note 10 £1.480m (2020–21: £1.495m) of the Endowment Fund is held in investments. These investments are managed by Tilney's investment services for charities.

The Board had material transactions with the IJB during 2020–21 as detailed in Notes 3 and 4 of the financial statements. Directors of the Board who were also voting members of the IJB during 2020–21 were Jane Haswell, Natasha Cornick and Shona Manson.

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

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

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

- **21a. Consolidated statement of comprehensive net expenditure**

Consolidated			Board	Endowment	Shetland IJB	Consolidated
2021			**2022**	**2022**	**2022**	**2022**
£000		**Note**	**£000**	**£000**	**£000**	**£000**
	Total income and expenditure					
44,370	Employee expenditure	3a	48,827	0	0	48,827
	Other operating expenditure	3b				
3,600	Independent Primary Care Services		3,321	0	0	3,321
8,727	Drugs and medical supplies		9,683	0	0	9,683
55,642	Other health care expenditure		66,675	65	0	66,740
112,339	Gross expenditure for the year		128,506	65	0	128,571
(35,322)	Less: operating income	4	(41,162)	(228)	0	(41,390)
(596)	Associates and joint ventures accounted		0	0	(1,073)	(1,073)

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated			**Board**	**Endowment**	**Shetland IJB**	**Consolidated**
2021			**2022**	**2022**	**2022**	**2022**
£000		**Note**	**£000**	**£000**	**£000**	**£000**
	for on an equity basis					
76,421	**Net Expenditure**		**87,344**	**(163)**	**(1,073)**	**86,108**

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

Consolidated			**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
2021			**2022**	**2022**	**2022**	**2022**	**2022**
£000		**Note**	**£000**	**£000**	**£000**	**£000**	**£000**
	Non-current assets:						
31,432	Property, plant and equipment		33,990	0	0	0	33,990
	Financial assets:	SoFP					
1,495	Investments		0	1,480	0	0	1,480
1,085	Investments in associates and joint ventures	SoFP	0	0	1,085	1,073	2,158
34,012	**Total non-current assets**	**SoFP**	**33,990**	**1,480**	**1,085**	**1,073**	**37,628**
	Current assets:						
475	Inventories		528	0	0	0	528
2,861	Trade and other receivables	SoFP	2,372	13	0	0	2,.385
1,555	Cash and cash equivalents	SoFP	190	1,616	0	0	1,806
4,891	**Total current assets**		**3,090**	**1,629**	**0**	**0**	**4,719**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated			**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
2021			**2022**	**2022**	**2022**	**2022**	**2022**
£000		**Note**	**£000**	**£000**	**£000**	**£000**	**£000**
38,903	**Total assets**		**37,080**	**3,109**	**1,085**	**1,073**	**42,347**
	Current liabilities:						
(597)	Provisions	SoFP	(618)	0	0	0	(618)
	Financial liabilities:						
(14,103)	Trade and other payables	SoFP	(16,483)	(35)	0	0	(16,518)
(14,700)	**Total current liabilities**		**(17,101)**	**(35)**	**0**	**0**	**(17,136)**
24,203	**Non-current assets plus/less net current assets/liabilities**		**19,979**	**3,074**	**1,085**	**1,073**	**25,211**
	Non-current liabilities						
(1,450)	Provisions	SoFP	(1,429)	0	0	0	(1,429)
	Financial liabilities:						
0	Trade and other payables	SoFP	0	0	0	0	0
(1,450)	**Total non-current liabilities**		**(1,429)**	**0**	**0**	**0**	**(1,429)**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated			**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
2021			**2022**	**2022**	**2022**	**2022**	**2022**
£000		**Note**	**£000**	**£000**	**£000**	**£000**	**£000**
22,753	**Assets less liabilities**		**18,550**	**3,074**	**1,085**	**1,073**	**23,782**
	Taxpayers' Equity						
6,860	General fund	SoFP	5,874	0	0	0	5,874
11,881	Revaluation reserve	SoFP	12,676	0	0	0	12,676
1,085	Other reserves - joint venture	SoFP	0	0	1,085	1,073	2,158
2,927	Funds Held on Trust	SoFP	0	3,074	0	0	3,074
22,753	**Total taxpayers' equity**		**18,550**	**3,074**	**1,085**	**1,073**	**23,782**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **Consolidated statement of financial position continued—Prior Year**

Prior Year		**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
		2021	**2021**	**2021**	**2021**	**2021**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Non-current assets:						
Property, plant and equipment		31,432	0	0	0	31,432
Financial assets:	SoFP					
Investments		0	1,495	0	0	1,495
Investments in associates and joint ventures	SoFP	0	0	489	596	1,085
Total non-current assets	**SoFP**	**31,432**	**1,495**	**489**	**596**	**34,012**
Current assets:						
Inventories		475	0	0	0	475
Trade and other receivables	SoFP	2,919	126	(184)	0	2,861
Cash and cash equivalents	SoFP	122	1,433	0	0	1,555
		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Prior Year		**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
		2021	**2021**	**2021**	**2021**	**2021**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Total current assets		**3,516**	**1,559**	**(184)**	**0**	**4,891**
Total assets		34,948	3,054	305	596	38,903
Current liabilities:						
Provisions	SoFP	(597)	0	0	0	(597)
Financial liabilities:						
Trade and other payables	**SoFP**	**(14,160)**	**(127)**	**184**	**0**	**(14,103)**
Total current liabilities		**(14,757)**	**(127)**	**184**	**0**	**(14,700)**
Non-current assets plus/less net current assets/liabilities		20,191	2,927	489	596	24,203
Non-current liabilities						
Provisions	**SoFP**	**(1,450)**	**0**	**0**	**0**	**(1,450)**
Financial liabilities:						
Trade and other payables	SoFP		0	0	0	0

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Prior Year		**Board**	**Endowment**	**Intra Group adjustment**	**Shetland IJB**	**Consolidated**
		2021	**2021**	**2021**	**2021**	**2021**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Total non-current liabilities		(1,450)	0	0	0	(1,450)
		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2021	2021	2021	2021	2021
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Assets less liabilities		**18,741**	**2,927**	**489**	**596**	**22,753**
Taxpayers' Equity						
General fund	SoFP	6,860	0	0	0	6,860
Revaluation reserve	SoFP	11,881	0	0	0	11,881
Other reserves - joint venture	SoFP	0	0	489	596	1,085
Funds Held on Trust	SoFP	0	2,927	0	0	2,927
Total taxpayers' equity		**18,741**	**2,927**	**489**	**596**	**22,753**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

- **21c. Consolidated Statement Of Cash Flows**

Consolidated		**Board**	**Endowment**	**Intra Group Adjustment**	**Shetland IJB**	**Consolidated**
2021		**2022**	**2022**	**2022**	**2022**	**2022**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
	Cash flow from operating activities					
(76,421)	Net operating expenditure	(87,344)	163	0	1,073	(86,108)
1,463	Adjustments for non-cash transactions	1,833	0	0	(1,073)	760
31	Investment income	0	32	0	0	32
2,231	Movements in working capital	2,770	0	0	0	2,770
(72,696)	**Net cash outflow from operating activities**	**(82,741)**	**195**	**0**	**0**	**(82,546)**
(2,832)	Purchase of plant and equipment	(3,205)	0	0	0	(3,205)
(287)	Investment additions	0	(274)	0	0	(274)
73	Proceeds of disposal of property, plant and equipment	0	0	0	0	0
287	Receipts from sale of investments	0	275	0	0	275
(31)	Interest received	0	(32)	0	0	(32)

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated		**Board**	**Endowment**	**Intra Group Adjustment**	**Shetland IJB**	**Consolidated**
2021		**2022**	**2022**	**2022**	**2022**	**2022**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
(2,790)	**Net cash outflow from investing activities**	**(3,205)**	**(31)**	**0**	**0**	**(3,236)**
	Cash flows from financing activities					
76,496	Funding	85,965	0	0	0	85,965
(2)	Movement in general fund working capital	68	0	0	0	68
76,494	Cash drawn down	86,033	0	0	0	86,033
76,494	**Net Financing**	**86,033**	**0**	**0**	**0**	**86,033**
1,008	Net increase in cash and cash equivalents in the year	87	164	0	0	251
547	Cash and cash equivalents at the beginning of the year	131	1,424	0	0	1,555
1,555	**Cash and cash equivalents at the end of the year**	**218**	**1,588**	**0**	**0**	**1,806**
	Reconciliation of net cash flow to movement in net cash					

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2021		**2022**	**2022**	**2022**	**2022**	**2022**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
1,008	Increase in cash in year	59	192	0	0	251
547	Net cash at 1 April	131	1,424	0	0	1,555
1,555	**Net cash at 31 March**	**190**	**1,616**	**0**	**0**	**1,806**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Prior Year	Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
	2021	**2021**	**2021**	**2021**	**2021**
	£000	**£000**	**£000**	**£000**	**£000**
Cash flow from operating activities					
Net operating expenditure	(77,777)	760	0	596	(76,421)
Adjustments for non-cash transactions	2,059	0	0	(596)	1,463
Investment income	0	31	0	0	31
Movements in working capital	2,231	0	0	0	2,231
Net cash outflow from operating activities	**(73,487)**	**791**	**0**	**0**	(72,696)
Purchase of plant and equipment	(2,832)	0	0	0	(2,832)
Investment additions	0	(287)	0	0	(287)
Proceeds of disposal of property, plant and equipment	73	0	0	0	73
Receipts from sale of investments	0	287	0	0	287
Interest received	0	(31)	0	0	(31)
Net cash outflow from investing activities	(2,759)	(31)	0	0	(2,790)
Cash flows from financing activities					
Funding	**76,496**	**0**	**0**	**0**	76,496
Movement in general fund working capital	(2)	0	0	0	(2)

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Prior Year	**Board**	**Endowment**	**Intra Group Adjustment**	**Shetland IJB**	**Consolidated**
	2021	**2021**	**2021**	**2021**	**2021**
	£000	**£000**	**£000**	**£000**	**£000**
Cash drawn down	76,494	0	0	0	76,494
Net Financing	76,494	0	0	0	76,494
Net increase in cash and cash equivalents in the year	248	760	0	0	**1,008**
Cash and cash equivalents at the beginning of the year	(117)	664	0	0	**547**
Cash and cash equivalents at the end of the year	**131**	**1,424**	**0**	**0**	1,555
Reconciliation of net cash flow to movement in net cash					
Increase in cash in year	**248**	**760**	**0**	**0**	1,008
Net cash at 1 April	(117)	664	0	0	547
Net cash at 31 March	**131**	**1,424**	**0**	**0**	**1,555**

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

Acronym	Narrative Explanation
A&E	Accident and Emergency Department
AMD	Age Related Macular Degeneration
AME	Annually managed expenditure (a type of non-core funding allocation received by Boards)
AOP	Annual Operating Plan, replaced local delivery plan
CAMHS	Child and Adolescent Mental Health Services
C Diff	Clostridium difficile, also known as C. difficile or C. diff, is a bacterium that can infect the bowel and cause diarrhoea. The infection most commonly affects people who have recently been treated with antibiotics, but can spread easily to others.
CFS	NHS Scotland Counter Fraud Services , when used in reference to fraud
CFS	Consolidated Statement Of Cash Flows, when referenced in the financial notes
CGC	Clinical Governance Committee
CNORIS	Clinical Negligence and Other Risks Indemnity Scheme
CRL	Capital Resource Limit
DISG	Digital Health and Informatics Support Group
DPO	Data Protection Officer
EU	European Union
FACTS	Scottish Government Covid-19 mitigation campaign message that stood for:– **F**ace coverings, **A**void crowded places, **C**lean hands regularly, **T**wo-metre distance, **S**elf-isolate and book a test if you have symptoms
FReM	Government Financial Reporting Manual
GP	General Practitioner
HAI	Healthcare Associated Infection
HIS	Healthcare Improvement Scotland
ICO	Information Commissioner's Office

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Acronym	Narrative Explanation
IJB	Shetland Islands Health and Social Care Partnership also referred to as Integration Joint Board
IG	Information Governance
IGSG	Information Governance Sub Group
IT	Information Technology
IFRSs	International Financial Reporting Standards
ISAs	International Standards on Auditing
JSCP	Joint Strategic Commissioning Plan
KPIs	Key Performance Indicators
MRI scanner	Magnetic resonance imaging scanner
NHS	National Health Service
NHS Performs	Website on NHS Scotland information that is produced by NHS National Services Scotland
NHS Shetland	Shetland Health Board
NISR	Network & Information Systems Regulations 2018
NSS	National Services Scotland
OSCR	Office of the Scottish Charity Regulator
PPE	Personal Protective Equipment
RICS	Royal Institution of Chartered Surveyors
RMG	Risk Management Group
RRL	Revenue Resource limit
RTT	Referral to Treatment Target
SoCNE	Statement of Consolidated Comprehensive Net Expenditure
SoCTE	Summary of Resource Out-turn
SoFP	Consolidated Statement of Financial Position
SGHSCD	Scottish Government Health and Social Care Directorate
SIC	Shetland Islands Council
SIRO	Senior Information Risk Owner
SPFM	Scottish Public Finance Manual

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Acronym	**Narrative Explanation**
Telehealth	This is the use of digital information and communication technologies, such as computers and mobile devices, to access health care services remotely and manage your health care. These may be technologies you use from home or that your doctor uses to improve or support health care services.
Up Helly Aa	A community fire festival event, inspired by Viking history and mythology. A number are held annually around Shetland.
VAT	Value Added Tax
WTE	Whole time equivalent value for NHS staff

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

Direction by the Scottish Ministers

DIRECTIONS BY THE SCOTTISH MINISTERS

The Scottish Ministers, in exercise of their functions under section 86(1) and (3) of the National Health Service (Scotland) Act 1978, in relation to the functions of Health Boards in that section which apply to NHS Shetland by virtue of that Act, and all other powers enabling them to do so, hereby DIRECT that:

1. NHS Shetland must prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual which is applicable for the financial year for which the statement of accounts is prepared.

2. In preparing a statement of accounts in accordance with paragraph 1, NHS Shetland must use the NHS Shetland Annual Accounts template which is applicable for the financial year for which the statement of accounts is prepared.

3. In preparing a statement of accounts in accordance with paragraph 1, NHS Shetland must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –

   (a) The NHS Scotland Capital Accounting Manual,

   (b) The Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns, and

   (c) The Scottish Public Finance Manual.

4. A statement of accounts prepared by NHS Shetland in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.

5. NHS Shetland must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.

6. In these Directions –

   "financial year" has the same meaning as that given by Schedule 1 of the Interpretation Act 1978,

   "Government Financial Reporting Manual" means the technical accounting guide for the preparation of financial statements issued by HM Treasury,

   "Manual for the Annual Report and Accounts of NHS Boards and for Scottish Financial Returns" means the guidance on preparing annual accounts issued to Health Boards by the Scottish Ministers,

   "NHS Act 1978" means the National Health Service (Scotland) Act 1978 (c. 29),

   "NHS Scotland Capital Accounting Manual" means the guidance on the application of accounting standards and practice to capital accounting transactions in the NHS issued by the Scottish Ministers,

DocuSign Envelope ID: 56BECE47-FAF3-4898-A7B9-C952402F6FF4

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

"NHS Shetland Annual Accounts template" means the Excel spreadsheet issued to NHS Shetland by the Scottish Ministers as a template for their statement of accounts, and

"Scottish Public Finance Manual" means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers.

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.

8. This Direction will come into force on the day after the day on which it is signed.

9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978.

Signed by the authority of the Scottish Ministers

Dated 22 March 2022

DocuSign

Certificate Of Completion

Envelope Id: 56BECE47FAF34898A7B9C952402F6FF4 | Status: Completed

Subject: Please DocuSign: NHSS Annual Accounts 21–22 FINAL.pdf

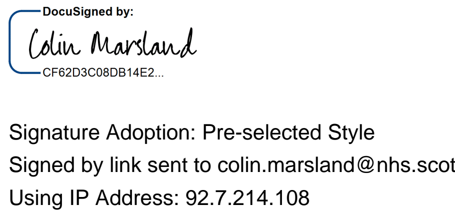
Source Envelope:

Document Pages: 164	Signatures: 5	Envelope Originator:
Certificate Pages: 2	Initials: 0	Karlyn Watt
AutoNav: Enabled		Head office
EnvelopeId Stamping: Enabled		1 New Street Square
Time Zone: (UTC) Dublin, Edinburgh, Lisbon, London		London, London EC4A 3HQ
		kwatt@deloitte.co.uk
		IP Address: 86.164.14.35

Record Tracking

Status: Original 6/23/2022 11:28:32 AM	Holder: Karlyn Watt kwatt@deloitte.co.uk	Location: DocuSign

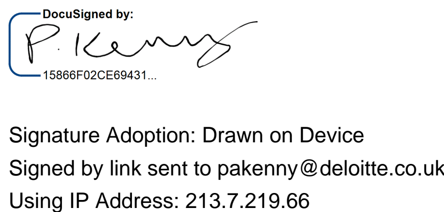
Signer Events

Signer Events	Signature	Timestamp
Colin Marsland colin.marsland@nhs.scot Director of Finance Security Level: Email, Account Authentication (None)	 Signature Adoption: Pre-selected Style Signed by link sent to colin.marsland@nhs.scot Using IP Address: 92.7.214.108	Sent: 6/23/2022 11:36:09 AM Viewed: 6/24/2022 11:01:44 AM Signed: 6/24/2022 11:01:57 AM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Signer Events	Signature	Timestamp
Michael Dickson michael.dickson6@nhs.scot Security Level: Email, Account Authentication (None)	 Signature Adoption: Uploaded Signature Image Signed by link sent to michael.dickson6@nhs.scot Using IP Address: 185.58.166.46	Sent: 6/24/2022 11:02:10 AM Viewed: 6/24/2022 1:54:01 PM Signed: 6/24/2022 1:55:21 PM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

Signer Events	Signature	Timestamp
Pat Kenny pakenny@deloitte.co.uk Security Level: Email, Account Authentication (None)	 Signature Adoption: Drawn on Device Signed by link sent to pakenny@deloitte.co.uk Using IP Address: 213.7.219.66	Sent: 6/24/2022 1:55:30 PM Viewed: 6/29/2022 1:54:43 PM Signed: 6/29/2022 1:55:19 PM

Electronic Record and Signature Disclosure:
Not Offered via DocuSign

In Person Signer Events	Signature	Timestamp

Editor Delivery Events	Status	Timestamp

Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp

Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	6/23/2022 11:36:09 AM
Certified Delivered	Security Checked	6/29/2022 1:54:43 PM
Signing Complete	Security Checked	6/29/2022 1:55:19 PM
Completed	Security Checked	6/29/2022 1:55:19 PM

Payment Events	Status	Timestamps