NHS Shetland

Annual Report and Accounts

for the year ended

31 March 2026



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Annual Accounts and Notes for Year Ended 31 March 2026

Performance Overview Report

Section 1—Chief Executive's Statement

It is my privilege to present the Annual Accounts for NHS Shetland for 2025–26. This has been another demanding year for health and care services locally and nationally, marked by continuing workforce pressures, rising demand, financial constraint, and the very real challenges of operating within an ageing estate. Despite this, I am proud of the resilience, professionalism and commitment shown by our staff and partners, who continue to deliver high-quality, compassionate care for the people of Shetland.

When I assumed the role of Chief Executive in 2023, I set out eight Chief Executive priorities to guide my leadership of the organisation. Reflecting on the last two years, it is clear we have continued to make tangible progress across each of these areas, while remaining honest about the work still required to secure a sustainable future for health and care services in Shetland.

During 2025–26, NHS Shetland's strategic planning has continued to evolve in line with national direction. Since November 2025, this has been increasingly shaped by the introduction of new sub-national planning arrangements set out through Director's Letter DL(2025)25 and associated Ministerial Directions. These arrangements signal a deliberate shift from organisation-level planning towards population-based planning at scale, while maintaining local statutory accountability for the delivery of safe, effective, and person-centred services. NHS Shetland is fully aligned with this approach and is actively contributing to the Scotland East sub-national planning and delivery arrangements, ensuring national priorities are progressed collaboratively while the specific needs of our dispersed island population are clearly understood and reflected.

Through this work, we are contributing to a whole-population approach for Scotland, recognising that challenges such as access, capacity, waiting times, and sustainability are often best addressed collectively. At the same time, we remain focused on how these priorities translate meaningfully for Shetland. Delivering services across dispersed island geography brings distinct challenges, including workforce availability, dependence on transport, and weather resilience. Navigating the interface between national ambition and local delivery therefore remains a central feature of our strategic leadership.

Alongside national and sub-national alignment, local partnership working continues to underpin how we deliver for our communities; our partnership with Shetland Islands Council (SIC), the Integration Joint Board (IJB), and wider third sector partners remains fundamental. These relationships are critical in prevention, early intervention, and supporting people to live well in their communities, particularly as we respond to demographic change and widening health inequalities.

Workforce sustainability remains one of the most significant strategic risks facing NHS Shetland. We are clear there is no single solution and progress requires sustained action across multiple fronts. We remain strongly committed to working with the organisation Developing the Young Workforce – Shetland, ensuring that NHS Shetland is visible to young people through this partnership as a positive and inclusive employer, with clear pathways into careers in health and care. This work supports our longer-term ambition to grow and retain a local workforce.

At the same time, we recognise that growing our own workforce will not fully meet demand. Promoting NHS Shetland as an employer of choice beyond the isles therefore remains essential. We continue to value the contribution of all of our colleagues and recognise that national and international recruitment will continue to play a role in sustaining services in Shetland. We are also committed to maximising the potential of employing people on flexible working models (which includes hybrid and rotational contracts) to support our delivery of services from outside Shetland.

Our approach to leadership and organisational culture has continued to mature over the year. While listening and engagement remain important, our focus is increasingly on leadership at all levels that can adapt to change, respond to complexity, and deliver improvement within constrained resources. This includes strengthening digital leadership capability and embedding a shared mind-set that puts people first, designs services around patients and communities, and consistently uses digital as an enabler of better care. This approach aligns with our Digital Strategy and national priorities, including Digital Front Door and MyCare.scot, which form part of the sub-national planning agenda. It also supports local initiatives, such as the implementation of Phio, enabling patients to access musculoskeletal services through an alternative route.

NHS Shetland has continued to make progress in delivering many areas of strong clinical performance. This includes consistently meeting the 31-day cancer treatment standard and maintaining effective delivery across a range of core services. We continue to deliver high-quality public health services, reflecting the commitment and professionalism of our staff and providing assurance that, despite system pressures, patients are receiving timely and effective care in key pathways.

Alongside this, we are open and transparent about areas where performance has deteriorated or there are sustained challenges. Delayed discharges, unscheduled care pressures, and diagnostic waiting times continue to place pressure on our system, reflecting both local workforce constraints and wider national challenges. Access to psychological therapies has been a sustained area of difficulty for NHS Shetland. During the year, we have undertaken specific work with Public Health Scotland to better understand demand, capacity, and the resources required to achieve improvement. This work is informing our plans for the coming year and provides a stronger evidence base for targeted action.

These challenges are not unique to Shetland and reflect system-wide pressures, including demographic change, increasing complexity of need, and workforce availability. However, they are being actively addressed through targeted improvement

programmes, developing our community services, and closer partnership working. Our strategic intent remains focused on care closer to home, reducing unnecessary off-island travel wherever safe and appropriate, and improving access through new models of care. This includes the continued expansion of remote outpatient attendances and sustaining key diagnostic and treatment functions locally, such as MRI scanning, as part of a broader approach to service resilience.

Overall, NHS Shetland enters 2026–27 with a clear understanding of both our strengths and the challenges that remain. While progress has been made and there is much to recognise and value, we are realistic about the work still required to secure long-term sustainability. Through strong governance, adaptive leadership, good communication, effective partnership working, and a continued focus on people, digital enablement and population outcomes, we remain committed to improving care for the people of Shetland and to playing our full part in delivering sustainable health and care services for our community and beyond.

Brian Chittick,

Chief Executive, NHS Shetland



Section 2—Overview

This overview will give the reader a summary of what an NHS (National Health Service) 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 2025–26.

- **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 located at Upper Floor Montfield, 24 Burgh Road, Lerwick, Shetland, ZE1 0LA.

NHS Shetland and SIC cover the same area and have the same boundaries, working 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. The North Sea surrounds the Isles that have a coastline 1,679 miles long.

Figure 1—Map of Shetland



Figure 2—Diagram of NHS Shetland Summary Organisational Structure

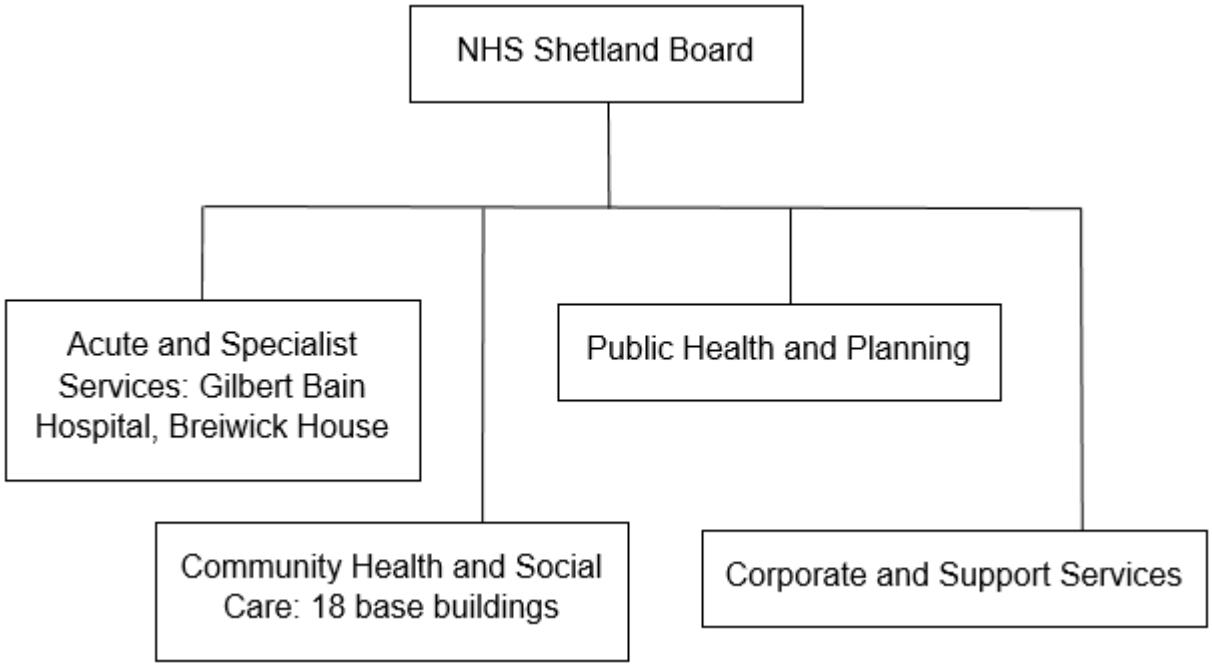


Figure 2 above outlines a summary of NHS Shetland's organisational structure. The detailed organisational management structure for NHS Shetland is available on our website, along with the organisational governance structure.

NHS Shetland provides health care services from 21 sites across Shetland, including ten 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 below summarises key services delivered directly locally, as well as commissioned services from partners.

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

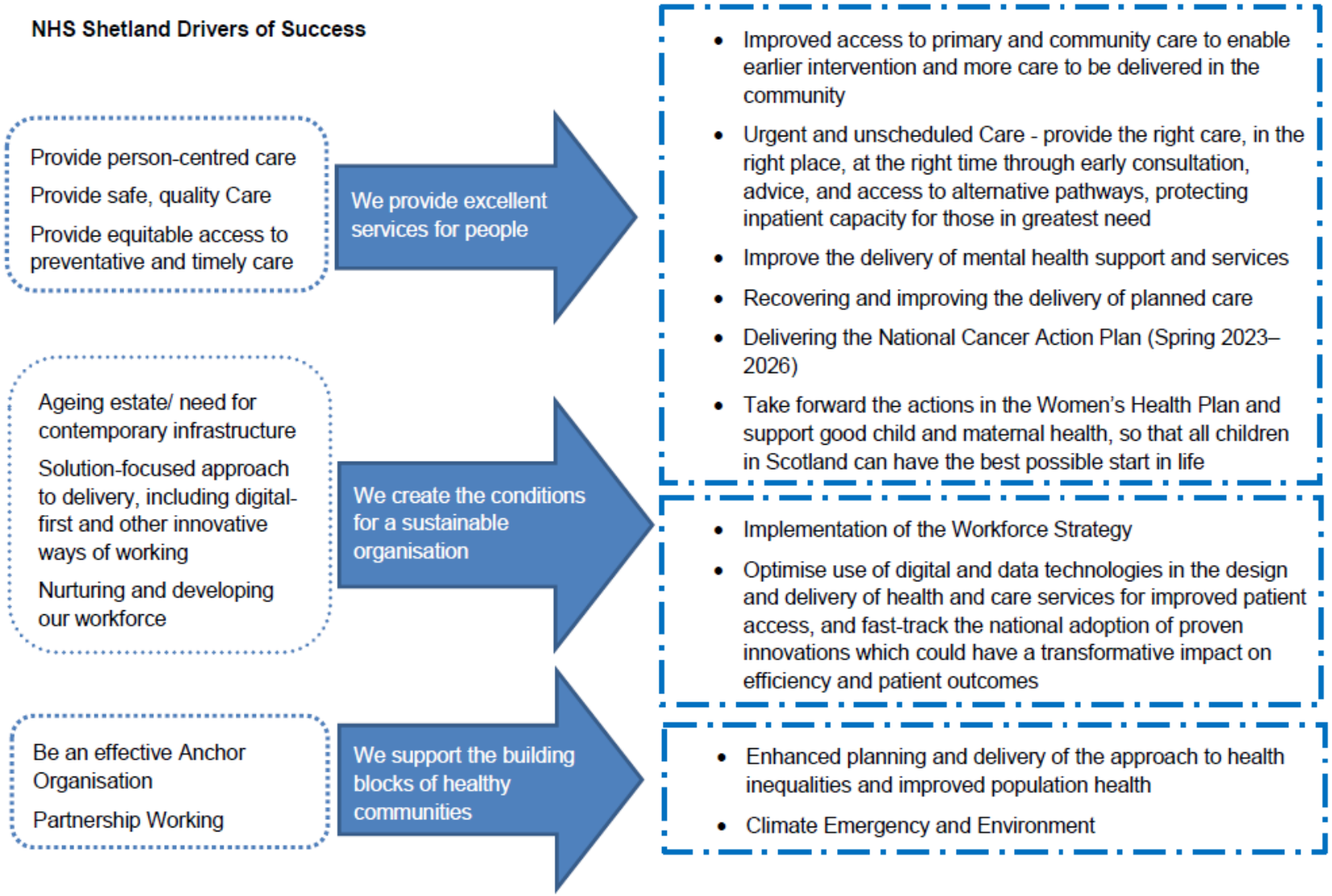
Directly Provided Healthcare	Commissioned Healthcare Services
8 General Practitioner (GP) practices with 22,147 registered patients.	1 GP practice with 819 registered patients.
Community Healthcare Service	2 ophthalmic practices
Dental Services from 5 locations	1 independent contractor NHS dental practice
Gilbert Bain Hospital during 2025–26 **Acute and Specialist Services:** • 11,193 in-patient bed-days • 2,013 day cases • 56,760 outpatients (includes 10,537 remote attendances, 18.6%) • 71 births on island • 8,733 A&E (Accident and Emergency) 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 Services (CAMHS), Breiwick House	NHS Tayside—Specialist Mental Health Services for Adults, and Young People
Adult Community Mental Health Service	NHS Grampian—Mental Health Services
Public Health	Tertiary Specialist Services

- **Summary of NHS Shetland Priority Outcomes in 2025–26**

In 2025–26, NHS Shetland's focus was on improving patient access, reducing delayed discharges, and shifting care towards the community. Key priorities alongside our integration partners include expanding Hospital at Home pathways, enhancing urgent community care, and strengthening digital services, all while maintaining financial sustainability and tackling a significant maintenance backlog.

The Chief Executive Priorities statement sets out the priorities and intent for the Board to provide the best possible health and care outcomes for our remote and rural communities, ensuring equity, accessibility, and high standards of care. Figure 3 below summarises the drivers behind how the Board aims to achieve national and local performance targets and deliver upon the promises of the high quality and compassionate way our services will meet the local populations' health service demands.

Figure 3—Diagram showing NHS Shetland “Drivers of Success”



- **Section 3—Risk and Uncertainty**

The Board's Risk Management Strategy sets out the principles and approaches to risk management which should be followed throughout NHS Shetland. Every risk is assigned to a specific Governance Committee.

The Board and the Governance Committees have continued to monitor risk throughout 2025–26.

The Board agreed the Risk Management work plan for 2025–26 at its April 2025 meeting and reviewed performance against that plan at its September 2025 and April 2026 meetings. The Board also agreed the 2026–27 work plan at the latter meeting.

- **Top Underlying Risks in NHS Shetland 2025–26 Strategic Risk Register**

The top risks in NHS Shetland 2025–26 Strategic Risk Register are summarised in Table 2 below. The principal recurring themes amongst these risks are:

- Our aging estate infrastructure issue;
- External pressures such as market forces and cyber developments; and
- Workforce recruitment and retention leading to capacity issues within existing workforce to safely deliver services.

Strategic risks regarding the Board's financial performance are reviewed within the Finance Performance review in Section 4.

- **Table 2—Top Three Risks in NHS Shetland 2025–26 Strategic Risk Register**

Theme	Risk Description
SR24: Structural Integrity of Gilbert Bain Hospital	During investigative work for continued water ingress, separation of the outer-leaf of external blockwork from the inner-leaf was noted along with horizontal cracking of the external wall-faces along entire elevations of the Phase 1 building. The structural integrity of the outer-leaf blockwork has been compromised with these outer walls at risk of partial or complete medium to long-term collapse putting services, staff, and public located in, beneath, and adjacent to these areas at risk. Mitigation: 1. Supporting scaffolding and crash deck installed to protect areas below from a catastrophic collapse; 2. Temporary external supporting structural mesh to be installed to stabilise external walls whilst medium to long-term remedial solution can be implemented and to prevent further weather induced deterioration; 3. Specialist design team established to design, plan, procure, and deliver remedial works; and 4. Programme Board and internal governance structure put in place to monitor progress.

Theme	Risk Description
SR04: External Factors	NHS Shetland faces unique challenges as a remote and rural healthcare provider, including workforce shortages, ageing infrastructure, and reliance on supplementary staff, compounded by external strategic factors such as national and international political instability, global conflict, post-Brexit trading agreements, climate change, AI revolution, and policy uncertainties. Mitigation: 1. The development of a workforce plan supported by innovation in recruitment as well as developing and implementing a housing framework to support workforce recruitment and retention; 2. Development of AI / digital skills for the future framework in collaboration with NHS Grampian and NES; and 3. Conduct annual risk assessments for climate-related vulnerabilities in healthcare facilities.
SR13: Access to Services	If there are significant gaps due to recruitment, retention, or funding then there will be access problems for those living in more remote areas and / or to specific specialities resulting in delays in treatment and associated mortality and morbidity and a widening in the inequality gap. Mitigation: 1. Better anticipatory care planning especially for high-resource individuals; 2. Models for health and social integration focus on ensuring locality resilience and sustainability. 3. Multi-disciplinary team work stream to allow individuals to see right professional earlier, including first-point-of-contact physiotherapists and Advanced Nurse practitioners; 4. Use of Attend Anywhere Video conferencing facility is providing improved access; and 5. Review of Urgent Care Pathways.

- **Workforce is a recurring theme behind the top risks**

NHS Shetland's workforce is a common theme in the Strategic Risk 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 third key objective of NHS Shetland, to "create the conditions for a sustainable organisation".

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 a high staff-turnover rate. In 2025–26 staff-turnover increased to 11.5% from 10.9% in 2024–25 and remains above the NHS Scotland average.

In contrast, staff sick leave remains the lowest among territorial boards, though above the Scottish Government target absence rate of 4%.

Actions to address this key issue:

- Developing and implementing a housing framework to support workforce recruitment and retention:
  - working with NHS Education for Scotland (NES) to buy Kveldsro House Hotel to convert to a hostel and support the essential accommodation needs of undergraduate students' work-based placements in Shetland;
  - working with local Social Landlords to both rent and buy properties; and
  - previous investment in accommodation for short-term visiting clinicians.
- Hosting a remote and rural GP recruitment hub, GP Joy, for bank-GP staff across seven Boards. The use of staff outside the NHS standard terms and conditions on higher-cost engagement has in part been mitigated by GP Joy as a direct-engagement model via third-party partner TempRE; engaging staff on flexible contracts or via staff bank has helped to mitigate these costs.
- Continuing to work with Promote Shetland, Shetland Islands of Opportunity to highlight our unique opportunities. NHS Shetland has also innovated around its own website with staff testimonials in addition to the standard NHS Scotland recruitment website.

Although the costs incurred in engaging staff outside standard NHS terms and conditions fell by 8.0% in 2025–26, the excess costs incurred remain the principal risk for financial and clinical services' sustainability.

- **Gilbert Bain Hospital infrastructure**

Gilbert Bain Hospital—the only acute services hospital in Shetland—was built in the 1960s and is among the oldest still-operational hospitals in Scotland. The Board received a report in April 2025 on the business case to address the significant issues previously identified in a series of detailed surveys carried out to evaluate the building's condition.

As part of the Board's capital plan for 2025–26, the major repair project for the Gilbert Bain Hospital began. This essential structural repair work involves fixing water damage and restoring external walls with the aim of preserving the building and ensuring it remains safe and weather-tight for at least a further 10–15 years of clinical use. Replacement or redevelopment of the hospital will be subject to prioritisation in NHS Scotland's national capital-planning priorities.

However, strategic risk SR24 is not the only risk being managed. Lift service access above the ground floor poses a potential catastrophic issue: spare parts for these lifts are limited due to their age, creating potentially significant operational safe-service delivery challenges for all NHS Shetland in-patient wards.

Section 4—Performance Summary Appraisal

- **Financial Performance**

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

- A Revenue Resource limit (RRL) - resource budget for ongoing activity;
- A Capital Resource limit (CRL) - 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, are found in the Summary of Resource Out-turn (SoRO).

NHS Boards have a statutory requirement to contain their net expenditure within these limits. NHS Shetland's out-turn for the year against these limits was as follows:

- **Table 3—Out-turn against net expenditure limits**

	Limit as set by Scottish Government Health and Social Care Directorate (SGHSCD)	**Actual Out-turn**	**Variance Under/(over)**
	£000	**£000**	**£000**
Core RRL	91,599	90,828	771
Non-core RRL	6,226	6,226	0
Total RRLs	**97,825**	**97,054**	**771**
Core CRL	5,094	5,094	0
Non-core CRL	0	0	0
Total CRLs	**5,094**	**5,094**	**0**
Cash requirement	99,563	99,563	0

Memorandum for In Year Out-turn	**£000**
Core Revenue Resource Variance Surplus in 2025–26	771
Financial flexibility: Underspend from 2024–25	(16)
Underlying (Deficit)/Surplus against Core RRL	**755**
Percentage	**1%**

- **Financial plan 2025–26**

A three-year financial plan was submitted to Scottish Government by NHS Shetland on 15 March 2025. A letter of approval in respect of the submitted three-year financial plan was issued on 31 March 2025.

Excluding provision of financial flexibility provided by the Scottish Government, NHS Shetland out-turn over the three-year financial plan would have be breakeven on RRL, £0.0m (equivalent to 0.0%). As this balance is within the one percent flexibility afforded by the three-year financial planning, this will be managed within an overall breakeven position in the period.

NHS Shetland's Board approved the financial plan locally at its 29 April 2025 meeting.

Capital Resource Limit (CRL)

The Board's gross expenditure on capital assets during 2025–26 was £5.094m (2024–25, £4.852m).

The capital out-turn position is breakeven, against an approved CRL of £5.094m.

Summary Performance Overview against Key Non-Financial Targets

Information in the summary key non-financial report is at 31 March 2026, unless stated. The Board received the annual Performance Report containing all the 2025–26 non-financial targets at its 25 June 2026 meeting. The Board also regularly receives quality reports.

Table 4 below summarises NHS Shetland's performance against the key indicators reported on by Audit Scotland in their Annual NHS Scotland report before the Covid-19 pandemic, plus waits longer than one year. NHS Shetland met three out of nine of these targets, and there are further details in the analysis of the clinical key performance statistics section of the Performance Report.

Table 4 also highlights NHS Shetland's key performance indicator (KPI) target for staff and our Partnership's local performance on managing our joint objective to provide quality, effective, and safe services, delivered in the most appropriate setting for the patient. Reducing delayed discharge can be a key indicator for monitoring how the interface between health and social care is ensuring the right care in the right place at the right time.

The number of delayed discharges in terms of occupied bed days and number of people waiting more than 14 days to be discharged from hospital into a more appropriate care setting increased in comparison to 2024–25 by 18.5% and 18.2% respectively.

- **Table 4—Summary of Key Performance Statistics**

Compliance	National Target	2023–24	2024–25	2025–26	Movement
✖	Out-patients waits of longer than one year	31	46	17	↓
✖	In-patient and day-case waits of longer than one year	26	10	47	↑
✖	A&E discharges within four hours	86.6%	87.5%	86.9%	↓

Compliance	National Target	2023–24	2024–25	2025–26	Movement
✖	The percentage of patients waiting less than six weeks for one or more of the eight key diagnostic tests	92.1%	85%	79.0%	↓
✖	Mental Health: 18-week referral to treatment for Psychological Therapies	78.5%	63.7%	61.1%	↓
✓	Mental Health: 18-week referral to treatment for specialist CAMHS	100%	100%	100%	↔
✓	31-day standard from decision-to-treat to start of treatment for newly diagnosed primary cancers	100.0%	100%	100%	↔
✖	62-day standard from receipt of referral to start of treatment for newly diagnosed primary cancers	71.2%	65.7%	74.7%	↑
✓	Drug and alcohol patients seen within three weeks	100%	89.1%	91.0%	↑
(1)	Delayed discharges – number of people waiting more than 14 days to be discharged from hospital in to a more appropriate care setting, as measured on in year "census dates"	31	54	64	↑
(1)	Delayed discharges - occupied bed days	1,272	3,057	3,613	↑
✖	Staff sickness absence rate	4.7%	4.4%	4.9%	↑

For all the clinical KPIs above, the compliance standard is 90%, except:

1. For those marked (1), Scottish Government have no specific compliance value set;
2. A&E and Cancer Access targets which are 95%;
3. The target for waits longer than one year target is zero patients; and
4. Staff-sickness absence rate is 4.0%.

The arrows in the table indicate the direction in which the statistic is moving and the colour-key is as follows: green meets the standard; amber is within 10% of target; and red fails to meet the target by over 10%.

Section 5—Performance Analysis Report

- **Objectives of NHS Shetland**

During 2025–26, NHS Shetland has continued to focus on our strategic intent to provide easy access to high quality, sustainable and person-centred care as close to home as possible and make a meaningful difference to the building blocks of good health in our communities. In doing so delivering the Board's three key objectives prioritised in our Annual Delivery Plan (ADP) alongside overall NHS Scotland directions. These key objectives are to:

1. provide excellent services for people;
2. support the building blocks of healthy communities; and
3. create the conditions for a sustainable organisation.

- **The first objective - "provide excellent services for people"**

To address the first objective, NHS Shetland has a five-year Strategic Delivery Plan, which is intended to create a significant change in the health of the local population and tackle inequalities alongside our Clinical and Care Strategy.

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;
- Working with NHS Grampian and the NHS Waiting Times Centre to improve pathways for patients referred to services off-island; and
- Using the annual operating plan to identify priorities for improvements, such as:
  - Staff wellbeing;
  - Recruitment and retention of health and social care workforce;
  - Enhance planning and delivery of the approach to health inequalities;
  - Recovery and improving the delivery of planned care plans;
  - Urgent and unscheduled care;
  - Provision of services for older people;
  - Access to primary and community care to enable earlier intervention and more care to be delivered in the community;
  - Mental health support and services;

- Supporting and improving Health and Social Care integration;
- Cancer Action Plan;
- Optimising the use of digital and data technologies in the design and delivery of health and care service for improved patient access; and
- Climate emergency and environment.

- **The second and third objectives - "support the building blocks of healthy communities and create the conditions for a sustainable organisation"**

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

The NHS Shetland Clinical and Care Strategy aims to meet this priority through:

- Integration of services around the needs of local communities;
- Making sure the care provided in our NHS is the right care for an individual, that it works, and that it is sustainable; and
- Making best use of innovative technologies to improve access, promote person-centred care and reduce inefficiencies.

- **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. As highlighted earlier, structural surveys of the building determined urgent and significant remedial repairs must start immediately for it to remain operational for the next 10–15 years. The first stage of this essential maintenance programme commenced in 2024–25 with some minor impact on services. During 2025–26 and in to 2026–27 extensive remedial work is required and will be on-going to preserve and maintain our local hospital.

Investment in patient services has been aligned to improving access: bringing services back to Shetland and "closer to home" for residents through repatriating services from mainland Scotland and offering remote-attendance options locally for out-patient clinics. Remote out-patient attendances for the last three years are summarised in Table 5 below, equating to 19% of elective out-patient attendances. Telephone has been the preferred remote-access route.

- **Table 5—Remote Out-patient Attendances at Gilbert Bain Hospital**

Method	2023–24	2024–25	2025–26	Overall Total
Near Me (Video Conference)	1,324	2,239	2,826	6,389
Telephone	6,770	8,059	7,711	22,540
Total	8,094	10,298	10,537	28,929

NHS Shetland has striven to lower the CO2 emissions-footprint generated by patient travel to NHS appointments by reducing the need for off-island travel. This has been achieved by repatriating services and facilitating remote attendances at Gilbert Bain Hospital, contributing to the local strategy to reduce our impact on the climate.

In respect of service repatriation, the first full-year of service of the Helyer MRI suite delivered 1,133 attendances, up from 842 attendances in its initial part-year. A walk-through video exists to help support patients prepare for their visit to the Helyer Suite and what to expect.

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

During 2025–26, NHS Shetland has continued to work closely with Shetland Islands' Health and Social Care Partnership, which is commonly referred to in Shetland as the IJB.

The IJB, SIC, and NHS Shetland jointly agreed the joint strategic plan for 2025–2028 for working together to provide supportive and sustainable services.

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.

Our joint vision ambitions and goals are:

- **Ambition one—fair and accessible support for our communities**

Goals one to three

1. Reduce inequalities and stigma in health and care
2. Provide fair and accessible care, support, and information
3. Work in partnership with our communities to provide best outcomes

- **Ambition two—prevention, early intervention, and maximised wellbeing**

Goals four to six

4. Provide support to ensure people can lead healthy, independent lives
5. Provide support at an early stage to enable better outcomes
6. Ensure people are supported to manage and improve their wellbeing

- **Ambition three—sustainable models of care**

Goals seven to nine

7. Ensure people receive health and care in the setting and location that best suits their needs
8. Support our staff to develop in a safe and engaging workplace
9. Make good use of technology and innovations to support progress

You can find further information on health and social care integration ongoing initiatives and performance reports monitoring our shared delivery against our joint outcomes on the Community Health and Social Care Partnership section of the SIC website.

Analysis of Financial Performance

- **RRL—2025–26 Performance Review**

The Board delivered a surplus of £0.771m against its RRL for 2025–26. This compares to £0.016m for 2024–25.

- **IJB delegated budget**

Out-turn on services delegated to the IJB exceeded the original delegated budget set by NHS Shetland: the Board gave £1.484m in additional funds to bridge the gap in 2025–26 non-recurrently. The comparable figure was £2.455m in 2024–25 non-recurrently, so it has decreased by £0.971m (39.6%).

The IJB also carried forward £0.841m of resources originally allocated to NHS Shetland by Scottish Government in 2025–26 for services delegated to the IJB. These funds are in respect of Hospital at Home, Frailty, GP Walk-in Service, Public Dental Service, and Alcohol and Drug Prevention services.

- **Savings targets**

The Financial Plan submitted to Scottish Government for 2025–26 identified a recurring financial gap of £2.929m, which is equivalent to 3.9% of the Board's opening baseline resource allocation. However due to recurring allocation funding received in 2024–25 after that submission, the revised opening gap for 2025–26 was £2.655m. Only £0.364m of recurring savings were achieved in-year, representing 13.7% of the gap. The full-year effect of these recurring savings was £0.422m (15.9%).

As a result, a recurring financial gap of £2.233m would have remained outstanding. However as part of the 2026–27 budget process NHS Shetland received a National Resource Allocation Formula (NRAC) parity funding adjustment: the Board agreed at its April 2026 meeting part of that funding would be used to fully address and clear the recurring gap to £0.0m.

- **Table 6—NHS Shetland Track Record in Delivery of Efficiency Savings**

Efficiency Savings	**2021–22**	**2022–23**	**2023–24**	**2024–25**	**2025–26**
	£m	**£m**	**£m**	**£m**	**£m**
Recurring Savings Achieved	0.687	1.185	0.495	0.593	0.364
Recurring Gap	2.417	3.072	2.580	3.482	2.655
Recurring Gap carried forward	(1.730)	(1.887)	(2.085)	(2.889)	(2.291)

In addition to the recurring savings, the Board delivered £3.114m in non-recurring savings during 2025–26. These one-off measures were critical in managing in-year financial pressures and offsetting the shortfall in recurring savings.

Non-recurring savings also helped mitigate the impact of cost pressures, particularly those arising from the use of locum staff to cover vacancies in key clinical roles. While these savings improved the in-year financial position, they do not contribute to the long-term sustainability of the Board's finances and highlight the ongoing need to increase the proportion of savings achieved on a recurring basis.

- **Financial plan—2026–27**

The Board's Financial Plan for 2026–27 was submitted to Scottish Government on 15 March 2026. The Scottish Government approved this plan on 25 March 2026.

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, thought there is now flexibility to achieve financial balance over a three-year period.

The draft financial plan requires £0.277m in recurring efficiency savings to be achieved in 2026–27 to address the projected recurring gap. In addition to that, non-recurring savings will be needed to cover the additional excess cost of locum and agency staff. Detailed plans to deliver these and future savings through recurring and non-recurring actions involve a continual cycle of development and review to deliver better outcomes through leaner delivery of services, in line with the principles set out in the Board's Clinical and Care Strategy.

NHS Shetland will ensure it takes significant and appropriate management action to achieve financial balance at 2026–27 year-end. Regular updates will be given to the Board on performance against the plan throughout 2026–27.

The ongoing risk associated with the delivery of the Financial Plan has been logged within the Board's Strategic Risk Register as risk SR21 for strategic financial planning and SR22 for in-year financial management operational issues.

Capital Resource Limit

The Board's gross expenditure on capital assets during 2025–26 was £5.094m. The key components of the capital programme are set out below in Table 7.

- **Table 7—Summary Outline of 2025–26 Capital Programme**

Project	Amount (£m)
Property for staff accommodation (Kveldsro House Hotel)	1.482
Gilbert Bain Hospital, Remedial Works	0.960
Montfield HQ, Roof Replacement	0.812
Gilbert Bain Hospital, Medical Equipment	0.759
ICT Equipment	0.436
Right of Use (RoU) additions [1]	0.387

Project	Amount (£m)
Non-Medical Equipment	0.258
Gross Additions Total	**5.094**

[1] Under accounting standard International Financial Reporting Standards 16 (IFRS 16), lease arrangements are now recorded on the balance sheet as 'Right-of-Use (RoU)' assets. This means that where assets are leased both the asset and the corresponding liability is recorded to reflect the obligation to make lease payments over time. The figure above represents three new lease-vehicles and the renewal of the property lease on Breiwick House.

Statement of Financial Position

The Statement of Financial Position includes investments of £1.708m (2024–25, £1.515m) relating to Shetland Health Board Endowment Funds, and an interest of £0.551m (2024–25, £0.444m) in the IJB. These amounts are reflected in the financial commentary below.

As at 31 March 2026, the Board's net assets stood at £23.622m, representing a small reduction of £0.217m compared to the position at 31 March 2025 (£23.839m).

Consistent with previous years, the Statement of Financial Position at 31 March 2026 shows net current liabilities. The total net current liabilities stood then at £8.476m, an increase of £1.006m from the previous year's figure of £6.977m.

Despite the level of net current liabilities and the financial challenges anticipated in the coming year, the Board's accounts continue to be prepared on a going concern basis. This reflects the ongoing provision of NHS services and is in line with the requirements of the Government Financial Reporting Manual (FReM), which stipulates that the going concern basis should be applied unless there is an intention to cease service delivery.

At the end of the financial year, the Board carried three provisions for future liabilities amounting to £2.930m (2024–25: £2.235m), as detailed in Note 13 to the accounts.

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 2025–26 the average credit taken was 14 days (compared with 16 days in 2024–25)
- In 2025–26 the Board paid 92.17% by value and 92.60% by volume within 30 days (compared with 92.44% by value and 92.32% by volume in 2024–25)
- In 2025–26 the Board paid 85.23% by value and 82.33% by volume within ten working days (compared with 81.79% by value and 83.16% by volume in 2024–25)

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. Additional Psychological Therapies activity support was commissioned during 2025–26 from NHS Orkney.

As highlighted in Figure 4 below though, local performance against the access to Psychological Therapies within 18-weeks of referral access target remains materially below the 90% performance standard. Sitting at 61.1% at the end of March 2026, this out-turn position is below the 63.7% at the end of March 2025.

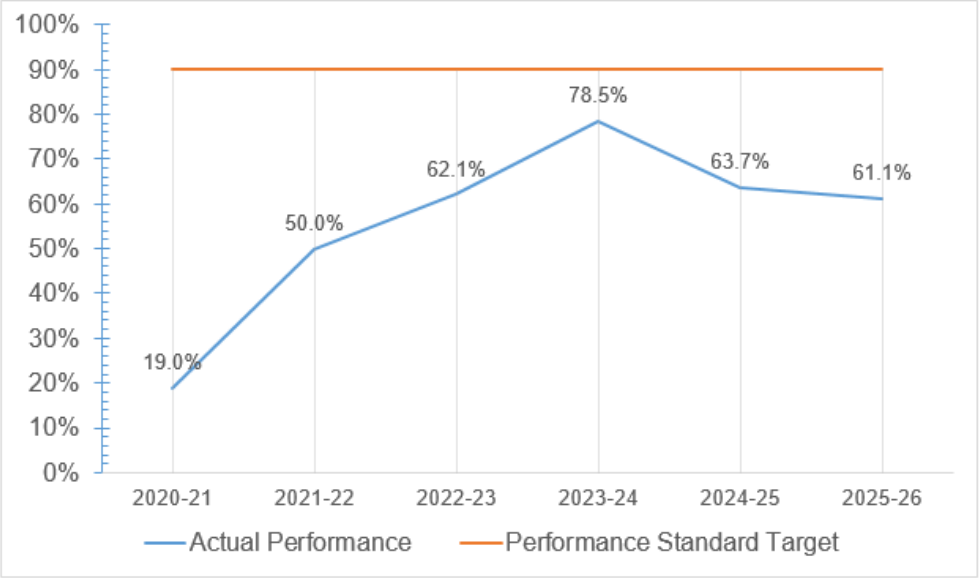
In 2025–26, 13 patients waited more than a year to access Psychological Therapies, with the longest wait at 64 weeks. These statistics show an adverse movement from nine patients in 2024–25, whilst improved against the longest wait figure that was 265 weeks.

However at 31 March 2026, the individual with the longest wait for assessment has been waiting 140 weeks. That compares to 79 weeks at 31 March 2025.

While the service has been impacted by Covid-19, Figure 4 shows the performance-trend over the last five years has been significantly below the 90% access target, and unfortunately this has been the case over the last ten years.

In the recovery plan, the Psychological Therapies team the service is embedding new technologies for talking therapies and modelling the additional service capacity required to address demand and achieve the 18-week access target.

Figure 4—Patients starting treatment with Psychological Therapies within 18-weeks of referral from 2020–21 to 2025–26

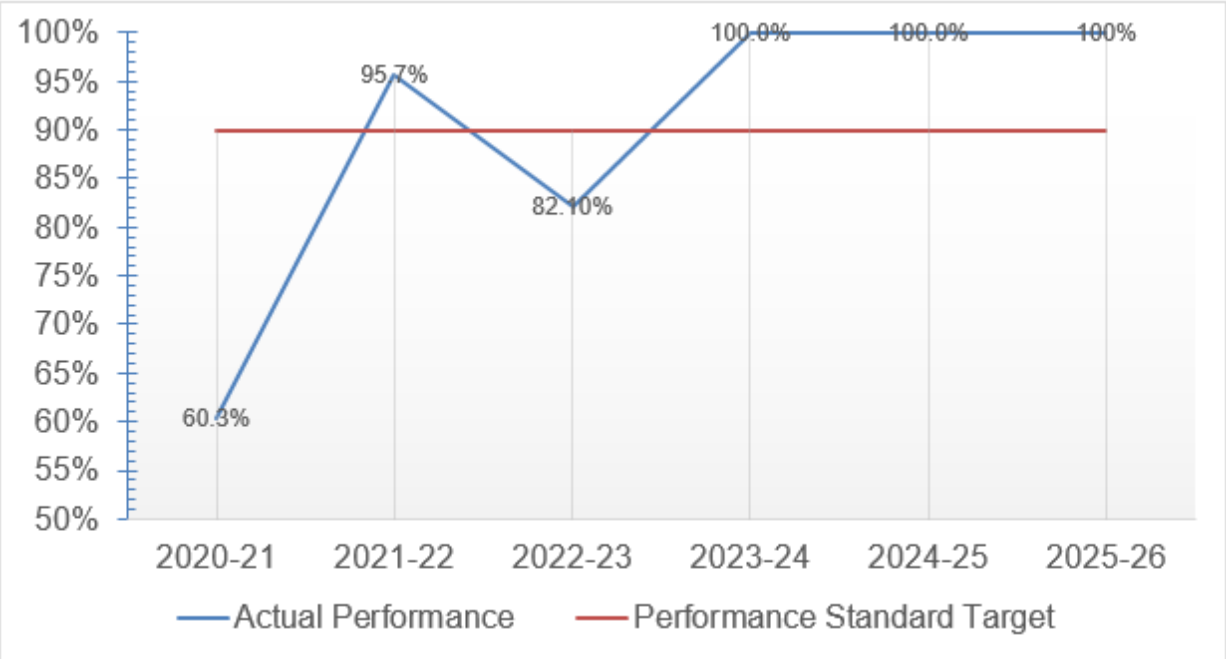


In 2025–26 NHS Shetland's performance against the access target of no longer than 18 weeks from referral to treatment for specialist CAMHS met the standard, with a perfect 100% achievement rate across the year as depicted below in Figure 5. Last year, 2024–25, also met a perfect 100% achievement rate for this KPI. This is the first time all patients were treated within 18-weeks in three back-to-back years.

The average wait in 2025–26 was 7.9 weeks, with the longest wait at 18 weeks. This is comparable to the average wait in 2024–25 of 7.7 weeks, with a longest wait of 18 weeks. At the end of March 2026, the longest wait on the waiting list was 14 weeks. This is both shorter than the 18-week national target and matched the comparable end-of-March 2025 figure where the longest wait was 16 weeks.

Figure 5 below illustrates the access target was only met in four of the last six years, having been missed in 2020–21 and 2022–23. We recognise ongoing issues with the fragility of Mental Health services, and are continuing to strive to address this. Scottish Government have provided additional investment to deliver the Mental Health Strategy 2017–2027.

Figure 5—Patients starting treatment with CAMHS within 18-weeks of referral from 2020–21 to 2025–26



Delayed Discharges

The number of patients delayed in hospital continues to be a focus of attention in redesigning pathways to facilitate seamless transfers back to the most appropriate setting in the community.

NHS Shetland received additional funding to support the delivery of NHS Scotland's operational improvement plan. This plan aims to reduce pressure in hospitals by shifting the balance of care and improving patient-flow, including discharging without delay and optimising alternatives to hospital admission to reduce avoidable admissions. NHS Shetland invested the funding in Hospital at Home and in Frailty Services.

The Hospital at Home service has seen 99 patients over the last two financial years, enabling early supported discharge and admission avoidance, as in table 8 below.

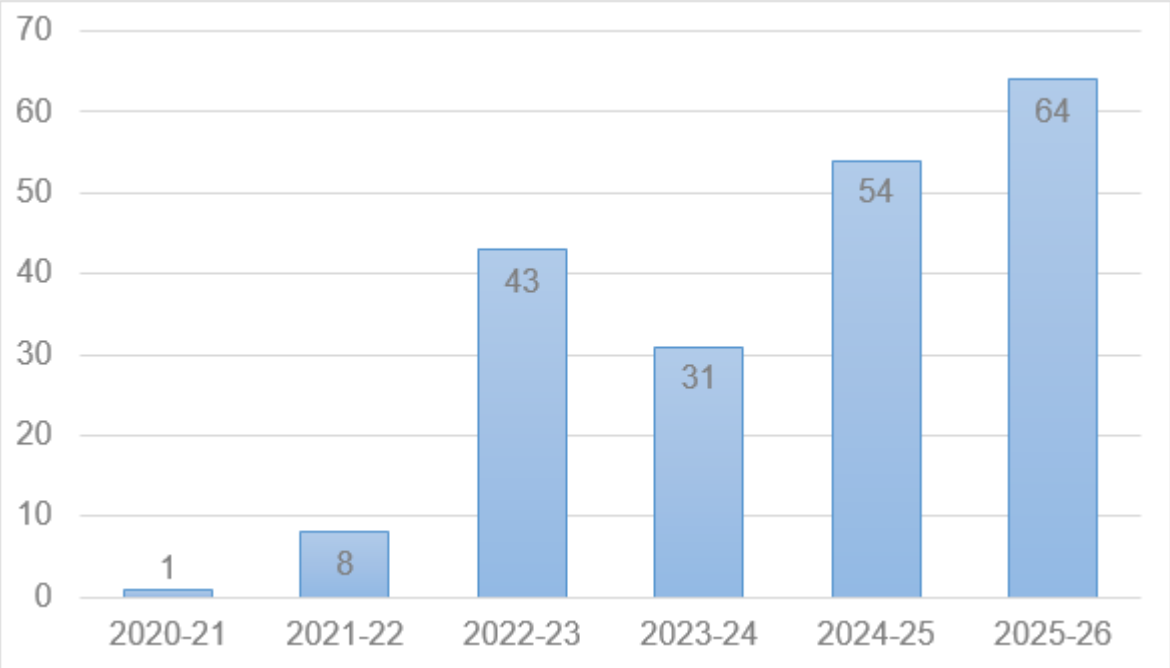
- **Table 8—admission avoidance and early supported discharge**

Patient Activity	2024–25	2025–26	Total activity 2024–26
Early supported discharge	13	39	52
Admission avoidance	14	33	47
Total	**27**	**72**	**99**

However, Figure 6 below still shows a further increase in delayed discharges, rising from 54 in 2024–25 to 64 in 2025–26, an adverse movement of 18.5%.

In March 2026, there was seven patients in hospital as a result of delayed discharge: there were also seven patients in the same position March 2025.

Figure 6—Delayed Discharges: People waiting more than 14 days to be discharged from hospital, on census dates from 2020–21 to 2025–26

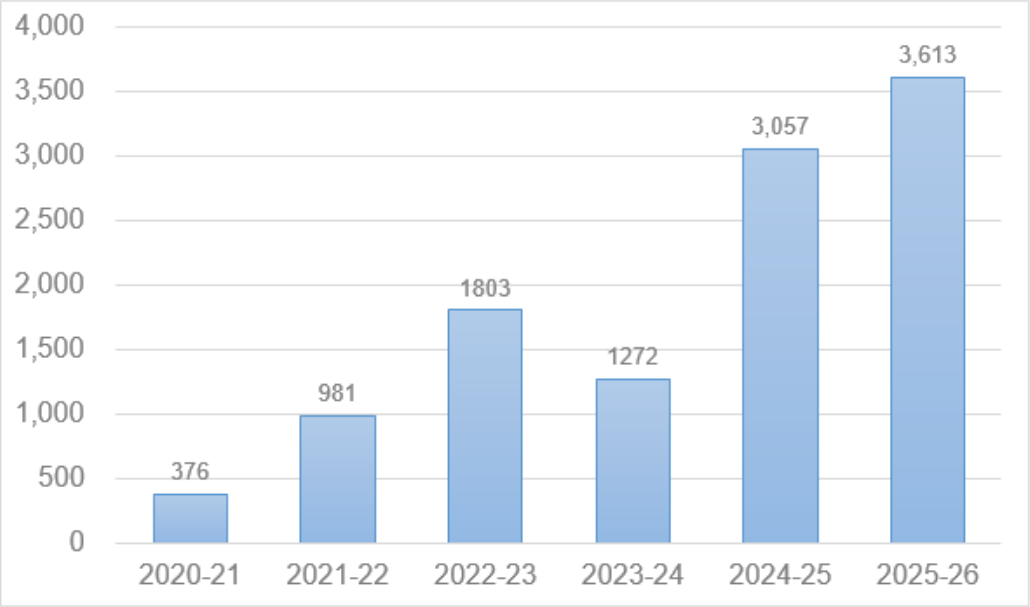


Similar to the increase in the number of patients subject to delayed discharge, the number of occupied bed days increased by 18.2% in 2025–26 compared to 2024–25, as shown in Figure 7 below.

Based upon the total beds occupied in the year, an average of ten beds a day were occupied with a delayed discharge in 2025–26, compared to an average of eight a day in 2024–25.

Seven additional beds were permanently opened in Ward One to accommodate this additional activity and assist patient flow.

Figure 7—Delayed discharges: Total number of occupied bed days in hospital during the year from 2020–21 to 2025–26

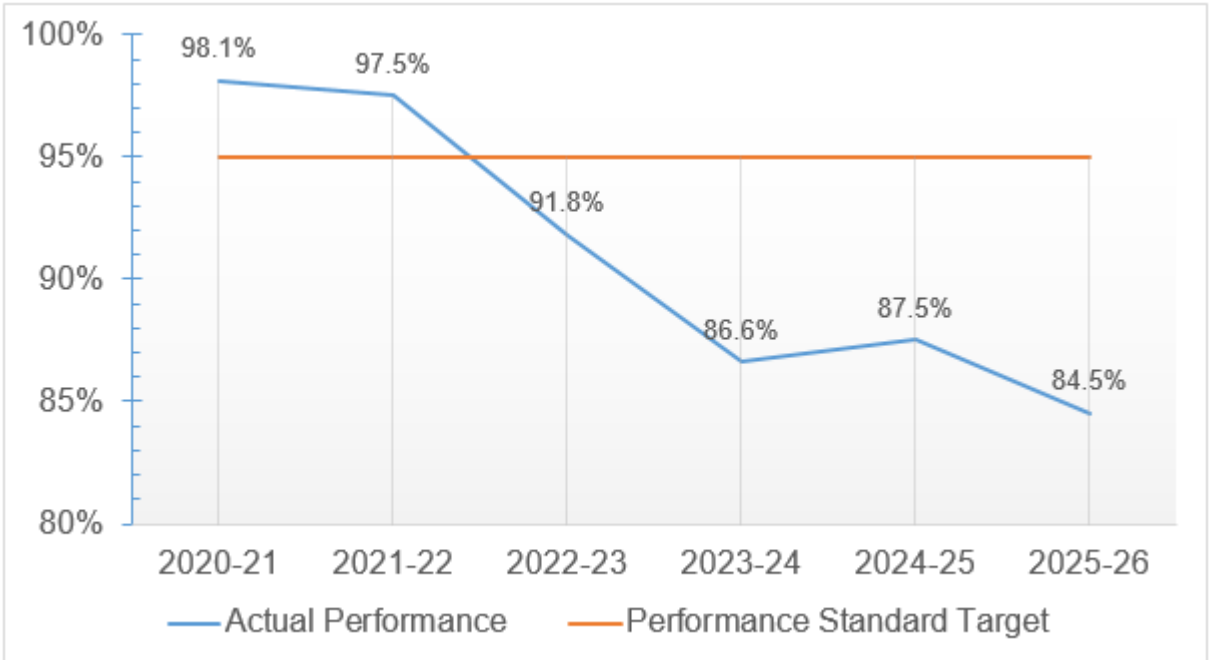


Our partnership working uses integration funding to achieve seamless person-centred pathways, which should eliminate delays in realising sustainable person-centred care as close to home as possible. This includes dedicated Social Work input, supporting collaboration between the hospital and the Intermediate Care Team in the community.

NHS Shetland does not seek to reduce delay-figures through rapid discharge, which could result in inappropriate residential-care placements. Our strategy-driver to sustainably reduce delayed discharges is rather to get people back to the most appropriate community setting, in line with our shared joint ambitions with IJB.

Unscheduled Care

- **Figure 8—A&E Discharged within 4 hours from 2020–21 to 2025–26**



Every year until 2021–22 NHS Shetland met the target of discharging, or admitting to a ward, 95.0% of patients attending A&E within four hours of arrival. Since 2021–22, that target has not been met.

In 2025–26, no Health Board met the 95.0% target. NHS Western Isles came closest at 94.7%, and was also the only Board to meet the target in 2024–25.

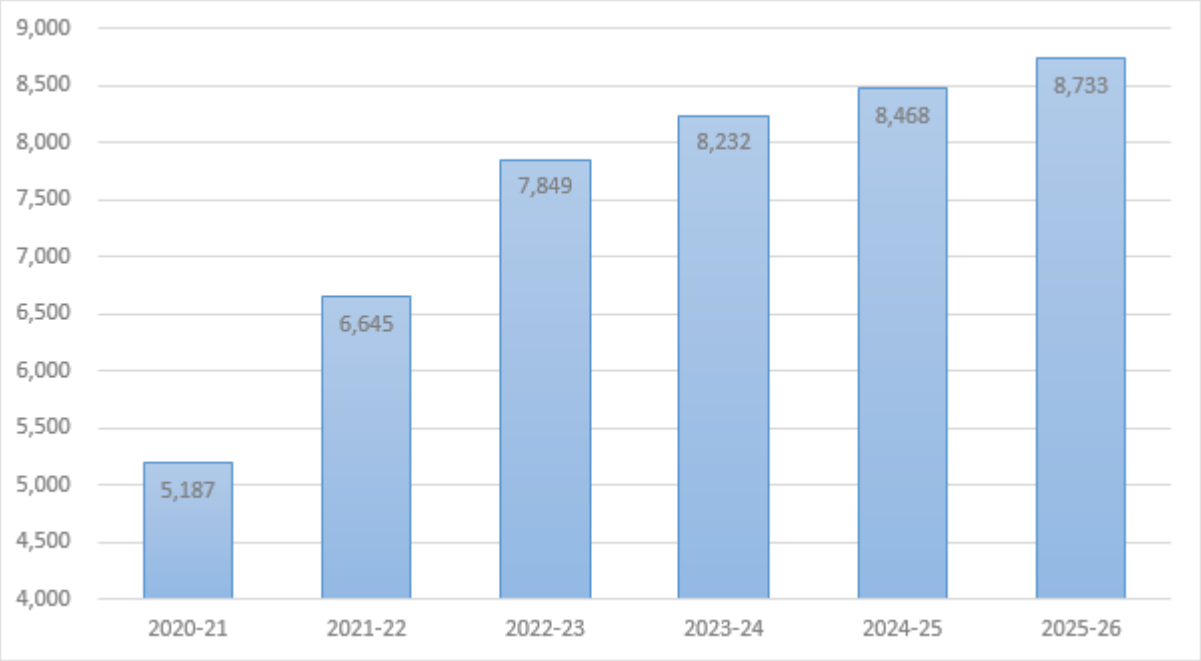
The Scottish average achievement rate was 68.5% in 2025–26 and 68.6% in 2024–25.

One of the initial impacts of the Covid-19 pandemic was a reduction in NHS Shetland A&E attendance, in line with the rest of Scotland as well as the UK as a whole. The last full year where activity was unaffected by Covid-19 was 2018–19, when our local attendance level was 7,768.

As highlighted in Figure 9 below, activity is now back above pre-pandemic levels. Compared to 2024–25, A&E attendance activity in 2025–26 increased by 3.1%, and is now 12.4% above 2018–19 levels.

907 A&E attendances in 2025–26 involved tourists, visiting commercial shipping vessels, and air ambulance transfers from North Sea platforms, comprising 10.4% of overall activity. There were 938 such attendances in 2024–25: 11.1% of overall activity.

Figure 9—A&E Annual Activity Levels from 2020–21 to 2025–26



Only 17.3% of those who attended A&E in 2025–26 were admitted to hospital, compared to a Scottish average of 23.5%, while in 2024–25, 18.3% of those who attended A&E were admitted to hospital, against a Scottish average of 25.6%.

- **Waiting Times Targets - Secondary Care**

Scottish Government no longer collects data against “18 weeks from GP referral to out-patient appointment and/or treatment”, and instead focuses on achieving a target of no-one waiting longer than 52 weeks to access services. Table 9 below highlights NHS Shetland’s performance against the latter target over the last six years.

- **Table 9—Patients Waiting longer than 52 weeks from 2020–21 to 2025–26**

	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26
Out-patients	96	22	8	31	46	17
Inpatients	32	16	12	26	10	47

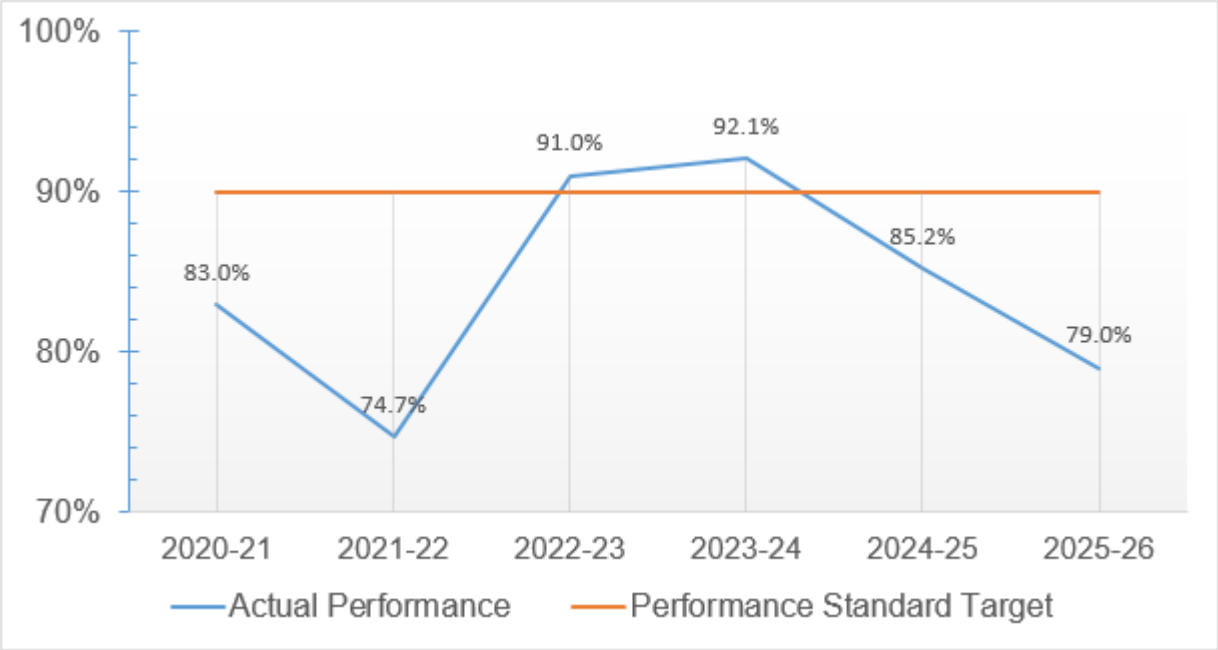
Ear, Nose, and Throat is the only speciality with a patient waiting longer than 52 weeks for an out-patient appointment in all six years shown in table 9 above and accounts for 47.1% of all those waiting at 31 March 2026.

Ophthalmology is the only speciality with a patient waiting longer than 52 weeks for an in-patient or day case admission in all six years shown in table 9 above and accounts for 70.2% of all those waiting at 31 March 2026.

The model of delivery for both specialties is a visiting consultant service.

As shown in Figure 10 below, the Board has not maintained compliance with the standard for patients to “wait less than six weeks for one or more of the eight key diagnostic tests” in four of the last six years. This trend continued in 2025–26, with only 79.0% of patients treated within that time-frame, down on 85.2% in 2024–25. The primary cause for non-compliance were non-obstetric ultrasounds.

Figure 10—Waiting less than six weeks in respect of one or more of the eight key diagnostic tests from 2020–21 to 2025–26



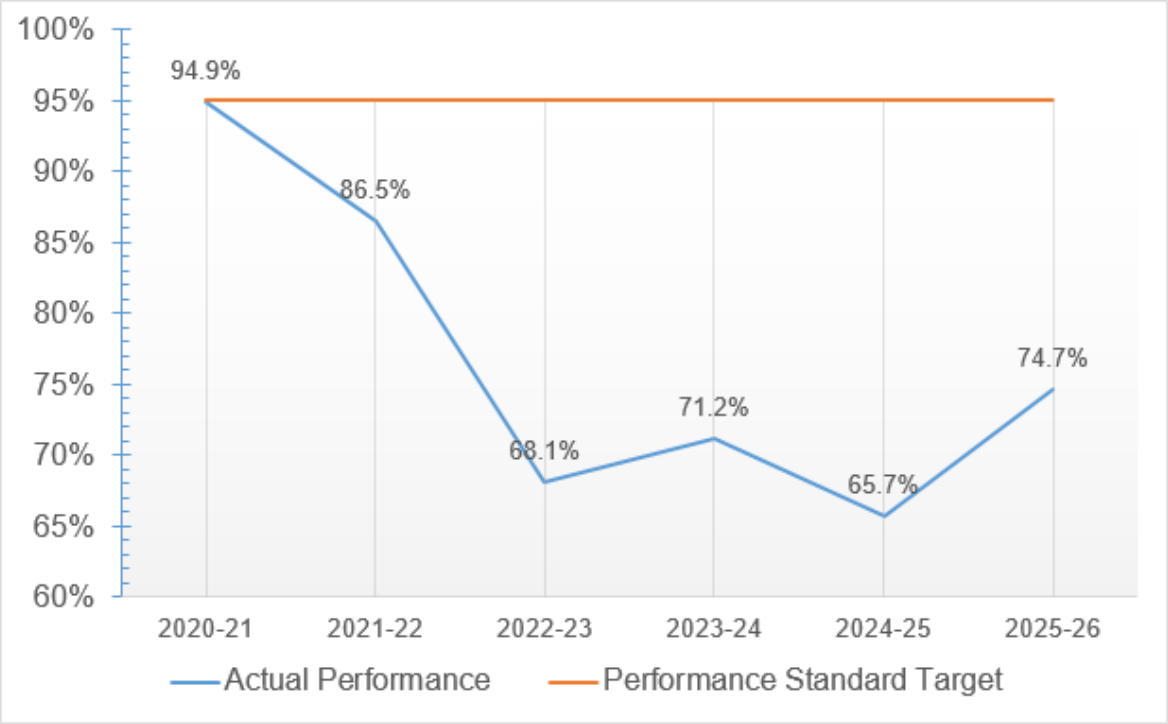
At 31 March 2026, the number of patients waiting longer than six weeks stood at 58, matching 58 in March 2025. The total number of diagnostic tests undertaken increased by 49.3%, from 5,178 in 2024–25 to 7,733 in 2025–26, due to investment from the planned care funding allocation.

Figure 11 below shows NHS Shetland's joint cancer pathways with NHS Grampian did not maintain compliance with the 62-day treatment target in any year over the last six years. However over those six years 286 people (75.5%) were seen within 62 days.

Performance remained significantly below the 95.0% target in 2025–26, with the treatment-time wait exceeding the 62-day target for 21 patients, though this is a slight improvement on 23 patients in 2024–25.

Access to NHS Grampian diagnostic services was a key factor in non-compliance, though that organisation is working to improve patient flow in this pathway for all the Health Boards they serve.

Figure 11—Cancer: 62-day standard from referral to start of treatment for newly diagnosed primary cancers from 2020–21 to 2025–26



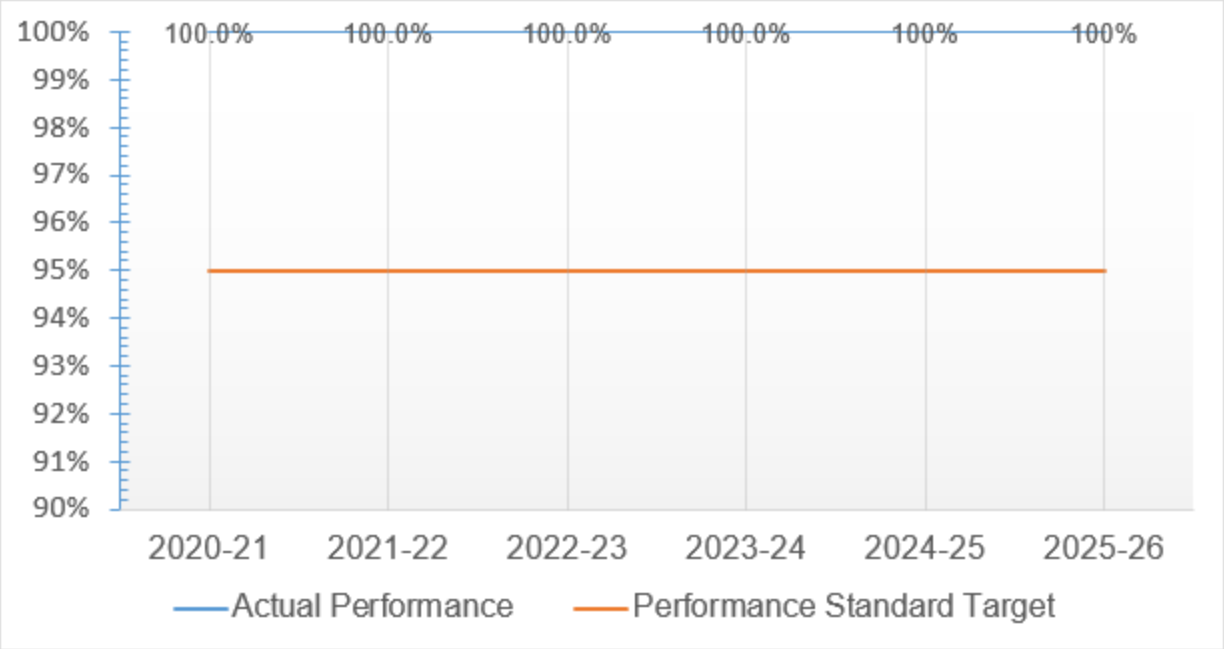
However, regarding the 31-day cancer treatment target, figure 12 below shows NHS Shetland's joint pathway with NHS Grampian has consistently maintained full compliance over the last six years with all 447 referrals seen with 31 days.

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 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 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 to work through the backlog. The Board's access performance is publicly available throughout the year.

Figure 12—Cancer: 31-day standard from decision to treat to starting treatment for newly diagnosed primary cancers from 2020–21 to 2025–26



The most up-to-date selected statistics and summary information can be found on the Public Health Scotland website that publishes all national performance measures in detail. Public Health Scotland also publishes over 100 open data sets which give access to statistics and reference data for information and re-use, under Open Government Licence arrangements.

Analysis of other important Non-Financial Indicators

Primary Care

The Scottish Government Health and Care Experience survey takes places every two years. The survey asks about people's experiences of accessing and using General Practice care. The published results of the latest survey from May 2026 illustrate NHS Shetland's performance was generally good compared to the Scottish average in the dashboard. The May 2024 NHS Shetland's performance was also generally good.

NHS Shetland is directly responsible for operating eight out of nine local practices. There are currently a number of vacancies in these practices, resulting in the use of temporary staff. Our recruitment challenges to fill GP posts are likely to continue as there are no quick fixes. There is also a clear trend in GPs choosing to work part-time hours: only three of NHS Shetland's thirty-three substantively employed GPs (9.1%) are employed on full time contracts.

Primary Care Improvement funding, from a Scottish Government initiative, is supporting the redesign of local services to improve access and quality of service provision across the isles. In line with the new GP contract, this initiative aims to create a focus on sustainable multi-disciplinary team working.

NHS Shetland submitted a bid to open a walk-in GP clinic in line with Scottish Government policy: the First Minister of Scotland visited the resulting clinic at Grantfield while it was under preparation in February 2026 and it opened to patients in April 2026.

Public Health including Health Improvement and Tackling Health Inequalities

Teams within the Public Health Directorate continue to co-ordinate and deliver health protection, population health, and health improvement functions, often working with other NHS Shetland teams as well as partner organisations. Areas of work include preventing and controlling communicable diseases, vaccination programmes, population screening, health intelligence, behaviour change and preventative services, business continuity planning and resilience work, and collaborative working with the Community Planning Partnership and other partners.

Information on the work of the Public Health Directorate; population health and preventative activity is available through Annual Reports published on our website.

The Director of Public Health leads on Realistic Medicine and Value based Health and Care, as well as the Anchors Organisation Strategic Plan.

In respect of inequalities, the Board discussed and approved the Shetland Public Protection Committee Annual Report 2024–25, the Shetland Integrated Children's Services Plan Annual Report 2024–25 and Shetland's Annual Child Poverty Action Report in 2025–26.

Health inequalities worsened considerably during the Covid-19 pandemic and continue to do so, as highlighted in the Population Health Survey. Money Worries sessions were delivered locally in partnership with Citizens Advice Bureau and work continues with our partners on reducing inequalities and inequity in the population.

- **Vaccination and Immunisation**

Vaccination is one of the most effective public health interventions to prevent ill health and premature mortality. The Public Health and Vaccination Teams are responsible for the co-ordination of multiple population vaccination programmes.

Three half-day training sessions were held in 2025–26 for those involved in vaccination services, along with dedicated sessions for the winter programme and for maternity, occupational health, and child health teams.

The following programmes were delivered during 2025–26: Spring Covid-19, Winter Flu and Covid-19, respiratory syncytial virus (RSV), pneumococcal, shingles, routine childhood programme, human papilloma virus (HPV), teenage boosters and meningitis vaccinations in schools, Bacille Calmette-Guerin (BCG) vaccination for high risk individuals, pertussis and RSV for pregnant women, HPV, Mpox, and hepatitis vaccination in the sexual health clinic, as well was occupational vaccinations and NHS travel vaccinations.

Two significant changes were made to the routine childhood programme in two phases during 2025–26, comprising an additional appointment at 18-months old and the introduction of the varicella (chickenpox) vaccine. In summer 2025 a vaccine was also introduced for those at highest risk of coming into contact with gonorrhoea, delivered through the Sexual Health Clinic.

Uptake rates for all programmes will be published in the Vaccination and Immunisation Annual Report. Uptake rates of some programmes are set out in table 10 below:

- **Table 10—Vaccination and Immunisation uptake rates**

Programme	Time period	Cohort	Shetland	Scotland
RSV	2 June 2025 – 1 April 2026	Older adults	41.9%	38.3%
	August 2024 – February 2026	Pregnancy delivered	63.3%	53.5%
		Pregnancy – ongoing	63.2%	49.7%
COVID	Winter 2025	Total	69.3%	65.4%
Flu	Winter 2025	Adults	58.1%	55.5%
		Children	70.1%	58.4%

- **Population Screening**

Population-health screening programmes are co-ordinated by the Public Health Screening Lead—the Consultant in Public Health Medicine—who has been in post since 2025. The bowel and cervical screening programme are ongoing; the Grampian AAA screening team visits three times a year; and the mobile Breast Screening Unit, which was in Shetland from April to June 2025, visits every three years. We also have a local diabetic retinopathy screening service, as well as pregnancy and new-born screening programmes. Uptake rates in Shetland are generally good as outlined in Table 11 below.

- **Table 11—Vaccination and Immunisation uptake rates**

Programme	Time period (most recent published figures)	Shetland	Scotland	Notes
Bowel screening uptake	May 2023 - April 2025	73.6%	65.2%	Shetland was highest in Scotland
Cervical screening coverage	2024–25	63.4%	55.3%	Shetland was second highest in Scotland
AAA screening uptake	2024–25	89.1%	84.8%	Shetland was third highest in Scotland

- **Health Protection**

The Health Protection Team continue to manage enquiries, cases, outbreaks, and threats to health on a daily basis, along with surveillance and planning and preparedness work. This includes visiting maritime vessels, including over 100 cruise ship visits in 2025–26. In May 2025 public concern around gastrointestinal illness

aboard a visiting cruise ship led to a review of processes between local partners in Port Authority and Environmental Health: the lack of national updated guidance to relevant bodies was escalated. This led to participation in a national education event facilitated by Public Health Scotland for Scottish Health Boards and cruise industry partners.

In autumn and winter 2025, the Health Protection Team was one of four teams in the UK, and the only one in Scotland, to participate in and contribute to "Exercise Pegasus". Pegasus was a UK Government-led exercise held over the course of several months which sought to test and understand the UK capabilities in terms of future pandemic preparedness. The Shetland Health Protection Team's contribution was key in providing UK Government with awareness into the unique challenges faced within remote and rural communities. The process has also provided insight which will strengthen resilience planning and capabilities locally.

- **Health Improvement Programmes**

During 2025–26, the Health Improvement Team continued its work throughout Shetland to improve the health and wellbeing of individuals or communities with the overall theme to enable and encourage healthy choices. The focus of the team's work is to address underlying determinants of health such as poverty, housing, working conditions, educational opportunities, and life and work skills. Behaviour change and preventative work has continued through delivery of a number of programmes: full details of these schemes is on our Healthy Shetland website.

Infection Control

Healthcare Associated Infection reports are presented at each Board meeting.

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

Overall, the data demonstrates a high standard of infection prevention and control in NHS Shetland, with a strong audit programme demonstrating compliance to national standards. The positive Healthcare Environment Inspectorate inspection reports across the years reflect this diligence. In 2023–24, 2024–25, and 2025–26, no external audit of our services was undertaken by Healthcare Improvement Scotland (HIS).

Sustainability and Environmental Reporting

1. Introduction and National Context

Scotland's legislative framework for climate action is led by the Climate Change (Scotland) Act 2009, amended by the Climate Change (Emissions Reduction Targets) (Scotland) Act 2019, which commits to net-zero emissions by 2045, five years ahead of the UK target. NHS Shetland, as a designated Major Player, is required to report annually to the Sustainable Scotland Network (SSN) on its progress. The NHS Scotland Climate Emergency and Sustainability Strategy for 2022–2026 was published in August

2022 containing five main themes that will support achievement to overall net-zero ambitions.

2. Governance

NHS Shetland has established a robust governance structure to oversee climate-related responsibilities:

- Board-level oversight: The Board Chair, Gary Robinson, is the nominated Green Champion
- Dedicated groups: Climate Emergency and Sustainability Group, Waste Group, Transport and Logistics Group, and Energy Group, each with identified leads
- Reporting lines: These groups report to the Board through the Finance and Performance Committee (FPC)
- Monitoring: Progress is tracked via the Climate Emergency and Environmental Management Policy and reported through SSN returns and internal reviews.
- Annual sustainability reports

3. Strategy and Route Map

NHS Shetland's Net Zero Route Map outlines:

- Baseline emissions: 2,225 tCO_2e (2021–22)
- Key emission sources: 48% from patient transport; 30% from Gilbert Bain Hospital

In September 2025 the Board received the Shetland Climate Change Strategy that was previously approved at Shetland Community Planning Partnership. The Board approved the strategy and the actions required in the implementation plan.

Strategic actions:

- Replacement of Gilbert Bain Hospital (pending capital funding)
- Collaboration with ZetTrans on a local sustainable transport strategy
- Use of Shetland Heat Energy and Power district heating
- Fleet transition to electric vehicles and active travel promotion

4. Risk Management

NHS Shetland uses the NHS Scotland Climate Change Adaptation Assessment Tool to:

- Identify climate-related risks, such as infrastructure vulnerability and supply chain disruption;
- Submit a Climate Change Risk Assessment to the Scottish Government; and
- Develop an Adaptation Action Plan (in progress).

5. Metrics and Targets

Category	Baseline 2021–22	Prior Year 2022–23	Prior Year 2023–24	Last Year Available 2024–25	Target
	tCO_2e	tCO_2e	tCO_2e	tCO_2e	
Scope 1	431	437	469	217	Net-zero by 2045
Scope 2	1,059	1,021	1,025	654	Net-zero by 2045
Scope 3	735	1,544	2,255	952	Net-zero by 2045
Total Emissions	2,225	3,002	3,749	1,823	Net-zero by 2045
Fleet Emissions	10% EV fleet	33% EV fleet	91% EV fleet	91% EV fleet	100% EV by Dec 2025

CO_2 emissions data for 2025–26 is not yet available at date the annual accounts were signed but will in due course be published on SSN website.

The top 3 sources of Co2 emissions in each of these was:

- Domestic air travel for patients and staff;
- Electricity consumption; and
- Lerwick District Heating system.

Progress highlights:

- 91% of fleet vehicles are zero-emission, covering 83.3% of total miles.
- Participation in Green Healthcare Scotland national initiatives
- Reduced patient travel emissions through:
  - Repatriation schemes
  - Telehealth and GP portals
  - Modernised Loganair aircraft fleet (27% less CO_2) and their use of Sustainable Aviation Fuel further reducing CO_2 emissions
  - In partnership with ZetTrans undertook a staff travel survey for staff based in Lerwick during 2025–26 with a 14% participation rate

6. Risks and Opportunities

Risks:

- Delays in capital funding for hospital replacement
- Climate impacts on remote infrastructure and transport reliability
- Energy cost volatility

Opportunities:

- Digital health reducing travel emissions

- Community and staff engagement in sustainable transport
- Salary sacrifice schemes for green vehicles, bicycles and eco efficient home energy upgrades

NHS Shetland continues to assess and refine its understanding of climate-related risks and opportunities, with further integration into strategic planning underway. Although we have a road map to route zero and sustainability and environmental management policy our strategic objective statement is outstanding and will be developed during 2026–27.

Sociality Responsibility Matters

NHS Shetland recognises our social responsibility as an anchor organisation in Shetland and our legal obligations comply with the law to ensure we meet our diversity, equality, human rights, anti-corruption and anti-bribery standards.

NHS Shetland is legally bound by the Human Rights Act 1998 and the Equality Act 2010. Its core strategy mandates fair, respectful, and non-discriminatory healthcare and employment practices, heavily enforced through mandatory staff training and formal equality impact assessments.

NHS Shetland adopted the NHS Scotland 'Once for Scotland' Equality, Diversity and Inclusion Policy. This provides a single, standardized framework designed to eliminate discrimination, harassment, and victimisation in the workplace. It ensures that all employment policies are applied fairly, regardless of protected characteristics defined under the Equality Act 2010.

There are 35 policies within the 'Once for Scotland' Workforce Policies Programme.

NHS Shetland specific Equality and Diversity Publications are on our website. The publications include our

- Equality Outcomes and Mainstreaming report; and
- Equal Pay Statement and Equal Pay Monitoring Report.

NHS Shetland works via a partnership agreement with Counter Fraud Services to highlight our culture as an anti-corruption and anti-bribery organisation through staff training, participating in the annual international fraud awareness week, November 2025, and CyberScotland week, February 2026 and on-line training courses.

NHS Shetland in June 2025 updated our Fraud and Corruption Policy.

Highlights of some other significant events and achievements at NHS Shetland during 2025–26

- **External recognition for NHS Shetland staff**

Clinical Development Fellow Dr. Kirsty Brown awarded Cullen prize from Royal College of Physicians of Edinburgh

Dr. Kirsty Brown, Clinical Development Fellow, was awarded the prestigious William Cullen Prize by the Royal College of Physicians of Edinburgh in recognition of her outstanding contribution to medical education and service innovation in rural healthcare.

Figure 13—Dr. Kirsty Brown, recipient of William Cullen Prize



The William Cullen Prize for Excellence in Teaching and Service Innovation recognises clinicians or clinical teams who have made a significant contribution to local teaching or healthcare innovation. Dr. Brown's award reflects exceptional commitment to multi-disciplinary education, simulation-based learning, and the development of rural medical training. Dr. Brown has been instrumental in supporting NHS Shetland's highly commended medical student teaching programme and is a key driver of the Multi-disciplinary Team In Situ Simulation programme at the Gilbert Bain Hospital. This initiative has played a vital role in strengthening team-based learning, improving emergency preparedness, and enhancing inter-professional collaboration.

Dr. Johnston to take up Scalloway GP role following trainee award win

In August 2025, Dr. Margaret Johnston, was named GP Trainee of the Year (North of Scotland Faculty Grant and MacLeod Award). She received the award at the North Scotland Faculty Meet and Connect Conference 2025, held in Inverness.

Figure 14—Dr. Margaret Johnston, GP Trainee of the Year



The Royal College of General Practitioners North Scotland Faculty Grant and MacLeod Award recognises an outstanding General Practice Specialty Trainee in the North Scotland region who has made a significant contribution to general practice, in line with their goals. During her time as a GP Registrar at Lerwick Health Centre Dr. Johnston worked to strengthen the interface between primary and secondary care in Shetland and to improve internal processes within the practice. Her efforts focused particularly on enhancing care for vulnerable patients and supporting junior medical and nursing colleagues locally.

Marie Hurson, Cardiac Nurse Specialist, selected as a finalist for the prestigious Royal College of Nursing Scotland Nurse of the Year Awards 2025

Cardiac Nurse Specialist Marie Hurson has been highly commended for the Clinical Leadership Award. This award aims to recognise an exceptional leader who has made a significant difference to service delivery and quality of care by inspiring others.

The Scotland Nurse of the Year Awards celebrate the best of Nursing in Scotland, recognising excellence in nursing across a range of specialties. The awards shine a spotlight on the dedication, innovation, and exceptional professional care provided by nursing staff throughout the country.

Figure 15—Marie Hurson, Cardiac Nurse Specialist, Clinical Leadership Award finalist



- **NHS Shetland celebrates UNICEF Gold Baby Friendly accreditation**

NHS Shetland's Maternity and Health Visiting services have achieved Gold accreditation under the UNICEF UK Baby Friendly Initiative, a nationally recognised mark of excellence in care for babies and their families. The initiative supports services to provide high-quality, evidence-based care that helps parents build close and loving relationships with their baby and supports them in their feeding journey to give every child the best possible start in life.

Figure 16—NHS Shetland Maternity and Health Visiting services with UNICEF UK Baby Friendly Gold accreditation



In May 2025 the Maternity ward at the Gilbert Bain Hospital gratefully accepted more than 300 handmade hats for new-born babies from a Law Quilters group from North Berwick. It is the second year in a row the group have donated their creations to NHS Shetland, with over 600 hats having now made their way to the isles from East Lothian, as well as neonatal blankets to cannula sleeves, all crafted by their own hands.

- **Endometriosis Friendly Employer**

In March 2026, NHS Shetland announced its pledge to support colleagues impacted by endometriosis by joining the Endometriosis Friendly Employer scheme.

As part of the scheme NHS Shetland appointed an Endometriosis Champion, Francesca Laurenson, who received training from Endometriosis UK, enabling her to provide support and information to the workforce. Francesca is an Occupational Health Advisor and aims to educate both managers and employees about endometriosis while also addressing the general taboos surrounding menstrual health. She hopes to encourage those who are suffering to seek advice and support.

- **Transition from paper based to digital patients records for community services**

NHS Shetland improved community patient services with the introduction of Cambric's Morse mobile Electronic Patient Record. This supporting a wide range of community-based health services delivered in patients' homes and community settings across multiple islands. Clinicians use this system as they interact with patients, both online and offline, to deliver healthcare.

Using Morse will free up time formerly spent on paperwork to instead spend with patients, and it will provide one electronic record rather than the current multiple systems and paper files. Morse will integrate at the system level with NHS Shetland's GP system, sharing information, avoiding doubling up of data entry, and streamlining information flow between services and professionals.

Events after the end of the reporting year

The appointment of a new Non-Executive Board Member Karen Eunson commenced on 1 April 2026.

Section 6—Approval and signing of the Performance Report

Brian Chittick

Signed by Brian Chittick, Chief Executive as Accountable Officer

25 June 2026

The Accountability Report

Corporate Governance Report

Directors' Report

- **Date of Issue**

The Accountable Officer authorised these audited accounts for issue on 25 June 2026 as that was the date the accounts 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 2022–23 to 2027–28, the Auditor General appointed Audit Scotland to audit NHS Shetland.

- **Board membership**

Board membership	
Executive Board Members	**Position Held**
Brian Chittick	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	Director of Public Health
Non-Executive Board Members	**Position Held**
Gary Robinson	Chair
Natasha Cornick (until 31 March 2026)	Vice Chair
Lincoln Carroll	
Colin Campbell	
Joseph Higgins	Whistleblowing Champion
Kathy Hubbard	
Gaynor Jones	
Stakeholder Non-Executive Board Members	**Position Held**
[Position vacant]	Chair, Area Clinical Forum

Board membership	
Stakeholder Non-Executive Board Members	**Position Held**
Bruce McCulloch	Employee Director
Emma Macdonald	Local Authority Representative

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 that is essential to improving health and healthcare.

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

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

The names and positions of the Board Members are set out above.

- **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 (International Accounting Standards 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 Funds, the accounts of 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 2025–26 (nor were any provided in 2024–25).

- **Remuneration for non-audit work**

Audit Scotland did not undertake any non-audit work for the Board in 2025–26 (nor in 2024–25).

Value of Land

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

- **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 2025–26 there were no cases reported to the Information Commissioner's Office (ICO). In comparison, there were also no cases reported to the ICO during 2024–25.

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 no further action was necessary in all cases in 2023–24. 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 or she ought reasonably to have taken as a Director to make himself or 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.

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 disclosed and explain any material departures;
- prepare the accounts on a going concern basis;

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 accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter of 26 June 2023.

The Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Health Board is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Health Board as at 31 March 2026 and of its operating costs for the year then ended. In preparing these accounts the Directors are required to:

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

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

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

Governance Statement

Scope of Responsibility

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

My accountability arrangement, with respect to the 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 2025–26, however, there were no formal external reviews other than the annual Network and Information Systems Regulations 2018 audit.

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 approved our Vision when agreeing our Strategic Delivery Plan 2024–29 and the Shetland Islands Health and Social Care Partnership: Joint Strategic Commissioning Plan 2025–28 (JSCP).The vision sets out our aim is that everyone in Shetland can live well for longer, and easily access the support they need from us.

The Board's three corporate objectives are we:

1. provide excellent services for people;
2. support the building blocks of healthy communities; and
3. create the conditions for a sustainable organisation.

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

1. NHS Shetland's ADP sets out intended actions and the risks associated with delivering key national targets. It is signed off by the Scottish Government.
2. The NHS Shetland Strategic delivery plan for 2024–29, which was approved at the December 2023 Board meeting, aligns with the national strategic direction, and outlines the proposal for achieving the organisation's vision and strategic intent. The Strategic Delivery Plan builds on existing work and documents, including the Clinical and Care Strategy, the JSCP, the Shetland Partnership Plan, and the Shetland Children's Plan.
3. In April 2025 the Board agreed in partnership with SIC and IJB the local HSCP Joint Strategy Plan covering 2025–28. This key strategic document of the IJB 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 and in line with our joint plans.

In recent years, planning has been focussed on the shorter term and on aligning to Scottish Government requirements, particularly while navigating the Covid-19 pandemic and recovery period, which was shaped by the NHS Scotland Recovery Plan 2021–26.

The ADP represents a step change, moving towards longer term, Shetland-focused planning.

Finally, NHS Shetland, together with its 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.

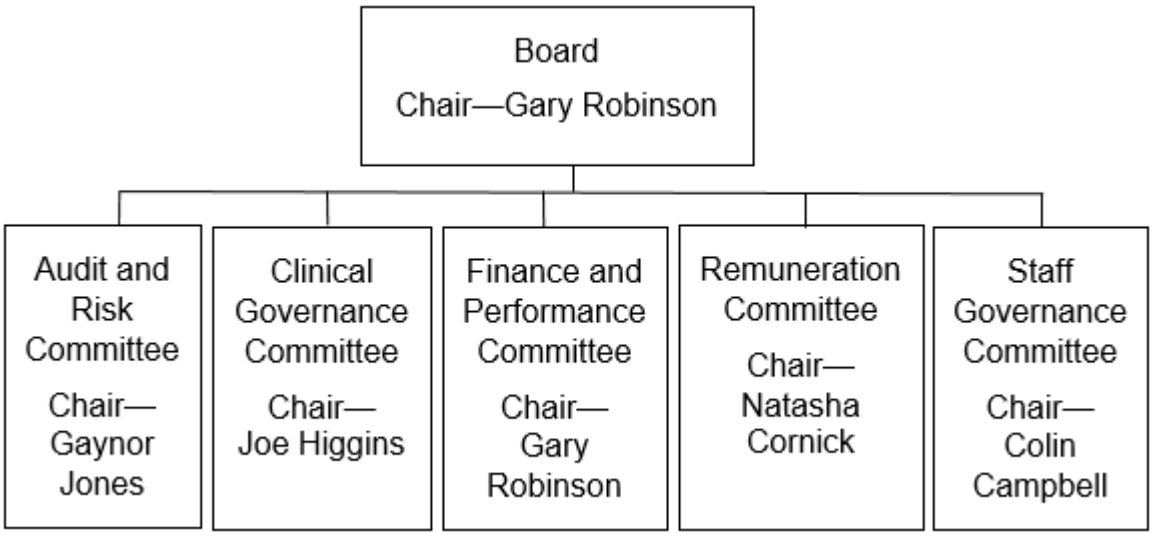
Governance Framework

Under the terms of the Scottish Health Plan, 2000, 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 43 to 46 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. An organisational governance chart showing groups that provide assurance to these committees is available on the Board's website, along with the management reporting structures.

The Board met five times in public during 2025–26 (2024–25, six times) and all the reports and minutes considered by the Board are publicly available on the Board's website.

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 (including 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.

Revisions to the Corporate Governance Handbook were agreed at Board meetings in 2025–26 as the governance committees reviewed their respective terms of reference.

Corporate Governance

In line with Scottish Government policy, the Board had the following standing committees in 2025–26:

- Clinical Governance Committee (CGC);
- Audit and Risk Committee;
- Endowment Committee;
- Finance and Performance Committee;
- Staff Governance Committee;
- Remuneration Committee;
- General Medical Practitioners Committee; and
- Reference Committee (for Primary Care contractors).

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

2025–26 saw the loss of one Non-Executive Directors as their term of office ended on 31 March 2026, as outlined in the Board membership table above. Information on further review and updating of some committee memberships is available on the Board's website.

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

- **Clinical Governance Committee**

The CGC has two key roles:

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

The membership of the committee includes five non-executive Board Members and was chaired in 2025–26 by Joe Higgins. The Committee met four times during 2025–26.

- **Audit and Risk Committee**

The Audit and Risk Committee now comprises four non-executive Board Members and was chaired in 2025–26 by Gaynor Jones. 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 four times during 2025–26 to consider all aspects of control. It also met four times in 2024–25.

As part of the committee's approach to continuous development and improvement, the business plan includes three development training sessions to inform members' understanding of nominated topics and address identified gaps in training. In 2025–26 these training sessions were provided by Azets in line with priorities identified.

The committee receives and discusses reports from internal and external audit bodies and scrutinises the Annual Report and Annual Accounts in detail on behalf of the Board. The committee received three Internal Audit reports in 2025–26: Strategic Planning, Estates Business Continuity Planning, and Income Generation. In these reports there are 31 management actions recommended to address issues highlighted: 12 of these actions are graded as high risk, 18 are graded as moderate risk and one as low risk.

All 31 management action plans in place and are progressing in the agreed timeframes.

The committee agrees the Annual Internal Audit plan and receives the Chief Internal Auditors Annual Report. In 2025–26, that report highlights an opinion that NHS Shetland has a framework of governance, risk management, and controls that provides reasonable assurance regarding the effective and efficient achievement of objectives.

- **Finance and Performance Committee**

Following a review of the Board's governance arrangements, the Board decided to amend the original committee structure. The committee chair is still the Board chair and membership now comprises two non-executive members with a designated substitute.

The committee met four times in 2025–26.

The committee remit, in addition to providing additional scrutiny and assurance on finance and performance, also includes reviewing:

- The Board's sustainability plan;
- Information Governance (IG);
- Digital, and Cyber Security;

- Business Continuity; and
- Review and scrutiny of the Board's ADP development.

- **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 Funds. It met four times in 2025–26 and four times in 2024–25.

The Shetland Health Board Endowment Funds is registered with the Office of the Scottish Charity Regulator (OSCR); its charity reference number is SC011513. The Shetland Health Board Endowment Funds produces its own audited accounts. However in line with IFRS 10, these have also been consolidated with the Board's accounts. Audit Scotland does not audit these accounts as part of this Audit. The A9 Partnership Limited Chartered Accountants, based in Lerwick, is the Auditor of these funds.

- **Staff Governance Committee**

The membership of the Staff Governance Committee comprises four non-executive Board Members, one of whom is the Employee Director, and four members from the Area Partnership Forum (APF), of which two are staff-side and two are management representatives. The 2025–26 committee chair was Colin Campbell. It met on four occasions during 2025–26, and on three occasions during 2024–25.

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, as well as 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 on an accelerated recruitment process to support deployment and redeployment of staff, 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 the Staff Governance Committee.

- **Reference Committee**

The Board has a Reference Committee that 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 2025–26 or during 2024–25. 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 2025–26 the committee met on three occasions and twice during 2024–25. The Remuneration Committee was chaired by the Vice Chair of the Board Natasha Cornick in 2025–26.

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—containing the Board's System of Internal Control: Standing Orders, Standing Financial Instructions, and approved Scheme of Delegation—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 that 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 (His Majesty's) 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, and 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.

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.

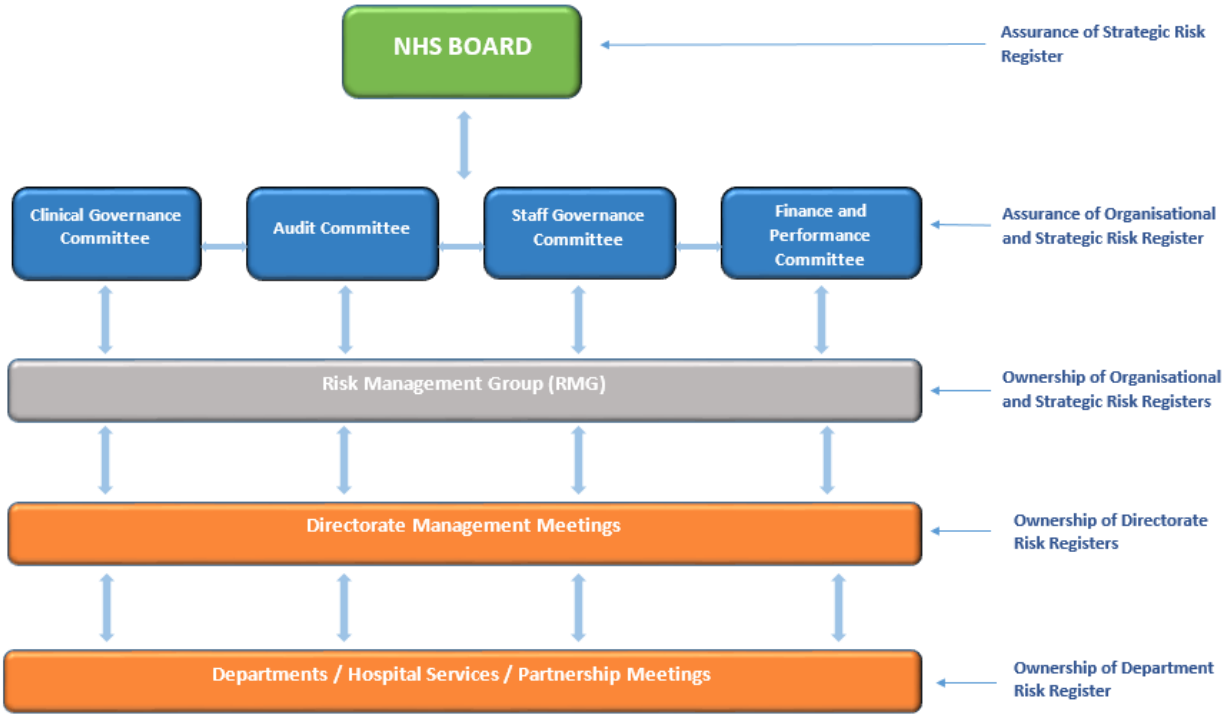
NHS Shetland risk arrangements are managed by the RMG with an annual work plan to embed risk management in the organisation.

Figure 18—Diagram showing Risk Register Hierarchy



The work of the RMG is overseen by the Audit and Risk Committee, with individual strategic risks allocated to the relevant committee as outlined below in figure 19. Overall oversight is maintained by the Board.

Figure 19—Diagram showing Risk Management Governance Structure



Our risk management process uses a standard matrix, with red, amber, or green status, 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 Report is published on the

Board's website and is formally reviewed by the Board and the Audit and Risk Committee.

A complete review of the corporate risks was undertaken during the year. The revised Strategic Risk Register was last approved by the Board at its April 2026 meeting. The review includes both issues over which the Board has full autonomy, and external factors.

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 2025–26 was presented to the April 2026 Board meeting. It summarises the activities undertaken in 2025–26, and the plans for 2026–27.

Annual Service Reports

National Services Scotland (NSS) appoints service auditors to review and report on various services, providing assurance to all Boards regarding the internal control frameworks for services delivered on behalf of NHS Scotland. This includes payments to Practitioners and IT. 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.

- **Whistleblowing**

The NHS Shetland whistleblowing policy is based on the NHS Scotland national whistleblowing standard. In February 2020, the Scottish Government appointed an additional Non-Executive Director to the Board to serve as its Whistleblowing Champion. Joe Higgins was appointed to this post during 2022–23.

Whistleblowing Executive Lead and Medical Director, Kirsty Brightwell continued to lead on embedding the national Whistleblowing Standards during 2025–26. Local Whistleblowing Annual Assurance Reports are approved by the Board, and are available on the NHS Shetland website.

- **Counter Fraud Services**

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

CFS also provides a central intelligence base for Boards, as well as support and training for staff in engendering an anti-fraud culture at the Board. In respect of fraud training, due to the in-year change to the new "Once for Scotland" training module information was not available on the members of staff who completed the module and have a valid completion certificate. Staff have also completed eLearning modules in Procurement Fraud Awareness, and Competition and Markets Authority Bid Rigging in Public Procurement.

In partnership with the CFS the Board participated in promoting International Fraud Awareness week in November 2025, highlighting as part of staff wellbeing how fraud impacts both the NHS and staff in their private lives outside work.

- **Information Governance**

The Board has put in place a structure and processes for implementing the national 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 that ensures organisational responsibilities are met in respect of IG responsibilities under the General Data Protection Regulation (EU) 2016/679, Freedom of Information (FoI), Public Records (Scotland) Act 2011, and Network & Information Systems Regulations 2018. The IG Work Plan and the operational delivery of these issues is scrutinised by the IG Group, which includes the DPO, Caldicott Guardian, SIRO, and Digital Lead.

The Board approved the Information Governance Strategy 2022–2027 at its June 2022 meeting.

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

Though progress has been made in a number of areas, NHS Shetland is still working to improve performance: the DPO received reports of 75 “near miss” data-security incidents in 2025–26, compared to 77 “near misses” in 2024–25. 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 2025–26 there were zero incidents reported to the ICO (2024–25, zero).

Information on staff IG training is unfortunately not clear for 2025–26: a new “once for Scotland” training module was introduced in-year and numbers on staff who completed the module and have a valid completion certificate were not yet available.

In respect of our Records Management Plan (RMP), The Keeper of the Records of Scotland latest content response was published on 21 February 2025.

In line with its submitted plan, NHS Shetland’s activity in 2025–26 focused on strengthening the underlying framework and evidencing arrangements required for a refreshed RMP submission. The recently appointed Corporate Records Manager led the modernisation and internal approval of the Board’s Records Management Policy, which is a significant governance milestone.

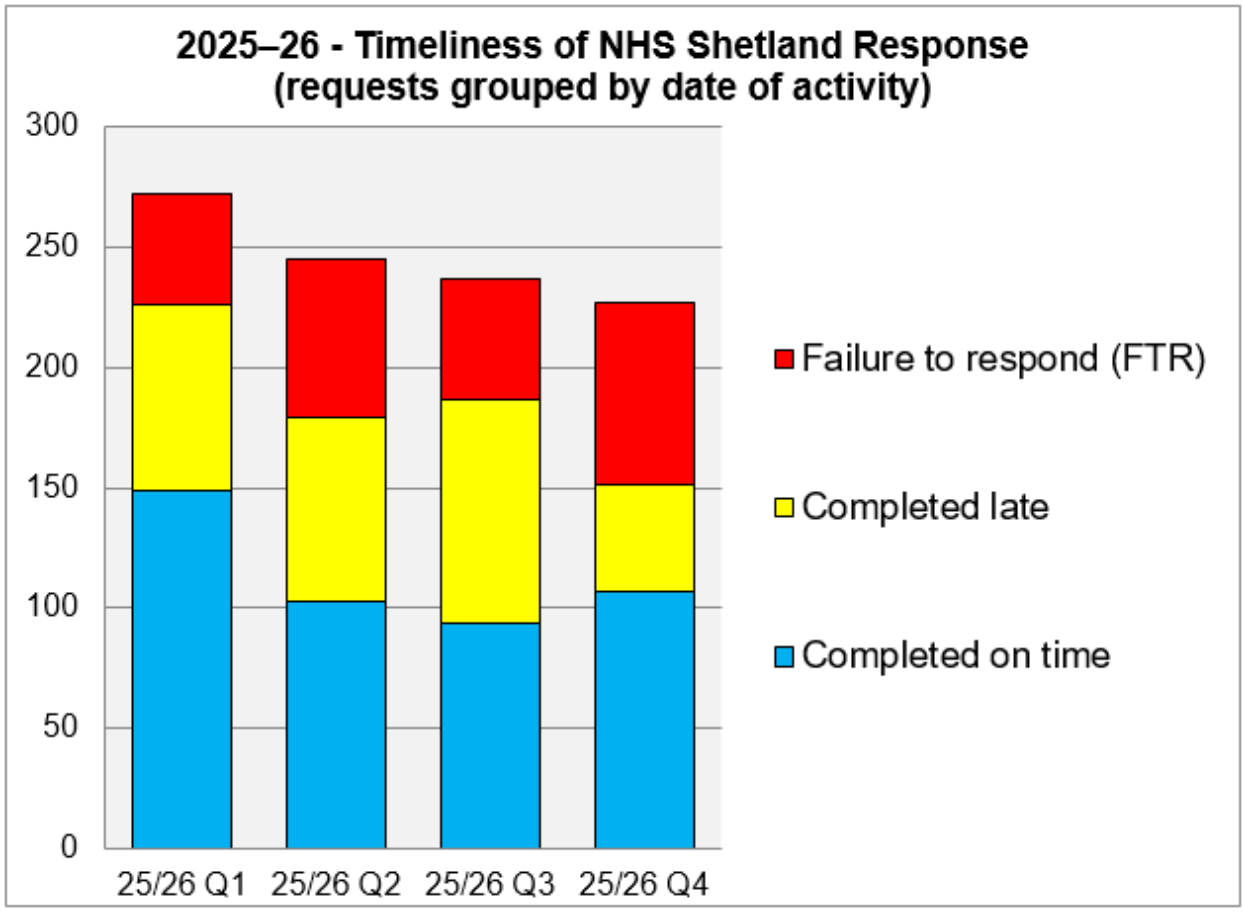
There were 777 FoI requests in 2025–26 versus 820 in 2024–25, so a decrease of 5.2%. 453 of 2025–26 requests were responded to on time, only 46.2%, while 547 such requests, or 61.9%, were responded to on time in 2024–25.

As shown in figure 20 below and reported to Freedom of Information (Scotland) Act 2002, 76 requests have not yet received a response and are overdue. This figure was 44 in 2024–25, so the outstanding at yearend total has increased by 72.7%.

Due to our drop in performance against the statutory target in responding to FOIs in-line with our obligations, the Scottish Information Commissioner is undertaking an intervention at level one. As part of the actions relating to the intervention the

commissioner visited Shetland for an in-person visit to meet the Chief Executive in March 2026 to discuss the concerns and set out future steps for ongoing engagement with the Commissioner's Office.

Figure 20—Timeliness of NHS Shetland response to FoI requests per quarter, 2025–26



As a result of the internal audit assignment on FoI requests the Board invested in a dedicated FoI system, Infreemation, to assist FoI management. This system went in to operational use during 2025–26. Re-design of the IG team has …

Best Value

I can confirm NHS Shetland is committed to ensuring 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 they are part of everyday business and integral to the Board's decision making in all key areas.

The Board governance committees report on their performance in respect of best value in their annual reports. All the committees advised they delivered best value and are content in respect of assurances received for best value delivery during 2025–26.

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 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 CFS 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 financial ledger services on behalf of NHS Scotland Boards.

For the year 2025–26, all three of these Service Audit Reports received a clear opinion that relevant controls were properly in place throughout the year.

As part of this process, the Directors and Committee Chairs have provided formal written Certificates of Assurance for their relevant committees or 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, FPC, 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 significant control weaknesses or issues that have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control that require to be reported to the Scottish Government.

Remuneration and Staff Report

Remuneration Report

- **Board Members' and Senior Employees' Remuneration**
- **Remuneration Committee membership (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 the post-holder. The Chief Executive is also in attendance, except when matters pertaining to the post-holder's 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.

- **NHS Shetland—Year Ended 31 March 2026 (Audited Information)**

Director	Director's Gross Salary (bands of £5,000)	Benefits in Kind [6]	Total Earnings in Year	Pension Benefits	Total Remuneration
Executive Members	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive: Brian Chittick	130-135	0	130-135	42	175-180
Medical Director: Kirsty Brightwell [1]	185-190	0	185-190	7	190-195
Director of Nursing: Kathleen Carolan	130-135	8	140-145	101	240-245
Director of Finance: Colin Marsland [2]	135-140	1	135-140	38	170-175
Director of Human Resources and Support Services: Lorraine Hall	130-135	0	130-135	67	200-205
Director of Public Health: Susan Laidlaw	150-155	0	150-155	27	180-185
Non-Executive Members	**£000**		**£000**	**£000**	**£000**
Chair: Gary Robinson	45-50	0	45-50	0	45-50
Natasha Cornick	10-15	0	10-15	0	10-15
Lincoln Carroll	10-15	0	10-15	0	10-15
Colin Campbell [3]	65-70	0	65-70	15	80-85
Joseph Higgins	10-15	0	10-15	0	10-15
Emma Macdonald	10-15	0	10-15	0	10-15
Kathy Hubbard	10-15	0	10-15	0	10-15
Gaynor Jones	10-15	0	10-15	0	10-15

Director	Director's Gross Salary (bands of £5,000)	Benefits in Kind [6]	Total Earnings in Year	Pension Benefits	Total Remuneration
Other Board Members	**£000**		**£000**	**£000**	**£000**
Employee Director: Bruce McCulloch [4]	50-55	0	50-55	13	65-70
Total		**9**		**310**	

Notes in respect of 2025–26 disclosure:

1. This Medical Director's salary includes £26k in respect of non-Board duties (GP) and £12k arrears relating to prior financial years, recognised in accordance with the accruals basis of accounting.
2. This Director of Finance salary figure includes £22k payments of arrears relating to prior financial years.
3. This Non-Executive Director is also a substantive staff member of NHS Shetland (Senior Procurement Contracts Manager). Salary for that role was £50k–55k and pension benefits relate solely to the substantive staff role and not to Non-Executive duties.
4. This Employee Director's salary includes £37k in respect of non-Board duties (Service Improvement Lead).
5. The Director of Community Health and Social Care (DCHSC) Jo Robinson is employed by SIC with NHS Shetland contributing 50% of the costs. Her annual salary for the year was £100k–£105k.
6. Benefits in kind relate to lease vehicles provided through the Board's salary sacrifice scheme.
7. No bonus payments were made in 2025–26.

- **NHS Shetland - Pension Values - Year Ended 31 March 2026 (Audited Information)**

Director	**Accrued pension at age 60 as at 31 March 2026 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500) [1]**	**Cash Equivalent Transfer Value (CETV) at 31 March 2025**	**CETV at 31 March 2026**	**Real Increase in CETV [3]**
Executive Members	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive: Brian Chittick	25-30 (0)	2.5-5 (0)	349	409	47
Medical Director: Kirsty Brightwell	60-65 (150-155)	0-2.5 (0-2.5)	1,126	1,213	44
Director of Nursing: Kathleen Carolan	40-45 (100-105)	5-7.5 (7.5-10)	779	922	114
Director of Finance: Colin Marsland	45-50 (120-125)	2.5-5 (0-2.5)	1,019	1,121	63
Director of Human Resources and Support Services: Lorraine Hall	40-45 (90-95)	2.5-5 (2.5-5)	835	945	79
Director of Public Health: Susan Laidlaw	55-60 (135-140)	0-2.5 (0)	1,250	1,350	53

Director	Accrued pension at age 60 as at 31 March 2026 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2025	CETV at 31 March 2026	Real Increase in CETV [3]
Non-Executive Members [2]					
Colin Campbell	0-5 (0)	0-2.5 (0)	10	29	19
Other Board Members	**£000**	**£000**	**£000**	**£000**	**£000**
Employee Director: Bruce McCulloch	15-20 (40-45)	0-2.5 (0)	338	368	17
Total					**436**

Notes in respect of 2025–26 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. The only exception is Colin Campbell who also holds a substantive post with NHS Shetland.
3. The real increase in CETV reflects the increase funded by the employer and is calculated using the opening CETV before inflation. It excludes changes arising from inflation, employee contributions, and other non-discretionary factors.

- **NHS Shetland—Year Ended 31 March 2025 (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: Brian Chittick	130-135	130-135	38	165-170
Medical Director: Kirsty Brightwell [1]	160-165	160-165	59	215-220
Director of Nursing: Kathleen Carolan	120-125	120-125	53	170-175
Director of Finance: Colin Marsland	90-95	90-95	63	155-160
Director of Human Resources and Support Services: Lorraine Hall	120-125	120-125	38	160-165
Director of Public Health: Susan Laidlaw	150-155	150-155	121	270-275
Non-Executive Members	**£000**	**£000**	**£000**	**£000**
Chair: Gary Robinson	40-45	40-45	0	40-45
Natasha Cornick	10-15	10-15	0	10-15
Lincoln Carroll	10-15	10-15	0	10-15
Colin Campbell [2]	45-50	45-50	8	50-55
Joseph Higgins	10-15	10-15	0	10-15
Emma Macdonald	10-15	10-15	0	10-15
Kathy Hubbard	10-15	10-15	0	10-15
Gaynor Jones	10-15	10-15	0	10-15

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 [until 15 May 2024] [3]	75-80	75-80	25	100-105
Employee Director: Bruce McCulloch [4]	45-50	45-50	24	70-75
Total			**429**	

Notes in respect of 2024–25 disclosure:

1. This Medical Director's salary includes £25k in respect of non-Board duties (GP).
2. This Non-Executive Director was also a substantive staff member of NHS Shetland (Senior Procurement Contracts Manager) from 20 August 2024. Salary for that role was £30k–40k, full year equivalent £55k–60k.
3. This Chair of the Area Clinical Forum salary includes £76k in respect of non-Board duties (Chief Nurse Acute). This person was a Non-Executive Director until 15 May 2024 with a full year equivalent director's salary of £10k–15k.
4. This Employee Director's salary includes £36k in respect of non-Board duties (Service Improvement Lead).
5. The DCHSC Jo Robinson is employed by SIC with NHS Shetland contributing 50% of the costs. Her annual salary for the year was £100k–105k.
6. No other benefits in kind were received in 2024–25.
7. No bonus payments were made in 2024–25.

- **NHS Shetland - Pension Values - Year Ended 31 March 2025 (Audited Information)**

Director	**Accrued pension at age 60 as at 31 March 2025 (bands of £5,000) [1]**	**Real Increase in Pension at age 60 (bands of £2,500) [1]**	**CETV at 31 March 2024**	**CETV at 31 March 2025**	**Real Increase in CETV [3]**
Executive Members	**£000**	**£000**	**£000**	**£000**	**£000**
Chief Executive: Brian Chittick	20-25 (0)	2.5-5 (0)	301	349	43
Medical Director: Kirsty Brightwell	55-60 (140-145)	2.5-5 (0-2.5)	910	1,216	73
Director of Nursing: Kathleen Carolan	35-40 (90-95)	2.5-5 (2.5-5)	701	779	66
Director of Finance: Colin Marsland	40-45 (105-110)	2.5-5 (5-7.5)	845	941	82
Director of Human Resources and Support Services: Lorraine Hall	35-40 (80-85)	2.5-5 (0-2.5)	775	835	47
Director of Public Health: Susan Laidlaw	50-55 (135-140)	5-7.5 (10-12.5)	1,079	1,250	152

Director	Accrued pension at age 60 as at 31 March 2025 (bands of £5,000) [1]	Real Increase in Pension at age 60 (bands of £2,500) [1]	CETV at 31 March 2024	CETV at 31 March 2025	Real Increase in CETV [3]
Non-Executive Members [2]					
Colin Campbell	**0-5 (0)**	**0-2.5 (0)**	**0**	**10**	**10**
Other Board Members	**£000**	**£000**	**£000**	**£000**	**£000**
Chair of Area Clinical Forum: Amanda McDermott	15-20 (40-45)	0-2.5 (0-2.5)	300	337	32
Employee Director: Bruce McCulloch	15-20 (40-45)	0-2.5 (0-2.5)	192	338	27
Total					532

Notes in respect of 2024–25 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. The only exception is Colin Campbell who also holds a substantive post with NHS Shetland.
3. The real increase in CETV reflects the increase funded by the employer, and excludes changes due to inflation, employee contributions, and other non-discretionary factors.

- **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.

	2026	**2025**	**Change**
	£s	**£s**	**%**
Range of staff remuneration	26k–307k	25k–331k	(7.25)
Highest earning director's remuneration [1]	173,966	150,404	15.67
Median (Total pay and benefits)	44,009	42,140	4.43
Median (Salary only)	41,483	39,735	4.40
Ratio	1:4	1:4	-
25th percentile (Total pay and benefits)	33,150	32,218	2.62
25th percentile (Salary only)	30,274	28,998	4.40
Ratio	1:5	1:5	-
75th percentile (Total pay and benefits)	58,921	55,138	6.10
75th percentile (Salary only)	50,935	48,788	4.40
Ratio	1:3	1:3	-

Commentary: [1] The highest-earning director in 2025–26 was the Medical Director. The remuneration disclosed includes earnings relating to both the substantive executive role and additional GP clinical responsibilities undertaken for the Board. The figure excludes arrears of pay relating to prior financial years.

The range of remuneration continues to be heavily influenced by the additional cost of temporary workers including bank and agency consultants.

The general increase in the current year's remuneration compared to the previous year is in line with the NHS Scotland pay award for 2025–26.

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.

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 2026.

Salary bands are based on full-year equivalent gross salary only and exclude pension benefits and benefits in kind.

Band (bands of £10,000)	**Number of Staff**	**Number of Staff**
	2026	**2025**
£80,001 to £90,000	0	0
£90,001 to £100,000	0	1
£120,001 to £130,000	0	2
£130,001 to £140,000	4	2
£150,001 to £160,000	1	1
£180,001 to £190,000	1	0
Total	**6**	**6**

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

Other employees whose remuneration fell within the following ranges:

2026		**2025**
Number		**Number**
	Clinicians	
10	£90,001 to £100,000	10
6	£100,001 to £110,000	8
2	£110,001 to £120,000	2
2	£120,001 to £130,000	2
2	£130,001 to £140,000	3
2	£140,001 to £150,000	0
1	£150,001 to £160,000	2
1	£160,001 to £170,000	0

2	£170,001 to £180,000	3
1	£180,001 to £190,000	0
3	£190,001 to £200,000	2
6	£200,001 and above	4
	Other	
1	£90,001 to £100,000	1
0	£120,001 to £130,000	0
0	£130,001 to £140,000	0

- **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	849	125	188	0	0	**1,162**
Non-Executive Members	166	15	0	0	0	**181**
Permanent staff	41,908	5,325	7,752	0	0	**54,985**
Inward Secondees	0	0	0	108	0	**108**
Other Staff	0	0	0	0	2,343	**2,343**
Outward secondees	(602)	0	0	0	0	**(602)**
2026 total	**42,321**	**5,465**	**7,940**	**108**	**2,343**	**58,177**
2025 total	**38,148**	**4,070**	**7,249**	**107**	**3,016**	**52,590**

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

	Whole Time Equivalent
Executive Board Members	6
Non-Executive Members	2
Permanent staff	706
Inward Secondees [1]	—
Other Staff	—
Outward Secondees [1]	—
2026 total	**714**
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure:	0
Included in the total staff numbers above were disabled staff:	46
Included in the total staff numbers above were Special Advisers:	0
2025 total	**688**
Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure:	0
Included in the total staff numbers above were disabled staff:	43
Included in the total staff numbers above were Special Advisers:	0

[1] The WTE for secondees is not routinely collected due to the nature of the transactions. The cost of these secondees can however be seen in the Staff Costs table above.

Note: Staff pension benefits are provided through the NHS Pension Scheme (Scotland). Details of the scheme are included in Note 18.

- **Staff composition (Unaudited Information)**

Head Count of Staff	2026			2025		
	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	22	16	**38**	32	37	**69**
Other	151	727	**878**	125	687	**812**
Total Headcount	180	751	**931**	164	732	**896**

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

	2026	**2025**
Sickness absence rate	4.9%	4.4%

The NHS Scotland ADP compliance standard for Boards is a sickness-absence rate of 4.0% or less. NHS Shetland's rate was again just over this KPI in 2025–26, though it was better than the NHS Scotland 2025–26 average of 6.41%.

The number of hours lost as sickness absence increased from 58,875 in 2024–25 to 68,320 in 2025–26.

The APF and Staff Governance Committee monitor sickness absence as part of their standing agenda items, while managers are responsible for following Board policies concerning supporting 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 - NHS Shetland. You can find further documentation on NHS Shetland's external website.

- **Exit packages (Audited Information)**

None in 2025–26, none in prior year.

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

Period	Staff-turnover percentage
2025–26	12%
2024–25	11%

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 iMatter process is based on a staff engagement questionnaire which all staff are asked to respond to: this then generates a Team Report containing the results. Line managers discuss these reports with their teams and agree the team's main strength and up to three improvement actions, specific to them, for the months ahead. This improvement plan is captured on a team 'Storyboard' which the team then uses to monitor progress up to the next iMatter run. The process is completed annually.

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

NHS Shetland engaged Procure Leask Limited as a consultancy firm during 2025–26 to review NHS Shetland digital strategy and delivery plan.

NHS Shetland also engaged several consultancy firms during 2025–26 in relation to the ongoing remedial work required to the Gilbert Bain Hospital and to support the Whole System Infrastructure Planning Process. These consultants were engaged indirectly through the Hub North Scotland Ltd, a strategic development partner for the

public sector; Scottish Government contributed additional funding to cover these costs.

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

The Board has policies and procedures in place for other employee matters such as diversity issues and equal treatment in employment and occupation, as well as 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, and pay policy. Policies include eliminating Bullying and Harassment, Flexible Work Pattern, and Health and Safety. You can find further 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 2025–26 or prior year that incurred a loss.

As required the Board 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 by Brian Chittick, Chief Executive as Accountable Officer

25 June 2026

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

Reporting on the audit of the financial statements

- **Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of NHS Shetland and its group for the year ended 31 March 2026 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. 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 2025/26 Government Financial Reporting Manual (the 2025/26 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the board and its group as at 31 March 2026 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 2025/26 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**

I conducted my 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. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 3 April 2024. My period of appointment is four years, covering 2023/24 to 2026/27. I am independent of the board and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

- **Conclusions relating to going concern basis of accounting**

I 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 I have performed, I 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 current or future financial sustainability of the board and its group. However, I 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**

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

- **Responsibilities of the Accountable Officer for the financial statements**

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

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

- **Auditor's responsibilities for the audit of the financial statements**

My 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 my 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.

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

- using my understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;

- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on 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.

The extent to which my 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.

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 my auditor's report.

Reporting on regularity of expenditure and income

- **Opinion on regularity**

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

- **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am 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 parts of the Remuneration and Staff Report**

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have 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 the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My 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 my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I 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 my opinion, based on the work undertaken in the course of the audit:

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

- **Matters on which I am required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

- **Conclusions on wider scope responsibilities**

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

Use of my 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 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Rachel Browne CPFA
Audit Director

Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

25 June 2026

NHS Shetland Statements and Summaries

Consolidated Statement of Comprehensive Net Expenditure for the Year Ended 31 March 2026

2025			**2026**
£000		**Note**	**£000**
53,143	Staff costs	3a	58,779
	Other operating expenditure	3b	
3,495	Independent Primary Care Services		3,551
11,738	Drugs and medical supplies		12,351
70,212	Other health care expenditure		72,872
138,588	Gross expenditure for the year		147,553
(45,593)	Less: operating income	4	(47,956)
36	Associates and joint ventures accounted for on an equity basis		(107)
93,031	**Net expenditure for the year**		**99,490**

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

2025		**2026**
£000		**£000**
(9)	Net gain on revaluation of investments	(195)
(763)	Net (gain) / loss on revaluation of property	1,131
(772)	**Other comprehensive expenditure**	936
92,259	**Comprehensive net expenditure**	**100,426**

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

Consolidated Statement of Financial Position as at 31 March 2026

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
30,558	30,558	Property, plant and equipment	7a	31,691	31,691
3,161	3,161	RoU assets	17a	2,932	2,932
		Financial assets:			
1,515	0	Available for sale financial assets	10	1,708	0
444	0	Investments in associates and joint ventures		551	0
35,678	**33,719**	**Total non-current assets**		**36,882**	**34,623**
		Current Assets:			
745	745	Inventories	8	771	771
		Financial assets:			
3,139	3,124	Trade and other receivables	9	3,369	3,329
962	125	Cash and cash equivalents	11	2,454	1,975
150	150	Asset held for sale	7b	110	110
4,996	**4,144**	**Total current assets**		**6,704**	**6,185**
40,674	**37,863**	**Total assets**		**43,586**	**40,808**
		Financial liabilities:			
(533)	(533)	Provisions	13a	(585)	(585)
(11,440)	(11,333)	Trade and other payables	12	(14,595)	(14,536)

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
(11,973)	**(11,866)**	**Total current liabilities**		**(15,180)**	**(15,121)**
28,701	**25,997**	**Non-current assets plus / less net current assets / liabilities**		**28,406**	**25,687**
		Non-current liabilities			
(1,702)	(1,702)	Provisions	13a	(2,345)	(2,345)
(3,160)	(3,160)	Trade and other payables	12	(2,439)	(2,439)
(4,862)	**(4,862)**	**Total non-current liabilities**		**(4,784)**	**(4,784)**
23,839	**21,135**	**Assets less liabilities**		**23,622**	**20,903**
		Taxpayers' Equity			
10,327	10,327	General fund		9,329	9,329
10,808	10,808	Revaluation reserve		11,574	11,574
444	0	Other reserves—associates and joint ventures		551	0
2,260	0	Fund held on Trust		2,168	0
23,839	**21,135**	**Total taxpayers' equity**		**23,622**	**20,903**

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

The accounts on pages 75-82 were approved by the Board on 25 June 2026 and signed on their behalf by:

Director of Finance: Colin Marsland



Chief Executive: Brian Chittick



Consolidated Statement of Cash Flows (CFS) for the Year Ended 31 March 2026

2025			2026	2026
£000		Note	£000	£000
	Cash flows from operating activities			
(93,031)	Net expenditure	SoCTE	(99,490)	
5,277	Adjustments for non-cash transactions	2b	5,394	
57	Add back: Lease interest payable		103	
0	Investment income		0	
2,458	Movements in working capital	2c	1,185	
(85,239)	**Net cash outflow from operating activities**	**21c**		**(92,808)**
	Cash flows from investing activities			
(1,712)	Purchase of property, plant and equipment (PPE)		(4,641)	
0	Investment additions	10	0	
8	Proceeds of disposal of PPE		94	
0	Receipts from sale of investments		0	
0	Interest received		0	
(1,704)	**Net cash outflow used in investing activities**	**21c**		**(4,547)**
	Cash flows from financing activities			
86,602	Funding	SoCTE	97,713	
(28)	Movement in general fund working capital	SoCTE	1,850	

2025			2026	2026
£000		**Note**	**£000**	**£000**
	Cash flows from financing activities			
86,574	Cash drawn down		99,563	
(383)	Capital element of payments in respect of leases	21c	(613)	
(57)	Interest element of leases	2b	(103)	
86,134	**Net Financing**	**21c**		**98,847**
(809)	**Net Increase / (decrease) in cash and cash equivalents in the year**		**1,492**	
1,771	**Cash and cash equivalents at the beginning of the year**		**962**	
962	**Cash and cash equivalents at the end of the year**		**2,454**	
	Reconciliation of net cash flow to movement in net debt/cash			
(809)	Increase / (decrease) in cash in year	11		1,492
1,771	Net debt / cash at 1 April			962
962	**Net debt / cash at 31 March**			**2,454**

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

Consolidated Statement of Changes to Taxpayers Equity for the Year Ended 31 March 2026

		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 2025		10,327	10,808	444	2,260	23,839
Changes in taxpayers' equity for 2025–26						
Net loss on revaluation of property		0	(1,131)	0	0	(1,131)
Net gain on revaluation of investments		0	0	0	195	195
Impairment of property and equipment		0	(40)	0	0	(40)
Revaluation taken to operating costs		0	2,536	0	0	2,536
Transfer between reserves		599	(599)	0	0	0
Net operating cost for the year	CFS	(99,310)	0	107	(287)	(99,490)
Total recognised income and expense for 2025–26		(98,711)	766	107	(92)	(97,930)

		General Fund	Revaluation Reserve	Other reserve—associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Funding:	**Note**					
Drawn down	CFS	99,563	0	0	0	99,563
Movement in General Fund creditor	CFS	(1,850)	0	0	0	(1,850)
Balance at 31 March 2026	**SoFP**	**9,329**	**11,574**	**551**	**2,168**	**23,622**

Consolidated Statement of Changes to Taxpayers Equity—Prior Year, Ended 31 March 2025

		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 2024		15,146	14,194	480	3,111	32,931
Changes in taxpayers' equity for 2024–25						
Net gain on revaluation of property		0	763	0	0	763
Net gain on revaluation of investments		0	0	0	9	9

		General Fund	Revaluation Reserve	Other reserve—associates and joint ventures	Funds Held on Trust	Total Reserves
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Impairment of property and equipment		0	(7,344)	0	0	(7,344)
Impairment taken to operating costs		0	3,909	0	0	3,909
Transfer between reserves		714	(714)	0	0	0
Net operating cost for the year	CFS	(92,135)	0	(36)	(860)	(93,031)
Total recognised income and expense for 2024–25		(91,421)	(3,386)	(36)	(851)	(95,694)
Funding:	**Note**					
Drawn down	CFS	86,574	0	0	0	86,574
Movement in General Fund creditor	CFS	28	0	0	0	28
Balance at 31 March 2025	**SoFP**	**10,327**	**10,808**	**444**	**2,260**	**23,839**

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

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 accounts have been prepared in accordance with the FReM issued by HM Treasury, which follows IFRS, IFRIC Interpretations, and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

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

Adoption of new and revised Standards

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

IFRS 17 Insurance Contracts have been included within the FreM for 2025–26.

- **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**

The table below summarises recent standards, amendments, and interpretations issued but not adopted in the 2025–26 financial year.

Standard	Current status
IFRS 18 Presentation and disclosure in financial statements	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.
IFRS 19 Subsidiaries without public accountability: disclosures	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.

Basis of Consolidation

Consolidation

In accordance with IFRS 10—Consolidated Accounts, the accounts 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 Funds is a Registered Charity with OSCR and is required to prepare and submit Audited accounts to OSCR on an annual basis.

The basis of consolidation used is merger accounting. Any intragroup transactions between the Board and the Shetland Health Board Endowment Funds have been eliminated on consolidation.

The integration of health and social care services under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and associated secondary legislation impacts on Health Board disclosure requirements in the annual accounts.

In line with statutory guidance issued by the Integrated Resources Advisory Group (IRAG) IJBs are deemed to be joint ventures. In accordance with IFRS 11 Joint Arrangements, the primary financial statements have been amended for the additional disclosure required to accurately reflect the Board's interest in IJBs using the equity method of accounting.

Unaudited accounts for the Shetland Health Board Endowment Funds and IJB have been used as a basis for the calculations and consolidation.

Note 21 provides further details on the consolidation of the Endowment Fund and IJBs within the Financial Statements.

Going Concern

The accounts are prepared on a going concern basis, which provides that the NHS Board will continue in operational existence for the foreseeable future, unless informed by Scottish Ministers of the intention for dissolution without transfer of services or functions to another entity.

Accounting Convention

The accounts are prepared on a historical cost basis, as modified by the revaluation of property at fair value as determined by the relevant accounting standards and the FReM.

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.

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

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

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

Thereafter, valuations of all land and building assets are reassessed by valuers under a 5-year programme of professional valuations and are adjusted in intervening years to take account of movements in prices since the latest valuation. The latest full valuation on NHS Shetland's land and buildings was carried out on 31 March 2026 by Newmark LLP.

The valuations are carried out in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual (Red Book) insofar as these terms are consistent with the agreed requirements of the Scottish Government.

In general, operational assets which are in use delivering front line services or back-office functions are valued at current market value in existing use. However, to meet the underlying objectives established by the Scottish Government the following accepted variations of the RICS Appraisal and Valuation Manual are adopted:

- Operational assets which are specialised in nature are valued on a replacement cost basis for a modern equivalent asset.
- Non-specialised equipment, installations and fittings are valued at fair value, using the most appropriate valuation methodology available. A depreciated historical cost basis is considered an appropriate proxy for fair value in respect of assets which have short useful lives or low values (or both).

All assets that are not held for their operational capacity (i.e. investment properties and assets held for sale), including operational assets which are surplus to requirements where there are no restrictions on disposal which would prevent access to the market, are measured subsequently at fair value.

Surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset. Surplus asset classification is reviewed annually and approved by management.

Assets under construction are valued at current cost. No depreciation is charged or indexation applied to assets under construction. These assets are subject to impairment review.

- **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 SoCNE. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

- **Revaluations and Impairment**

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

Permanent decreases in asset values and impairments arising from a reduction in operational capacity or consumption of economic benefit are charged to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments arising from a change in market price are charged to the revaluation reserve where there is an available balance for the asset concerned, and thereafter are charged to 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, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
4. Equipment is depreciated over the estimated life of the asset.
5. Leased Property, plant and equipment held under leases are depreciated over the shorter of the lease term and the estimated useful life. Unless there is reasonable certainty the Board will obtain ownership of the asset by the end of the lease term in which case it is depreciated over its useful life.

Depreciation is charged on a straight-line basis.

The following asset lives have been used:

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

[*] Buildings (and component parts of buildings) range in life from 4-85 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 operational capacity 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 SoCNE 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.

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 2025–26.

- **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 SoCNE. Non-current assets held for sale will include assets transferred from other categories and will reflect any resultant changes in valuation.

- **Leasing**

- Scope and classification

Leases are contracts, or parts of a contract that convey the right to use an asset in exchange for consideration. The FReM expands the scope of IFRS 16 to include arrangements with nil consideration. The standard is also applied to accommodation sharing arrangements with other government departments.

Contracts or parts of contract that are leases in substance are determined by evaluating whether they convey the right to control the use of an identified asset, as represented by rights both to obtain substantially all the economic benefits from that asset and to direct its use.

The following are excluded:

- Contracts for low-value items, defined as items costing less than £5,000 when new, provided they are not highly dependent on or integrated with other items; and
- Contracts with a term shorter than twelve months (comprising the non-cancellable period plus any extension options that are reasonably certain to be exercised and any termination options that are reasonably certain not to be exercised).

- Initial recognition

At the commencement of a lease (or the IFRS 16 transition date, if later), a right-of-use asset and a lease liability are recognised. The lease liability is measured at the present value of the payments for the remaining lease term (as defined above), net of irrecoverable value added tax (VAT), discounted either by the rate implicit in the lease, or, where this cannot be determined, the rate advised by HM Treasury for that calendar year. The liability includes payments that are fixed or in-substance fixed, excluding, for example, changes arising from future rent reviews or changes in an index. The right-of-use asset is measured at the value of the liability, adjusted for any payments made or amounts accrued before the commencement date; lease incentives received; incremental costs of obtaining the lease; and any disposal costs at the end of the lease. However, for peppercorn or nil consideration leases, the asset is measured at its existing use value.

- Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these accounts, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

- Lease expenditure

Expenditure includes interest, straight-line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rental payments for leases of low-value items or shorter than twelve months are expensed.

- Estimates and judgements

The Board determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of

the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable, the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under "peppercorn" leases to be measured at existing use value.

- **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 operational capacity provided by the asset, unless there has been a reduction in operational capacity. 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 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 works in progress at 31 March 2026.

- **Losses and Special Payments**

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

- **Employee Benefits:**
- Short-term Employee Benefits

Salaries, wages, and employment-related payments are recognised in the year in which the service is received from employees. The cost of annual leave and flexible working time entitlement earned but not taken by employees at the end of the year is recognised in the accounts 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 (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 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 defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the SoCNE 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 the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency (SPPA) 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 SoCNE at the time the Board commits itself to the retirement, regardless of the method of payment.

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 annually managed expenditure (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.

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 accounts. 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 accounts’, requires that they should be adjusted and the basis for adjustment disclosed in a note to the accounts.

Financial Instruments

- **Financial assets**
    - **Business Model**

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

- **Classification**

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

a) Financial assets at fair value through profit or loss

This is the default basis for financial assets.

b) Financial assets held at amortised cost.

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

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

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

c) Financial assets at fair value through other comprehensive income

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

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

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

- Impairment of financial assets:

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

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

- **Recognition and measurement**

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

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

a) Financial assets at fair value through profit or loss

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

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 SoCNE.

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.

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 SoCNE.

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

The Board makes subjective and complex judgements in applying its accounting policies and relies on a range of estimation techniques and assumptions concerning uncertain future events. It is recognised that sources of estimation uncertainty are likely to vary from year to year and the resulting accounting estimates will, by definition, seldom equal the related actual results. As such, key judgements and estimates are continually reviewed, based on historical experience and other factors, including changes to past assumptions and expectations of future events that are believed to be reasonable under the circumstances.

The key judgements and estimations exercised in the application of the Board's accounting policies which have the most significant effect on the carrying amounts in the accounts are summarised below:

Judgements		
Area	**Description**	**Sensitivities**
Pensions	The NHS Pension Scheme (Scotland) is treated as a defined contribution scheme as its assets and liabilities are not separately identifiable.	
Basis of Consolidation	The Shetland Health Board Endowment Funds is a subsidiary due to control and is consolidated on a line by line basis. The Directors of NHS Shetland are also the Trustees of the Shetland Health Board Endowment Funds. In line with statutory guidance issued by the Integrated Resources Advisory Group IJBs are deemed to be joint ventures. In accordance with IFRS 11 Joint Arrangements, the primary accounts have been amended for the additional disclosure required to accurately reflect the Board's 50% interest in IJBs using the equity method of accounting.	

Estimates		
Area	**Description**	**Sensitivities**
Accruals	The Board has placed significant reliance on estimation and judgement based on best available evidence to quantify amounts accrued in the accounts.	
Provisions—Clinical and Medical Negligence claims (Note 13)	The Board has provided for estimated costs relating to clinical and medical negligence, and reliance has been placed on details provided by the NHS Scotland Central Legal Office in order to quantify amounts provided.	There is one Contingent Liability (Level 1) at 31 March 2026 but each new claim arising may cost NHS Shetland up to £0.025m in line with the CNORIS threshold (Note 13b).
Provisions – Agenda for Change Reform – Nursing Band 5 to 6 (Note 13)	The provision for Agenda for Change reform in respect of the regrading of nursing staff from Band 5 to Band 6 represents management's best estimate of the expenditure required to settle the obligation at 31 March 2026 in relation to applications that were in progress at the reporting date. In line with Scottish Government advice, a provision has been recognised for applications that had not yet been finalised but where the Board has a present obligation arising from past service. At 31 March 2026, a total of 13 applications were in progress and are included within the provision. A further 7 applications had been formally received and sufficiently progressed to allow the associated costs to be reliably measured; these have been recognised as an accrual rather than a provision.	The provision is most sensitive to assumptions regarding the number of applications in progress that ultimately result in regrading from Band 5 to Band 6 and the assumed effective date of implementation. A reasonable change in either of these assumptions would result in a material change in the value of the provision.

Estimates continued		
Area	**Description**	**Sensitivities**
Non-current Assets—Valuation of land and buildings (Note 7a)	The Board commissioned a valuation of land and buildings as at 31 March 2026. From 1 April 2026 the frequency of land and building valuations has been changed from a three-year cycle to a five-year cycle in line with FReM guidance. The next full valuation will take place on 31 March 2031.	Depreciation for 2025–26 was £2.223m (Note 7a). A 1% increase in valuation would increase next year's depreciation by £0.022m.

With effect from 1 April 2025, HM Treasury revised the requirements in the FReM in respect of the frequency of revaluations of property, plant and equipment. In line with this guidance, NHS Shetland now operates a five-year programme of professional valuations for land and buildings, with annual indexation applied in the intervening years.

Note 2—Notes to the Cash Flow Statement

Note 2a - SoRO for the Year Ended 31 March 2026

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

		2026
Summary of Core Revenue Resource Out-turn	**Note**	**£000**
Net expenditure	**SoCNE**	**99,490**
Total non-core expenditure (see below)		(6,226)
Family Health Services non-discretionary allocation		(2,256)
Endowment net expenditure		(287)
Associates and joint ventures accounted for on an equity basis		107
Total core expenditure		**90,828**
Core RRL		91,599
Saving against Core RRL		**771**

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

		2026
Summary of Non-Core Revenue Resource Out-turn	**Note**	**£000**
Depreciation/amortisation	7a	2,223
RoU Asset Depreciation	17a	616
AME—Revaluation of PPE	7a	2,536
AME—provisions		717
AME—depreciation of donated assets		128
AME – pension valuation		6
Total Non-Core Expenditure		**6,226**
Non-Core RRL		6,226
Saving against Non-Core RRL		**0**

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

- **Summary Resource Out-turn**

Summary Resource Out-turn	Resource	Expenditure	Saving/(Excess)
	£000	**£000**	**£000**
Core	91,599	90,828	771
Non-Core	6,226	6,226	0
Total	**97,825**	**97,054**	**771**

Note 2b - Consolidated adjustments for non-cash transactions

2025			**2026**
£000		**Note**	**£000**
	Expenditure not paid in cash		
2,420	Depreciation	7a	2,217
120	Depreciation of donated assets	7a	128
511	Depreciation (RoU) Assets		616
2,984	Impairments of property plant and equipment (PPE) charged to SoCNE		0
0	Net revaluation of PPE charged to SoCNE		2,496
0	Loss on re-measurement of non-current assets held for sale		40
0	Loss on disposal of PPE		4
(794)	Funding of Donated Assets	7a	0
36	Associates and joint ventures accounted for on an equity basis	SoCNE	(107)
5,277	**Total expenditure not paid in cash**	**CFS**	**5,394**

Note 2c - Consolidated movements in working capital

2025		**2026**			
Net movement		**Note**	**Opening balances**	**Closing balances**	**Net Movement**
£000			**£000**	**£000**	**£000**
	Inventories				
6	SoFP	8	745	771	(26)
	Trade and other Receivables				
632	Due within one year	9	3,139	3,369	
632	**Net (increase)/decrease**				**(230)**
	Trade and other Payables				
1,738	Due within than one year	12	11,440	14,102	
1,962	Due after more than one year		3,160	2,932	
(15)	Less: Capital included above		(15)	(81)	
28	Less: General Fund creditor included in above	12	(125)	(1,975)	
(1,962)	Less: lease creditors included in above		(3,160)	(2,932)	
1,766	**Net decrease/ (increase)**		**11,300**	**12,046**	**746**
	Provisions				
54	Statement of Financial Position	13a	2,235	2,930	
54	**Net decrease**				**695**
2,458	**Net movement - increase**	**CFS**			**1,185**

Note 3—Expenditure

Note 3a - Staff costs

2025			2026	2026
Total			Board	Consolidated
£000		Note	£000	£000
13,540	Medical and Dental		14,687	14,687
15,848	Nursing		17,368	17,368
23,755	Other Staff		26,724	26,724
53,143	**Total**	**SoCNE**	**58,779**	**58,779**

Note 3b - Other operating expenditures

2025		2026	2026
Total		Board	Consolidated
£000		£000	£000
	Independent Primary Care Services:		
818	General Medical Services [1]	852	852
1,320	Pharmaceutical Services	1,318	1,318
828	General Dental Services [2]	836	836
529	General Ophthalmic Services	545	545
3,495	**Total**	**3,551**	**3,551**
	Drugs and medical supplies:		
5,921	Prescribed drugs Primary Care	5,962	5,962
3,783	Prescribed drugs Secondary Care	4,253	4,253
2,034	Medical Supplies	2,136	2,136
11,738	**Total**	**12,351**	**12,351**
	Other health care expenditure		
40,626	Contribution to IJBs	42,236	42,236
9,706	Goods and services from other NHS Scotland bodies	9,603	9,603

2025		2026	2026
Total		**Board**	**Consolidated**
£000		**£000**	**£000**
7	Goods and services from other UK NHS bodies	21	21
204	Goods and services from private providers	227	227
11	Goods and services from voluntary organisations	102	102
1,650	Resource Transfer	1,699	1,699
0	Loss on disposal of assets	20	20
16,707	Other operating expenditure	18,444	18,444
103	External Auditor—statutory audit fee	107	107
1,198	Shetland Health Board Endowment Funds expenditure	0	413
70,212	**Total**	**72,459**	**72,872**
85,445	**Total Other Operating Expenditure**	**88,361**	**88,774**

[1] This figure represents the costs of the independent GP practices only. The total cost of services in 2025–26, including Board run practices, is £8.238m (2024–25, £8.110m).

[2] This figure represents the costs of the independent dental practices only. The total cost of services in 2025–26, including Board run practices, is £3.284m (2024–25, £3.516m).

Note 4—Operating Income

2025			2026	2026
Total			**Board**	**Consolidated**
£000		**Note**	**£000**	**£000**
81	**Income from Scottish Government**		20	20
1,596	Income from other NHS Scotland bodies		1,799	1,799
143	Income from NHS non-Scottish bodies		140	140
39,330	Income for services commissioned by IJB		42,451	42,451
286	Patient charges for primary care		285	285
0	Profit on disposal of asset		16	16
794	Donations [1]		0	0
	Non NHS:			
91	Overseas patients (non-reciprocal)		173	173
338	Shetland Health Board Endowment Funds Income		0	126
2,934	Other		2,946	2,946
45,593	**Total Income**	**SoCNE**	**47,830**	**47,956**

[1] Donations represent the purchase of a MRI Scanner for NHS Shetland by the Endowment Funds.

Note 5—Segmental Analysis

Note 5a - Segmental Analysis 2026

		Net Operating Costs	Total assets	Total liabilities
Directorate of Acute and Specialist Services	**£000**	28,882	12,653	(5,796)
Directorate of Community Health and Social Care	**£000**	34,921	15,299	(7,007)
Off-island Clinical Services	**£000**	14,396	6,307	(2,889)
Public Health	**£000**	2,686	1,177	(539)
Support Services	**£000**	18,605	8,150	(3,733)
2026	**£000**	**99,490**	**43,586**	**(19,964)**

Note 5b - Segmental Analysis Previous Year, 2025

		Net Operating Costs	Total assets	Total liabilities
Directorate of Acute and Specialist Services	**£000**	26,077	11,401	(4,719)
Directorate of Community Health and Social Care	**£000**	31,947	13,967	(5,781)
Off-island Clinical Services	**£000**	13,964	6,105	(2,527)
Public Health	**£000**	2,410	1,053	(436)
Support Services	**£000**	18,634	8,147	(3,372)
2025	**£000**	**93,031**	**40,674**	**(16,835)**

Note 6—Intangible Assets

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

		IT Software	Total
	Note	**£000**	**£000**
Cost or Valuation:			
At 1 April 2025		97	97
At 31 March 2026		**97**	**97**
Amortisation			
At 1 April 2025		97	97
Provided during the year		0	0
At 31 March 2026		**97**	**97**
Net book value at 1 April 2025		**0**	**0**
Net book value at 31 March 2026		**0**	**0**

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

		IT Software	Total
	Note	**£000**	**£000**
Cost or Valuation:			
At 1 April 2024		97	97
At 31 March 2025		**97**	**97**
Amortisation			
At 1 April 2024		97	97
Provided during the year		0	0
At 31 March 2025		**97**	**97**
Net book value at 1 April 2024		**0**	**0**
Net book value at 31 March 2025		**0**	**0**

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

	Land	Buildings	Dwellings	Trans Equip	Plant and Machinery	ICT	Furniture and fittings	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation									
At 1 April 2025	632	24,687	2,464	0	10,746	1,771	30	0	40,330
Additions—purchased	0	1,771	0	0	1,018	436	0	1,482	4,707
Additions - donated									
Transfer between asset categories									
Revaluations	0	(3,553)	(959)	0	0	0	0	(782)	(5,294)
Disposals – Purchased	(5)	0	(90)	0	(653)	0	0	0	(748)
Disposals - Donated	0	0	0	0	(194)	0	0	0	(194)
At 31 March 2026	**627**	**22,905**	**1,415**	**0**	**10,917**	**2,207**	**30**	**700**	**38,801**
Depreciation									
At 1 April 2025	0	2,710	227	0	5,359	1,446	30	0	9,772

	Land	Buildings	Dwellings	Trans Equip	Plant and Machinery	ICT	Furniture and fittings	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Provided during the year—purchased	0	1,133	113	0	825	146	0	0	2,217
Provided during the year—donated	0	0	0	0	128	0	0	0	128
Revaluations	0	(3,842)	(321)	0	0	0	0	0	(4,163)
Disposal—purchased	0	0	(21)	0	(629)	0	0	0	(650)
Disposal - Donated	0	0	0	0	(194)	0	0	0	(194)
At 31 March 2026	**0**	**1**	**(2)**	**0**	**5,489**	**1,592**	**30**	**0**	**7,110**
Net book value at 1 April 2025	**632**	**21,977**	**2,237**	**0**	**5,387**	**325**	**0**	**0**	**30,558**
Net book value at 31 March 2026	**627**	**22,904**	**1,417**	**0**	**5,428**	**615**	**0**	**700**	**31,691**
Asset financing:									
Owned—purchased	627	22,904	1,417	0	4,842	615	0	700	31,105

	Land	Buildings	Dwellings	Trans Equip	Plant and Machinery	ICT	Furniture and fittings	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Owned—donated	0	0	0	0	586	0	0	0	586
Net book value at 31 March 2026	**627**	**22,904**	**1,417**	**0**	**5,428**	**615**	**0**	**700**	**31,691**

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

	Land	Buildings	Dwellings	Trans Equip	Plant and Machinery	ICT	Furniture and Fittings	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Cost or valuation									
Cost or valuation									
At 1 April 2024	632	27,206	2,289	0	9,234	1,707	30	2,434	43,532
Additions—purchased	0	0	145	0	851	64	0	652	1,712
Additions - donated	0	0	0	0	794	0	0	0	794
Transfer between asset categories	0	3,086	0	0	0	0	0	(3,086)	0
Revaluations	**0**	**814**	**30**	**0**	**0**	**0**	**0**	**0**	**844**
Impairment charges	0	(6,419)	0	0	0	0	0	0	(6,419)
Disposals—purchased	0	0	0	0	(133)	0	0	0	(133)
At 31 March 2025	632	24,687	2,464	0	10,746	1,771	30	0	40,330
Depreciation									

	Land	Buildings	Dwellings	Trans Equip	Plant and Machinery	ICT	Furniture and Fittings	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
At 1 April 2024	0	1,281	111	0	4,561	1,293	30	0	7,276
Provided during the year—purchased	0	1,350	114	0	803	153	0	0	2,420
Provided during the year—donated	0	0	0	0	120	0	0	0	120
Revaluations	**0**	**79**	**2**	**0**	**0**	**0**	**0**	**0**	**81**
Disposal—purchased	**0**	**0**	**0**	**0**	**(125)**	**0**	**0**	**0**	**(125)**
At 31 March 2025	**0**	**2,710**	**227**	**0**	**5,359**	**1,446**	**30**	**0**	**9,772**
Net book value at 1 April 2024	632	25,925	2,178	0	4,673	414	0	2,434	36,256
Net book value at 31 March 2025	**632**	**21,977**	**2,237**	**0**	**5,387**	**325**	**0**	**0**	**30,558**
Asset financing:									
Owned—purchased	632	21,977	2,237	0	4,673	325	0	0	29,844

	Land	Buildings	Dwellings	Trans Equip	Plant and Machinery	ICT	Furniture and Fittings	Assets Under Construction	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Owned - Donated	0	0	0	0	714	0	0	0	714
Net book value at 31 March 2025	**632**	**21,977**	**2,237**	**0**	**5,387**	**325**	**0**	**0**	**30,558**

Note 7b - Assets Held for Sale—Consolidated and Board

	Land and Property	**Total**
	2025	**2025**
	£000s	**£000s**
At 1 April 2025	150	150
Loss recognised on re-measurement	(40)	(40)
At 31 March 2026	**110**	**110**

Asset held for sale relates to a single property (90 St Olaf Street, Lerwick) which has been identified as surplus to operational requirements and is currently being marketed for disposal. The £40k loss on re-measurement reflects the updated valuation at 31 March 2026, as determined by the Board's external valuers Newmark LLP and has been recognised in line with the year-end estates valuation exercise.

Prior year—£150k.

Note 7c - Property, Plant and Equipment Disclosures

Consolidated	**Board**			**Consolidated**	**Board**
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
		Net book value of property, plant and equipment at 31 March			
29,844	29,844	Purchased		31,105	31,105
714	714	Donated		586	586
30,558	**30,558**	**Total**	**SoFP**	**31,691**	**31,691**
662	662	Net book value related to land valued at open market value at 31 March		627	627

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
24,214	24,214	Net book value related to buildings (including dwellings)		24,321	24,321

With effect from 1 April 2025, HM Treasury revised the requirements in the FReM in respect of the revaluation of property, plant and equipment. Where entities do not operate a rolling programme of professional valuations, and where assets are not non-property assets subject to indexation, assets are revalued on a five-year cycle, with annual indexation applied in the four intervening years. In rare circumstances where an appropriate index is not available, assets are revalued on a quinquennial basis with a desktop revaluation undertaken in year three.

During 2025–26, NHS Shetland completed a full valuation covering all land, buildings and associated fixtures and fittings. The valuation was carried out by Newmark LLP as at 31 March 2026.

The effect of the valuation on each category of property, plant and equipment is shown above.

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 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.

The net impact of the 2025–26 valuation exercise was a decrease in asset values of £1.131m (2024–25: net increase of £0.763m). Revaluation movements were

recognised in the Revaluation Reserve to the extent that sufficient balances existed for the relevant asset classes. Where valuation decreases exceeded the available revaluation reserve balances, an impairment charge of £2.496m (2024–25: £nil) was recognised in the Statement of Comprehensive Net Expenditure and reflected in the Summary of Resource Outturn, in accordance with FReM requirements.

Note 7d - Analysis of Capital Expenditure

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
		Expenditure			
1,712	1,712	Acquisition of property, plant and equipment	7a	4,707	4,707
794	794	Donated asset additions (non-core)		0	0
2,346	2,346	RoU additions		387	387
4,852	**4,852**	**Gross Capital Expenditure**		**5,094**	**5,094**
8	**8**	**Income**		**98**	**98**
8	**8**	**Capital Income**		**98**	**98**
4,844	**4,844**	**Net Capital Expenditure**		**4,996**	**4,996**
4,058	4,058	Core capital expenditure included above		5,094	5,094
4,853	4,853	Total CRL		5,094	5,094
1	**1**	**Saving against Total CRL**		**0**	**0**

Note 8—Inventories and Work in Progress

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
745	745	Raw materials and consumables		771	771
745	**745**	**Total inventories**	**SoFP**	**771**	**771**

Note 9—Trade and Other Receivables

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
		Receivables due within one year			
		NHS Scotland			
1	**1**	**Scottish Government**		0	0
260	260	Boards		310	310
261	**261**	**Total NHS Scotland Receivables**		**310**	**310**
22	22	NHS non-Scottish bodies		119	119
151	151	VAT recoverable		194	194
577	577	Prepayments		729	729
106	106	Accrued income		210	210
1,529	1,514	Other receivables		1,290	1,250
0	0	Reimbursement of provisions		0	0
493	493	Other public sector bodies		517	517
3,139	**3,124**	**Total Receivables**		**3,369**	**3,329**
260	260	NHS Scotland		310	310
151	151	Central Government bodies		194	194
493	493	Whole of Government bodies		517	517

Consolidated	Board			Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**		**Note**	**£000**	**£000**
22	22	Balances with NHS bodies in England and Wales		119	119
2,213	2,198	Balances with bodies external to Government		2,229	2,189
3,139	**3,124**	**Total**		**3,369**	**3,329**
		Movements on the provision for impairment of receivables are as follows:			
28	28	At 1 April		126	126
98	98	Provision for impairment		39	39
0	0	Receivables written off during the year as uncollectable		(19)	(19)
0	0	Unused amounts reversed		(8)	(8)
126	**126**	**At 31 March**		**138**	**138**

As of 31 March 2026, receivables with a carrying value of £0.138m (2024–25, £0.126m) were impaired and provided for. Ageing of these receivables is as follows:

Consolidated	Board		Consolidated	Board
2025	**2025**		**2025**	**2025**
£000	**£000**		**£000**	**£000**
0	0	3 to 6 months past due	0	0
126	126	Over 6 months past due	138	138
126	**126**		**138**	**138**

The receivables assessed as individually impaired were mainly private companies and 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 2025, receivables with a carrying value of £0.764m (2024–25, £0.790m) 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**
2025	**2025**		**2025**	**2025**
£000	**£000**		**£000**	**£000**
596	596	Up to 3 months past due	703	703
25	25	3 to 6 months past due	16	16
169	169	Over 6 months past due	45	45
790	**790**		**764**	**764**

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**
2025	**2025**		**2026**	**2026**
£000	**£000**		**£000**	**£000**
3,139	3,124	Existing customers with no defaults in the past	3,369	3,329

Receivables that are neither past due nor impaired are shown by their credit risk below:				
Consolidated	**Board**		**Consolidated**	**Board**
2025	**2025**		**2026**	**2026**
3,139	**3,124**	Total neither past due or impaired	**3,369**	**3,329**
The maximum exposure to credit risk is the fair value of each class of receivable. The NHS Board does not hold any collateral as security.				
		The carrying amount of receivables are denominated in the following currencies:		
3,139	3,124	Pounds	3,369	3,329
3,139	**3,124**		**3,369**	**3,329**

All current receivables are due within one year (2024–25, one 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 (2024–25, £0). The effective interest rate on non-current other receivables is 0% (2024–25, 0%).

Note 10—Investments

Consolidated	Board		Note	Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**			**£000**	**£000**
1,515	0	Other		1,708	0
1,515	**0**	**Total**	**SoFP**	**1,708**	**0**
1,507	0	**At 1 April**		1,515	0
0	0	Additions	CFS	0	0
0	0	Disposals		0	0
8	0	Revaluation surplus / (deficit) transferred to equity		193	0
1,515	**0**	**At 31 March**		**1,708**	**0**
1,515	0	Non-current	SoFP	1,708	0
1,515	**0**	Total		**1,708**	**0**

Note 11—Cash and Cash Equivalents

		2026
	Note	**£000**
Balance at 1 April		962
Net change in cash and cash equivalent balances	CFS	1,492
Balance at 31 March	**SoFP**	**2,454**
Total Cash—Cash Flow Statement		
The following balances at 31 March were held at:		
Government Banking Service		1,911
Commercial banks and cash in hand		64
Endowment cash		479
Balance at 31 March		**2,454**

Note 12—Trade and Other Payables

Consolidated	Board		Note	Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**			**£000**	**£000**
		Payables due within one year			
		NHS Scotland			
2,053	2,053	Boards		1,817	1,817
2,053	**2,053**	**Total NHS Scotland Payables**		**1,817**	**1,817**
(3)	(3)	NHS Non-Scottish bodies		(2)	(2)
125	125	Amounts payable to General Fund		1,975	1,975
1,425	1,425	FHS practitioners		1,513	1,513
1,144	1,144	Trade payables		509	509
2,690	2,690	Accruals		3,081	3,081
72	72	Deferred income		118	118
0	0	Net obligations under leases	17b	493	493
1,058	1,058	Income tax and social security		1,239	1,239
881	881	Superannuation		990	990
532	532	Holiday pay accrual		627	627
348	348	Other public sector bodies		1,100	1,100
107	0	Other payables		59	0
1,008	1,008	Pay accrual		1,076	1,076
		Payables due after more than one year			

Consolidated	Board		Note	Consolidated	Board
2025	**2025**			**2026**	**2026**
£000	**£000**			**£000**	**£000**
0	0	Net obligations under leases due within 2 years	17b	493	493
3,160	3,160	Net obligations under leases due after 2 years but within 5	17b	1,207	1,207
0	0	Net obligation under leases due after 5 years	17b	739	739
14,600	**14,493**	**Total payables**		**17,034**	**16,975**
		WGA Classification			
2,053	2,053	NHS Scotland		1,817	1,817
1,939	1,939	Central Government bodies		2,229	2,229
348	348	Whole of Government bodies		1,100	1,100
(3)	(3)	Balances with NHS bodies in England and Wales		(2)	(2)
10,263	10,156	Balances with bodies external to Government		11,890	11,831
14,600	**14,493**	**Total**		**17,034**	**16,975**
		The carrying amount of payables are denominated in the following currencies:			
14,600	14,493	Pounds		17,034	16,975
14,600	**14,493**			**17,034**	**16,975**

Note 13—Provisions

Note 13a - Provisions—Consolidated and Board

	Pensions arising from Staff Early Retirement	Clinical and Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2026 Total
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2025	152	10	2,000	73	2,235
Arising during the year	17	0	293	475	785
Utilised during the year	(23)	(5)	(46)	0	(74)
Unwinding of discount	(11)	0	0	0	(11)
Reverse unutilised	0	(5)	0	0	(5)
At 31 March 2026	**135**	**0**	**2,247**	**548**	**2,930**

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 NHS Superannuation Scheme for Scotland benefits in respect of employees who retire early by paying the required amounts annually to the NHS 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 2.95% as advised by PES (2025) 09, (2024–25, 2.40%). Expenditure is charged against this provision as payments fall due over the remaining period to normal retirement dates.

- **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 and staff back pay.

- **Analysis of expected timing of discounted flows to 31 March 2026**

	Pensions arising from Staff Early Retirement	**Clinical and Medical Legal Claims against NHS Board**	**Participation in CNORIS**	**Other**	**2026 Total**
	£000	**£000**	**£000**	**£000**	**£000**
Payable in one year	23	0	562	0	585
Payable between 2-5 years	76	0	1,366	73	1,515
Payable between 6-10 years	32	0	117	475	624
Thereafter	4	0	202	0	206
At 31 March 2026	**135**	**0**	**2,247**	**548**	**2,930**

- **Provisions—Consolidated and Board (Prior Year)**

	Pensions arising from Staff Early Retirement	**Clinical and Medical Legal Claims against NHS Board**	**Participation in CNORIS**	**Other**	**2025 Total**
	£000	**£000**	**£000**	**£000**	**£000**
At 1 April 2024	145	0	1,921	115	2,181
Arising during the year	20	10	248	0	278

	Pensions arising from Staff Early Retirement	Clinical and Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2025 Total
	£000	**£000**	**£000**	**£000**	**£000**
Utilised during the year	(23)	0	(169)	0	(192)
Unwinding of discount	10	0	0	0	10
Reverse unutilised	0	0	0	(42)	(42)
At 31 March 2025	**152**	**10**	**2,000**	**73**	**2,235**

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

- **Analysis of expected timing of discounted flows to 31 March 2025 (prior year)**

	Pensions arising from Staff Early Retirement	Clinical and Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2025 Total
	£000	**£000**	**£000**	**£000**	**£000**
Payable in one year	23	10	500	0	533
Payable between 2-5 years	82	0	1,216	73	1,371

	Pensions arising from Staff Early Retirement	Clinical and Medical Legal Claims against NHS Board	Participation in CNORIS	Other	2025 Total
	£000	**£000**	**£000**	**£000**	**£000**
Payable between 6-10 years	38	0	104	0	142
Thereafter	9	0	180	0	189
At 31 March 2025	**152**	**10**	**2,000**	**73**	**2,235**

Note 13b -CNORIS

2025		Note	2026
£000			**£000**
0	Provision recognising individual claims against the NHS Board as at 31 March	13a	0
0	Associated CNORIS receivable at 31 March	9	0
2,000	Provision recognising the NHS Board's liability from participating in the scheme at 31 March	13a	2,247
2,000	**Net Total Provision relating to CNORIS at 31 March**		**2,247**

CNORIS has been in operation since 2000. Participation in the scheme is mandatory for all NHS Boards in Scotland.

The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within Boards' own budgets. Participants, 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 to which individual Boards are exposed.

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 accounts:

2025		**2026**
£000		**£000**
	Nature	
10	Clinical and medical compensation payments	10
10	**Total Contingent Liabilities**	**10**

The contingent liabilities above relate to one outstanding clinical and medical legal claims against the Board which have been categorised as risk factor 1 by Central Legal Office.

Note 15—Events after the end of the reporting year

None.

Note 16—Commitments

Capital Commitments

The Board has the following capital commitments which have not been provided for in the accounts:

2025		**2026**
£000		**£000**
	Contracted	
31	**MRI Scanner**	**0**
	Authorised but not Contracted	
9,350	Estates capital projects including Gilbert Bain Hospital Structural Remedial Works	2,377
285	Statutory compliance and backlog maintenance	381
50	Medical equipment	50
215	ICT Projects (Tangible)	155
9,931	**Total**	**2,963**

Note 17—Leases Assets

Note 17a - RoU Assets—Consolidated and Board

	Buildings	**Transport Equipment**	**Plant and Machinery**	**Total**
	£000s	**£000s**	**£000s**	**£000s**
Cost at 31 March 2025	886	863	3,284	5,033
Additions	319	68	0	387
Depreciation at 1 April 2025	(386)	(462)	(1,024)	(1,872)
Depreciation provided during the year	(169)	(189)	(258)	(616)
Net book Value at 31 March 2026	**650**	**280**	**2,002**	**2,932**

Please see Accounting Policies for further information on RoU assets and IFRS 16.

There are three property leases—one is a GP practice building in Scalloway, one is a mixed residential/office unit, and one is additional office space. The significant plant and machinery lease is for a Laboratory Managed Service Contract which was renewed in January 2025.

Note 17b - Lease Liabilities—Consolidated and Board

	Buildings	**Transport Equipment**	**Plant and Machinery**	**Total**
Amounts falling due:	**£000s**	**£000s**	**£000s**	**£000s**
No later than one year	91	110	292	**493**
Later than one year, not later than two	91	110	292	**493**
Later than two year, not later than five	272	60	875	**1,207**
Later than five years	196	0	543	**739**
Total Lease liability at 31 March 2026	**650**	**280**	**2,002**	**2,932**

- **Amounts recognised in the SoCNE—Consolidated and Board**

	£000s
Depreciation	616
Interest Expense	103
Total	**719**

Note 18—Pension Costs

	2025	**2026**
	£000	**£000**
Pension cost charge for the year	7,249	7,940
Additional costs arising from early retirement	30	23
Provisions / liabilities / prepayments included in the Statement of Financial Position	152	135

Pension Scheme Declaration

(a) NHS Shetland participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a four-yearly funding valuation undertaken by the scheme actuary.

The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% would be required for the period 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 April 2024 have been paid within a range of 5.7% to 12.7% and have been anticipated to deliver a yield of 9.8%.

(b) NHS Shetland has no liability for other employers' obligations to the multi-employer scheme.

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

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

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

(iii) The employer contribution rate for the period from 1 April 2025 is 22.5% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.8% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, work on the cost control element of that valuation was suspended by the UK Government following the Court of Appeal judgments in the McCloud (Judiciary scheme) and Sargeant (Firefighters' scheme) cases, which found that the transitional protections introduced as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and the introduction of statutory measures to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. In parallel, the Government Actuary was asked to review whether, and to what extent, the employer cost cap mechanism continues to meet its original policy objectives. The findings of that review were taken into account in the completion of the 2020 actuarial valuations, which were substantially delayed as a result of the McCloud remedy and wider economic changes. Employer contribution rates were implemented from 1 April 2024 following the completion of the 2020 valuations and will remain in force pending the outcome of the current 2024 valuation cycle, which is now underway.

(v) NHS Shetland level of participation in the scheme is 0.4% based on the proportion of employer contributions paid in 2024–25.

Description of schemes

The new 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 2025-26 members paid tiered contribution rates ranging from 5.7% to 12.7% 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.

The existing 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 continued to earn benefits in their current section. This affected 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) website at https//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 £50,270, but will be reviewed every year by the government. The initial employee contribution was 1% of qualifying earnings, with an employer contribution of 1%. This has been increased in stages to meet levels set by government, as set out in the table below.

Financial Year	Employee Contribution *	Employer Contribution	Total Contribution
2025/26	5% (worker 4% and tax relief 1%)	3%	8%

Pension members can choose to let NEST manage their retirement fund or can take control themselves and alter contribution levels and switch between different funds. If pension members leave the Board, they can continue to pay into NEST.

NEST Pension members can currently take money out of NEST at any time from age 55; this will increase to age 57 in April 2028. If suffering from serious ill health or incapable of working due to illness members can request to take money out of NEST early. They can take the entire retirement fund as cash, use it to buy a retirement income or a combination. Additionally, members can transfer their NEST retirement fund to another scheme.

NEST is run by NEST Corporation, a trustee body which is a non-departmental public body operating at arm's length from government and is accountable to Parliament through the Department for Work and Pensions.

Total employer contributions paid to NEST during the year amounted to £9k (2024-25: £10k).

Note 19—Financial Instruments

Note 19a - Financial Instruments by Category

- **Financial assets**

Consolidated		**Financial assets at fair value through other comprehensive income (OCI)**	**Financial assets at amortised cost**	**Financial assets at fair value through profit/loss**	**Total**
	Note	**£000**	**£000**	**£000**	**£000**
As at 31 March 2026					
Assets per Statement of Financial Position					
Investments	10	0	0	1,708	1,708
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	0	2,136	0	2,136
Cash and cash equivalents	11	0	2,454	0	2,454
As at 31 March 2026		**0**	**4,590**	**1,708**	**6,298**

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**
Assets per Statement of Financial Position					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	0	2,096	0	2,096
Cash and cash equivalents	11	0	1,975	0	1,975
As at 31 March 2026		**0**	**4,071**	**0**	**4,071**

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**
Assets per Statement of Financial Position					
Investments	10	0	0	1,515	1,515
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	2,150	0	0	2,150
Cash and cash equivalents	11	962			962
		3,112	**0**	**1,515**	**4,627**

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 2025					
Assets per Statement of Financial Position					
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable.	9	2,135	0	0	2,135
Cash and cash equivalents	11	125	0	0	125
		2,260	**0**	**0**	**2,260**

- **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 2026				
Liabilities per Statement of Financial Position				
Lease liabilities	12	0	2,932	2,932
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	7,336	7,336
			10,268	10,268
Board		**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note	**£000**	**£000**	**£000**
As at 31 March 2026				
Liabilities per Statement of Financial Position				
Lease liabilities		0	2,932	2,932
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	7,277	7,277
			10,209	**10,209**

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 2025				
Liabilities per Statement of Financial Position				
Lease liabilities	12	0	3,160	3,160
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	6,719	6,719
		0	9,879	9,879
Board		**Liabilities at Fair Value through profit and loss**	**Financial liabilities at amortised cost**	**Total**
	Note	**£000**	**£000**	**£000**
As at 31 March 2025				
Liabilities per Statement of Financial Position				
Lease liabilities		0	3,160	3,160
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	12	0	6,612	6,612
		0	9,772	9,772

- **Note 19b - Financial Risk Factors**
    - **Exposure to risk**

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

a) Credit risk—the possibility that other parties might fail to pay amounts due.

b) Liquidity risk—the possibility that the NHS Board might not have funds available to meet its commitments to make payments.

c) Market risk—the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

However, 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.

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.

Note 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 is a health board within NHS Scotland and is funded by the Scottish Government. As such, it has transactions with other NHS bodies, public sector organisations and other government bodies in the normal course of business.

In preparing these disclosures, the Board has considered all categories of related parties as defined by IAS 24 and the NHS Scotland Annual Accounts Manual, including Board Members, key management personnel, close family members, organisations in which those individuals have an interest, and other public sector bodies.

Key management personnel and related parties

The Board considers key management personnel to be those with authority and responsibility for directing and controlling the activities of the organisation, including the Chief Executive, Executive Directors, and Non-Executive Board Members, as well as any individual or entity that has control or significant influence over the Board's operations.

During the year, NHS Shetland entered into transactions with organisations in which key management personnel (or their close family members) had a declared interest. These transactions were conducted on an arm’s length basis and in accordance with NHS Shetland’s policies on procurement and conflicts of interest.

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 Shetland Health Board Endowment Funds shares this same postal address and website.

Shetland Health Board Endowment Funds

Shetland Health Board Endowment Funds are managed by Trustees who are also directors of the Board. These funds are managed separately and are not included in NHS Shetland's core operational funding. The total funds held in Endowments at 31 March 2026 were £2.168m (2024–25, £2.260m). As disclosed in Note 10, £1.708m (2024–25, £1.515m) of the Shetland Health Board Endowment Funds is held in investments. These investments are managed by Evelyn Partners services for charities.

Any related transactions involving the Shetland Health Board Endowment Funds have been disclosed separately as appropriate. Where these transactions involve related parties, they have been disclosed in accordance with IAS 24 and NHS Shetland's financial policies. The Shetland Health Board Endowment Funds shares this same postal address and website as NHS Shetland.

IJB

The Board had material transactions with the IJB during 2025–26 as detailed in Note 3 and Note 4 of the accounts. Directors of the Board who were also voting members of the IJB during 2025–26 were Natasha Cornick, Lincoln Carroll, and Kathy Hubbard.

SIC and IJB share the same postal address for correspondence: 8 North Ness Business Park, Lerwick, Shetland, ZE1 0LZ.

Material transactions with related parties

The following table summarises material transactions with related parties during 2025–26:

Entity Name	Director	Nature of Relationship	Nature of Transaction
SIC	Emma Macdonald	Board member is an Elected Member	Health and Social Care provision
SIC	Gary Robinson	Board member is an Elected Member	Health and Social Care provision
Shetland Community Bike Project	Lincoln Carroll	Board member is a Committee Member	Committee membership services or funding support

Transactions – 2025–26

Entity Name	Due To (£m)	Due From (£m)	Income From (£m)	Expenditure With (£m)
SIC	0	0.265	1.130	5.564
Shetland Community Bike Project	0	0	0	0.041
NHS Grampian	1.474	0.125	0.165	10.953
Scottish Government	0	0	99.563	0.005
SPPA	0.694	0	0	7.939
HMRC (His Majesty's Revenue and Customs)	0.457	0	0	5.464

Transactions – Prior year 2024–25

Entity Name	Due To (£m)	Due From (£m)	Income From (£m)	Expenditure With (£m)
SIC	0.348	0.493	1.469	4.614
Shetland Community Bike Project	0	0	0	0.041
NHS Grampian	1.858	0.070	0.134	10.419
Scottish Government	0	0	86.574	0
SPPA	0	0	0	7.249
HMRC	0	0	0	4.070

Key management compensation

Details of remuneration for key management personnel are provided in the Remuneration Report. All transactions were undertaken at arm's length and in accordance with NHS Shetland's financial policies.

Materiality

Materiality for related party transactions has been determined based on qualitative factors, as financial thresholds are difficult to define in the context of a small island community. Transactions are considered material where disclosure is necessary to meet the objective of IAS 24 Related Party Disclosures, namely to draw attention to

the possibility that the Board's financial position or performance may have been affected by the existence of related parties.

In assessing materiality, the Board has considered:

- reputational sensitivity and public perception;
- the nature of the relationship and potential conflicts of interest; and
- the need to maintain transparency and public trust, irrespective of financial value.

Other than the transactions disclosed above, there were no material related party transactions, outstanding balances, guarantees or commitments requiring disclosure.

Note 21—Consolidation of Subsidiaries and Disclosure of Interest in Associates and Joint Ventures

Note 21a - Consolidated statement of comprehensive net expenditure

Consolidated			Board	Endowment	Shetland IJB	Consolidated
2025			2025	2025	2025	2025
£000		Note	£000	£000	£000	£000
	Total income and expenditure					
53,143	Employee expenditure	3a	58,779	0	0	58,779
	Other operating expenditure	3b				
3,495	Independent Primary Care Services		3,551	0	0	3,551
11,738	Drugs and medical supplies		12,351	0	0	12,351
70,212	Other health care expenditure		72,459	413	0	72,872

Consolidated			Board	Endowment	Shetland IJB	Consolidated
2025			**2025**	**2025**	**2025**	**2025**
£000		**Note**	**£000**	**£000**	**£000**	**£000**
138,588	Gross expenditure for the year		147,140	413	0	147,553
(45,593)	Less: operating income	4	(47,830)	(126)	0	(47,956)
36	Associates and joint ventures accounted for on an equity basis		0	0	(107)	(107)
93,031	**Net Expenditure**		**99,310**	**287**	**(107)**	**99,490**

Note 21b - Consolidated statement of financial position (SoFP)

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2025			**2026**	**2026**	**2026**	**2026**	**2026**
£000		**Note**	**£000**	**£000**	**£000**	**£000**	**£000**
	Non-current assets:						
30,558	Property, plant and equipment		31,691	0	0	0	31,691
3,161	RoU assets		2,932	0	0	0	2,932
	Financial assets:	SoFP					
1,515	Investments		0	1,708	0	0	1,708
444	Investments in associates and joint ventures	SoFP	0	0	444	107	551
35,678	**Total non-current assets**	**SoFP**	**34,623**	**1,708**	**444**	**107**	**36,882**
	Current assets:						
745	Inventories		771	0	0	0	771
3,139	Trade and other receivables	SoFP	3,329	40	0	0	3,369

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2025			**2026**	**2026**	**2026**	**2026**	**2026**
£000		**Note**	**£000**	**£000**	**£000**	**£000**	**£000**
962	Cash and cash equivalents	SoFP	1,975	479	0	0	2,454
150	Asset held for sale	7b	110	0	0	0	110
4,996	**Total current assets**		**6,185**	**519**	**0**	**0**	**6,704**
40,674	**Total assets**		**40,808**	**2,227**	**444**	**107**	**43,586**
	Current liabilities:						
(533)	Provisions	SoFP	(585)	0	0	0	(585)
	Financial liabilities:				0	0	
(11,440)	Trade and other payables	SoFP	(14,536)	(59)	0	0	(14,595)
(11,973)	**Total current liabilities**		**(15,121)**	**(59)**	**0**	**0**	**(15,180)**
28,701	**Non-current assets plus/less net current assets/liabilities**		**25,687**	**2,168**	**444**	**107**	**28,406**
	Non-current liabilities						
(1,702)	Provisions	SoFP	(2,345)	0	0	0	(2,345)

Consolidated			Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
2025			**2026**	**2026**	**2026**	**2026**	**2026**
£000		**Note**	**£000**	**£000**	**£000**	**£000**	**£000**
	Financial liabilities:						
(3,160)	Trade and other payables	SoFP	(2,439)	0	0	0	(2,439)
(4,862)	**Total non-current liabilities**		**(7,784)**	**0**	**0**	**0**	**(4,784)**
23,839	**Assets less liabilities**		**20,903**	**2,168**	**444**	**107**	**23,622**
	Taxpayers' Equity						
10,327	General fund	SoFP	9,329	0	0	0	9,329
10,808	Revaluation reserve	SoFP	11,574	0	0	0	11,574
444	Other reserves—joint venture	SoFP	0	0	444	107	551
2,260	Funds Held on Trust	SoFP	0	2,168	0	0	2,168
23,839	**Total taxpayers' equity**		**20,903**	**2,168**	**444**	**107**	**23,622**

- **Consolidated statement of financial position continued—Prior Year**

Prior Year		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2025	**2025**	**2025**	**2025**	**2025**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Non-current assets:						
Property, plant and equipment		30,558	0	0	0	30,558
RoU assets		3,161	0	0	0	3,161
Financial assets:	SoFP					
Investments		0	1,515	0	0	1,515
Investments in associates and joint ventures	SoFP	0	0	480	(36)	444
Total non-current assets	**SoFP**	**33,719**	**1,515**	**480**	**(36)**	**35,678**
Current assets:						
Inventories		745	0	0	0	745
Trade and other receivables	SoFP	3,124	15	0	0	3,139
Cash and cash equivalents	SoFP	125	837	0	0	962

Prior Year		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2025	**2025**	**2025**	**2025**	**2025**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Asset held for sale	7b	150	0	0	0	150
Total current assets		**4,144**	**852**	**0**	**0**	**4,996**
Total assets		**37,863**	**2,367**	**480**	**(36)**	**40,674**
Current liabilities:						
Provisions	SoFP	(533)	0	0	0	(533)
Financial liabilities:						
Trade and other payables	SoFP	(11,333)	(107)	0	0	(11,440)
Total current liabilities		**(11,866)**	**(107)**	**0**	**0**	**(11,973)**
Non-current assets plus/less net current assets/liabilities		**25,997**	**2,260**	**480**	**(36)**	**28,701**
Non-current liabilities						
Provisions	SoFP	(1,702)	0	0	0	(1,702)
Financial liabilities:						
Trade and other payables	SoFP	(3,160)	0	0	0	(3,160)

Prior Year		Board	Endowment	Intra Group adjustment	Shetland IJB	Consolidated
		2025	**2025**	**2025**	**2025**	**2025**
	Note	**£000**	**£000**	**£000**	**£000**	**£000**
Total non-current liabilities		**(4,862)**	**0**	**0**	**0**	**(4,862)**
Assets less liabilities		**21,135**	**2,260**	**480**	**(36)**	**23,839**
Taxpayers' Equity						
General fund	SoFP	10,327	0	0	0	10,327
Revaluation reserve	SoFP	10,808	0	0	0	10,808
Other reserves—joint venture	SoFP	0	0	480	(36)	444
Funds Held on Trust	SoFP	0	2,260	0	0	2,260
Total taxpayers' equity		**21,135**	**2,260**	**480**	**(36)**	**23,839**

Note 21c - Consolidated Statement of Cash Flows

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2025		**2026**	**2026**	**2026**	**2026**	**2026**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
	Cash flow from operating activities					
(93,031)	Net operating expenditure	(99,310)	(287)	0	107	(99,490)
5,277	Adjustments for non-cash transactions	5,501	0	0	(107)	5,394
57	Add back: interest payable	103	0	0	0	103
0	Investment income	0	0	0	0	0
2,458	Movements in working capital	1,256	(71)	0	0	1,185
(85,239)	**Net cash outflow from operating activities**	**(92,450)**	**(358)**	**0**	**0**	**(92,808)**
	Cash flows from investing activities					
(1,712)	Purchase of plant and equipment	(4,641)	0	0	0	(4,641)
8	Proceeds of disposal of property, plant and equipment	94	0	0	0	94

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2025		**2026**	**2026**	**2026**	**2026**	**2026**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
0	Receipts from sale of investments	0	0	0	0	0
0	Interest received	0	0	0	0	0
(1,704)	**Net cash outflow from investing activities**	**(4,547)**	**0**	**0**	**0**	**(4,547)**
	Cash flows from financing activities					
86,602	Funding	97,713	0	0	0	97,713
(28)	Movement in general fund working capital	1,850	0	0	0	1,850
86,574	Cash drawn down	99,563	0	0	0	99,563
(383)	Capital element of payments in respect of leases	(613)	0	0	0	(613)
(57)	Interest element of leases	(103)	0	0	0	(103)
	Net Financing	**98,847**	**0**	**0**	**0**	**98,847**
(809)	**Net increase in cash and cash equivalents in the year**	1,850	(358)	0	0	1,492

Consolidated		Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
2025		**2026**	**2026**	**2026**	**2026**	**2026**
£000		**£000**	**£000**	**£000**	**£000**	**£000**
1,771	**Cash and cash equivalents at the beginning of the year**	125	837	0	0	962
962	**Cash and cash equivalents at the end of the year**	**1,975**	**479**	**0**	**0**	**2,454**
	Reconciliation of net cash flow to movement in net cash					
(809)	Increase / (decrease) in cash in year	1,850	(358)	0	0	1,492
1,771	Net cash at 1 April	125	837	0	0	962
962	**Net cash at 31 March**	**1,975**	**479**	**0**	**0**	**2,454**

- **Consolidated Statement of Cash Flows—Prior Year**

Prior Year	Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
	2025	**2025**	**2025**	**2025**	**2025**
	£000	**£000**	**£000**	**£000**	**£000**
Cash flow from operating activities					
Net operating expenditure	(92,135)	(860)	0	(36)	(93,031)
Adjustments for non-cash transactions	5,241	0	0	36	5,277
Add back: Interest payable	57	0	0	0	57
Movements in working capital	2,364	79	0	0	2,443
Net cash outflow from operating activities	**(84,473)**	**(781)**	**0**	**0**	**(85,254)**
Purchase of property, plant and equipment	(1,697)	0	0	0	(1,697)
Proceeds of disposal of property, plant and equipment	8	0	0	0	8
Interest received	0	0	0	0	0
Net cash outflow from investing activities	0	0	0	0	0
Cash flows from investing activities	**(1,689)**	**0**	**0**	**0**	**(1,689)**
Funding	86,602	0	0	0	86,602
Movement in general fund working capital	(28)	0	0	0	(28)
Cash drawn down	86,574	0	0	0	86,574

Prior Year	Board	Endowment	Intra Group Adjustment	Shetland IJB	Consolidated
	2025	**2025**	**2025**	**2025**	**2025**
	£000	**£000**	**£000**	**£000**	**£000**
Capital element of payment in respect of leases	(383)	0	0	0	(383)
Interest element of leases	(57)	0	0	0	(57)
Net Financing	**86,134**	**0**	**0**	**0**	**86,134**
Net decrease in cash and cash equivalents in the year	(28)	(781)	0	0	(809)
Cash and cash equivalents at the beginning of the year	153	1,618	0	0	1.771
Cash and cash equivalents at the end of the year	**125**	**837**	**0**	**0**	**962**
Reconciliation of net cash flow to movement in net cash					
Decrease in cash in year	(28)	(781)	0	0	(809)
Net cash at 1 April	153	1,618	0	0	1.771
Net cash at 31 March	**125**	**837**	**0**	**0**	**962**

Glossary of commonly abbreviated terms and acronyms, as well as local terms, in the report

Acronym	Narrative Explanation
A&E	Accident and Emergency Department
AME	Annually managed expenditure (a type of non-core funding allocation received by Boards)
ADP	Annual Delivery Plan, replaced Local Delivery Plan
APF	Area Partnership Forum
BCG	Bacille Calmette-Guerin vaccination
CAMHS	Child and Adolescent Mental Health Services
C. Diff	Clostridium difficile, also known as C. difficile, 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.
CETV	Cash Equivalent Transfer Value
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
DCHSC	Director of Community Health and Social Care
DPO	Data Protection Officer
EU	European Union
FPC	Finance and Performance Committee
FReM	Government Financial Reporting Manual
FoI	Freedom of Information
GP	General Practitioner
HIS	Healthcare Improvement Scotland

Acronym	Narrative Explanation
HM	His Majesty's
HMRC	His Majesty's Revenue and Customs
HPV	Human papilloma virus
IAS	International Accounting Standards
ICO	Information Commissioner's Office
IG	Information Governance
IJB	Shetland Islands Health and Social Care Partnership also referred to as Integration Joint Board
IFRS	International Financial Reporting Standards
ISAs	International Standards on Auditing
JSCP	Joint Strategic Commissioning Plan
KPI	Key performance indicator
LPA	Lerwick Port Authority
MRI scanner	Magnetic resonance imaging scanner
NES	NHS Education for Scotland
NEST	National Employment Savings Trust
NHS	National Health Service
NHS Shetland	Shetland Health Board
NRAC	National Resource Allocation Formula
NSS	National Services Scotland
OCI	Other comprehensive income
OSCR	Office of the Scottish Charity Regulator
PPE	Personal Protective Equipment
RMG	Risk Management Group
RoU	Right of Use
RRL	Revenue Resource limit
SIC	Shetland Islands Council
SGHSCD	Scottish Government Health and Social Care Directorate
SIRO	Senior Information Risk Owner

Acronym	Narrative Explanation
SoCNE	Consolidated Statement of Comprehensive Net Expenditure
SoCTE	Statement of Changes in Taxpayers' Equity
SoFP	Consolidated Statement of Financial Position
SoRO	Summary of Resource Out-turn
SPFM	Scottish Public Finance Manual
SPPA	Scottish Public Pensions Agency
SSN	Sustainable Scotland Network
tCO_2e	Tonnes of carbon-dioxide equivalent
VAT	Value Added Tax
WTE	Whole time equivalent value for NHS staff

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,

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