Healthcare Improvement Scotland

Annual Report and Accounts

For year ended 31 March 2020

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Accounts and Notes for the Year ended 31 March 2020

Performance Report - Overview

Purpose and activities of the organisation

Healthcare Improvement Scotland's (HIS) aim is better quality health and social care for everyone in Scotland.

HIS was established in 2011 as a health body, constituted by the National Health Service (Scotland) Act 1978, as amended by Public Service Reform Scotland Act 2010 and the Public Bodies (Joint Working) Act 2014. HIS's key statutory duties are as follows:

- a general duty of furthering improvement in the quality of health care
- a duty to provide information to the public about the availability and quality of services provided under the health service
- when requested by the Scottish Ministers, a duty to provide to the Scottish Ministers advice about any matter relevant to the health service functions of HIS.

In carrying out our functions we work collaboratively with an extensive range of external organisations, groups and people, including:

- 31 Health & Social Care Partnerships also known as Integration Authorities
- 21 NHS boards
- 32 local authorities
- people who use services, carers, and local communities
- Scottish Government, and other organisations with Scotland-wide remits
- national professional groups; and
- a wide range of housing, volunteering, and third and independent sector organisations

Our programme of work supports the delivery of our 2017-2022 strategy Making Care Better as well as the Scottish Government's Health and Social Care Delivery Plan and the National Performance Framework.
As set out in our strategy, the main ways in which we believe we can make the biggest difference are by:

- Enabling people to make informed decisions about their care and treatment.
- Helping health and social care organisations to redesign and continuously improve services.
- Providing evidence and sharing knowledge that enables people to get the best out of the services they use and helps services improve.
- Providing quality assurance that gives people confidence in the services and supports providers to improve.

We are also increasing our focus on scaling up good practice across Scotland, with examples provided throughout this report including collaboratives in frailty and primary care.

Performance during 2019-20, including achievements, issues and risks

Our programme of work for 2019-2020 was structured around the following national priorities:

- **Integration of health and social care services**
- **Mental health**
- **Primary care**
- **Governance of the quality of care**
- **Ensure the effective engagement of individuals in the design and provision of their care**
- **Access to care**
- **Statutory duties to safeguard the public and to provide high quality care**

Response to COVID-19, March 2020

In response to the COVID-19 pandemic, from mid-March 2020 many of our activities, particularly improvement programmes and inspection work, were suspended in order to maximise the availability of health and social care professionals in the provision of direct care in the COVID-19 outbreak. We also deployed a number of clinically qualified staff and non-clinical staff to the service. At the same time we have continued to undertake core activities in relation to our statutory duties and to enable us to respond to concerns received directly or via intelligence sharing functions. It is important to note that as we move forward in 2020-21 we will be reviewing all of our programmes of work in the light of COVID-19 to ensure they are appropriately focused within the new context.

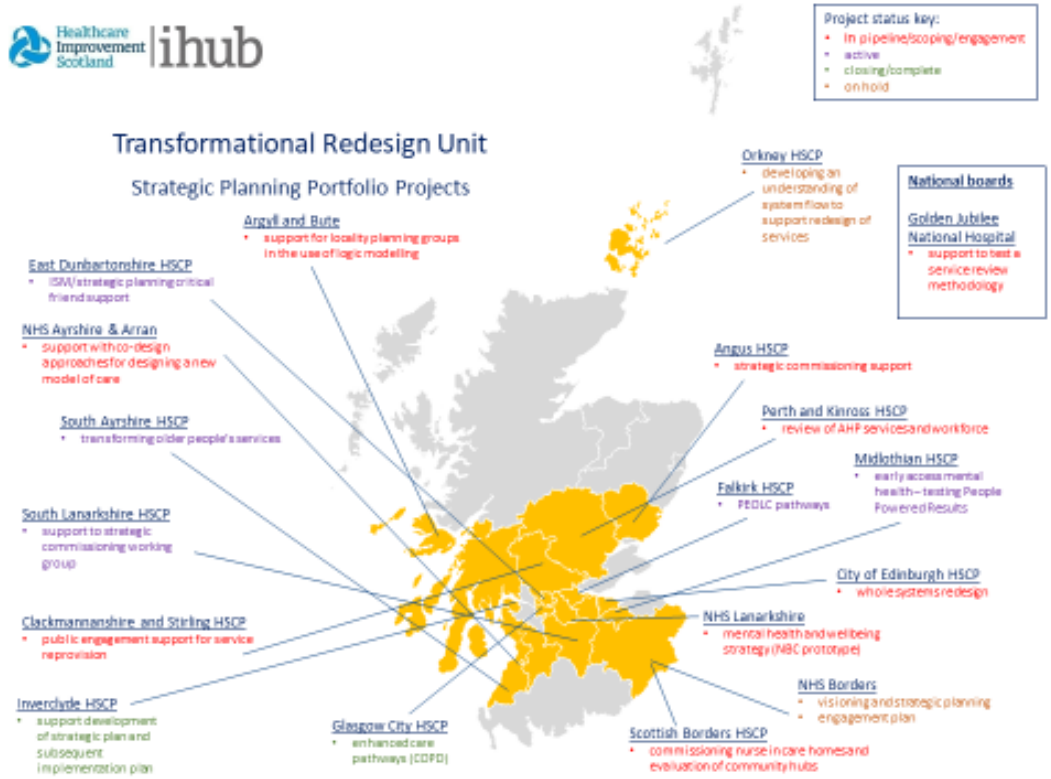
Our quarter four performance report (January-March 2020) detailed the impact of COVID-19 on the delivery of the work programme. In particular, it showed that at the end of March, out of 66 projects, 41 are not currently on track to deliver their anticipated output, due all or in part to decisions to pause or reduce work in response to COVID-19. Specific impacts are noted within the text below, however the following pages focus largely on key deliverables which have been achieved during the year, and areas of particular risk.

Integration of Health and Social Care services

We have continued to carry out a wide range of activities designed to help achieve the ambition of an effective integrated health and social care system across Scotland. In particular we have been responding to the recommendations of the **Report of the Ministerial Strategic Group** for Health and Community Care (February 2019) in relation to:

- improved strategic inspection of health and social care, by developing, with the Care Inspectorate, new proposals for joint inspections
- more collaborative working with other National bodies to provide co-ordinated improvement support to health and social care partnerships
- revised guidance on community engagement and participation for health and social care bodies, through the Scottish Health Council's work with the Scottish Government/ COSLA.

HIS provides improvement support to Integration Authorities on the development of their strategic plans. The strategic planning programme responds to requests for bespoke support and has met expectations in terms of its performance during the year. The map below shows the variety of requests for strategic planning support and their development.



In December 2019 we published a **Good Practice Framework for Strategic Planning**, drawing together a large volume of guidance, experience and examples of good practice into one easily-understandable structure that enables practical application.

In August 2019 phase one of the **Frailty at the Front Door Collaborative** concluded. The Collaborative aims to improve outcomes and experiences of people living with frailty who present to unscheduled care services and examples of the impact across the five participating boards include:

- Increased discharge of people over 75 years within 48 hours in two sites
- 20,600 people were screened for frailty
- 1000 Comprehensive Geriatric Assessment huddles
- Decreased length of stay in two sites, and
- Increased number of specialist beds including two new frailty units

In October 2019 we launched the **Housing and Dementia Practice Framework**, developed in collaboration with the Chartered Institute of Housing Scotland and Alzheimer Scotland, to help the housing sector support people living with dementia to live at home for as long as possible. It includes outcomes for users and carers, and commitments for housing organisations to meet these.

In January 2020 we published guidance on **Hospital at Home** services for frail elderly patients. This was developed at short notice in response to a request from the Cabinet Secretary. The guidance brings together and reviews the published evidence on the effectiveness and safety of hospital at home initiatives and is intended to assist in local and regional planning for acute and specialist services.

This brings together and reviews the published evidence on the effectiveness and safety of hospital at home initiatives and is intended to assist in local and regional planning for acute and specialist services. In March 2020 we refocused this work to support its use as part of the national response to COVID-19.

During 2019-20 we developed the **'Growing Older in Scotland'** report, the first of its kind for HIS, aimed at providing an impartial narrative around the provision of health and social care for older people living in Scotland. This was intended as a test of our ability to bring together key data and information on a specific topic for a wide audience including both the public and health and social care staff. The report is now awaiting publication. The intention is that an after action review will take place to inform how to approach this type of publication in future.

Mental Health

We continued to support the delivery of the national target that 90% of people requiring Child and Adolescent Mental Health Services and/or Psychological Therapy Services will receive treatment within 18 weeks of referral to the service.

Following the completion of the **National Mental Health Access Collaborative,** we began to work with collaborative teams to produce a toolkit containing case studies, tools and measurement guidance, to support sharing learning with a much wider audience. Evaluation of the collaborative has been delayed due to COVID-19.

We also provide **in-depth bespoke improvement support** to services struggling to meet the 18 week standard. We have been providing support to four boards – NHS Forth Valley, NHS Grampian, NHS Lothian and NHS Tayside and three boards are now in a position to share their learning.

We have tested and began supporting implementation of a revised measurement plan for the **Scottish Patient Safety Programme - Mental Health**, which aims to improve outcomes through a focus on reducing harm. The revised measurement plan involves data submission from the majority of mental health inpatient wards in Scotland. We continued to deliver and spread the **Improving Observation Practice Programme (SPSP-IOP)** and have supported NHS boards to develop local policy based on our new guidance published in spring 2019 which puts the patient firmly at its centre.

We have also launched the national **Early Intervention in Psychosis (EIP)** Network in December 2019 to share learning on the benefits of early intervention approaches and co-design a national needs assessment, to map services available for those experiencing first episode psychosis. Scottish Intercollegiate Guidelines Network (SIGN) is providing evidence input to this work which will culminate in a final report with recommendations for how EiP may be implemented across Scotland.

Primary Care

We continued to build on our work to deliver improvement support to optimise care and service redesign across primary care in Scotland. This includes two **national improvement programmes** that support the implementation of new ways of working in pharmacotherapy and practice administration.

We have recruited 49 practices across 11 Health & Social Care Partnerships (HSCPs) to an improvement collaborative focused on supporting the implementation of Pharmacotherapy Level 1 services within GP practice teams. The second phase of the Practice Administrative Staff Collaboratives (PASC) began, with up to 185 GP practices across Scotland taking part. Engagement in learning sessions and webinars to date has exceeded expectations as has the reporting rate from participating practices.

This builds on the successful outcomes of PASC Phase 1, which saw a 44% average reduction of correspondence being reviewed by GPs, amounting to around 5,200 less documents per week. In one practice this led to a release of five hours of GP time per week. In support of these Collaboratives, we also established a multi-disciplinary Primary Care QI Faculty.

The Scottish Health Council (SHC) has continued to promote **public involvement in primary care**. As part of that, the SHC surveyed general practices across Scotland and published a report in October 2019 on the types and methods of public engagement being carried. We continued to support Patient Participation Groups within general practice (supporting on average 20 per month), and established eight new groups, exceeding our aim by four.

SIGN, in collaboration with the Scottish Health Council, produced both a booklet and video animation for parents, carers and families of **children and young people up to the age of 18 who are affected by alcohol in pregnancy** or who may be described as having foetal alcohol spectrum disorder. The animation was developed in collaboration with HIS Community Engagement colleagues and reflects work to extend the reach of our clinical guidelines, which has been welcomed.

During the last year we have also completed a 90-day learning cycle on **Community Treatment and Care Services (CTAC)** to support the sharing of learning, challenges and successes of the development of CTAC services across Scotland.

In 2019-20 we have also launched the **Living and Dying Well with Frailty Collaborative** to improve how people aged 65 and over are supported to live and die well with frailty in the community. Twenty two teams from 19 health and social care partnerships across Scotland have been accepted on to the collaborative which has identified a number of outcomes including reductions in the rates of hospital bed days and unscheduled GP home visits.

Focus on Dementia has been working with three GP clusters across Scotland to test the relocation, or closer alignment, of post-diagnostic support (PDS) into primary care. This work involves 27 GP practices and to date, over 100 people have benefited from this support with the test sites seeing improvements including a 47% increase in update of PDS in one site, and reduced waiting times for PDS in some cases from 12 months to three months. The clusters are continuing to innovate, collect statistics and capture feedback ahead of planned work with external evaluators to fully capture and report on the impact of relocating post-diagnostic support.

The **SPSP Primary Care** programme supported 77% of all dental practices in Scotland to complete a Dental Safety Climate survey. As part of the process, each practice receives a report showing their results in the five key areas of Workload, Communication, Teamwork, Safety Systems and Learning and Leadership.

Governance of the Quality of Care

We carry out a range of activities that are designed to help strengthen local governance arrangements for the quality of care. Our external quality assurance work continues to include a focus on the robustness of NHS boards' governance structures, systems and processes to support staff to consistently deliver safe, effective, compassionate and person-centred care.

In October 2019 we published the test **Quality of Care review** of the Golden Jubilee National Hospital. This followed two earlier test reviews, in NHS Orkney and NHS Ayrshire & Arran. These have enabled us to assess the feasibility of applying the Quality of Care approach at an organisational level in three very different contexts.

We commissioned a review of the NHS Ayrshire & Arran Quality of Care review, which is informing how we can apply the quality of care approach to best effect in NHS Boards. It is anticipated that this is likely to result in more targeted and focused reviews, linked more closely to available intelligence and evidence of the quality of care in NHS Boards. Engagement is taking place with key stakeholders about this proposed refocusing and a Short-life Governance Group has been established to oversee progress and next steps. This work has meant that the two further Board-level reviews planned for 2019-20 were not undertaken.

Between April 2019 and March 2020 we have continued to deliver a broad programme of **inspections**, as follows:

- Healthcare Environment Inspectorate: 10 (covering 25 hospitals)
- Older People in Acute Hospitals: seven
- Joint inspection of Children's Services (with the Care Inspectorate): four
- Joint Inspection of Adult Services: (with the Care Inspectorate): three (plus one progress against recommendations review completed)
- Prisoner Healthcare (HIS provides health input to Her Majesty's Inspectorate of Prisons inspections): four (plus one follow-up)
- Registration and Regulation of Independent Healthcare: 158 (146 independent clinics; 12 hospitals/hospices/psychiatric hospitals)

These include responses to requests from the Cabinet Secretary to carry out three inspections, of the Queen Elizabeth University Hospital, the Department of Clinical Neurosciences and the Sick Children's Hospital in Edinburgh. In addition an inspection has also taken place as a result of concerns raised through our Responding to Concerns process. The numbers of inspections delivered above are as anticipated for 2019-20 with the exception of one Prisoner Healthcare inspection, one Older People in Acute Hospital inspection and 15 independent healthcare inspections cancelled due to COVID-19. In addition, eight Independent Healthcare inspections did not take place due to services cancelling registration and a further 13 were moved to 2020-21.

We also began a review into Tayside Community Mental Health Teams and Community Home Treatment Teams in Tayside. This has been a result of information shared at the Sharing Intelligence for Health and Care Group.

In August we published the fourth annual report of the **Sharing Intelligence for Health and Care Group**. For the first time the report includes observations on important issues that are relevant to the quality of care delivered for the people of Scotland, such as leadership, finances, workforce, performance and outcomes. From October 2019 we have also begun to publish the feedback letters from the Group to NHS boards.

Throughout 2019-2020 we have introduced a new set of **indicators of the quality of care** at whole system level. The data for these indicators are monitored regularly, and important patterns in the data are now being shared internally and with the Sharing Intelligence for Health & Care Group.

In September 2019 we published our report of NHS board self-evaluations of systems and processes for **managing adverse events**. This highlighted that while the vast majority of boards report having policies, systems and processes in line with the expectations in the National Framework, there are a number of key areas where improvement is required.

In response, we are taking a number of actions, including requiring all NHS Boards to notify HIS when they have commissioned a Significant Adverse Event Review for a Category I event, and working with NHS Boards to standardise key terminology and definitions.

Healthcare Improvement Scotland undertakes the **external quality assurance of cancer services** against tumour-specific quality performance indicators, including consideration of the effectiveness of the governance of the regional cancer networks. In 2019-20 we met our objectives, publishing reports of pilot reviews of all three regional cancer networks and holding a national event to consider the learning from this pilot process.

We are leading a national programme to improve and assure the quality of nursing and midwifery care across NHS boards. The **Healthcare Staffing Programme** transferred from Scottish Government to HIS on 1 April 2019 and supports the implementation of the Health and Care (Staffing) (Scotland) Act, through the development of guidance, tools and indicators. The Act also gives HIS responsibility for monitoring the discharge by health boards of their duties in relation to safe staffing and the use of the common staffing method.

The **Excellence in Care** programme aims to improve the nursing and midwifery care in all settings across Scotland. Core quality measures, which are applicable to all nursing and midwifery families, have now been agreed, along with acute adult and paediatric measures. Data submission plans from each NHS Board are in place to work towards full implementation of all quality measures during 2020.

The **Value Management collaborative** launched in November 2019 and aims to test and spread an innovative model developed within NHS Highland, that supports the use of quality improvement methods combined with cost and quality data at team level, to deliver improved patient outcomes, experience and value. This is being delivered in partnership with NHS Education for Scotland and the Institute for Healthcare Improvement, will run until March 2022. Alongside continuing work with NHS Highland, we have recruited five NHS boards to work with us on this. While this work has been paused due to COVID-19, plans are now being made in relation to its reactivation.

We have worked during 2019-20 to establish a **National Hub for reviewing and learning from the deaths of children and young people**. The National Hub will use a multidisciplinary and multi-agency approach, and ultimately aim to reduce deaths and harm to children and young people. Following scoping, stakeholder engagement and pilot activity, three NHS Boards will begin implementation of a new review process, ahead of roll out on a phased basis to other NHS boards. This, along with publication of the findings from the pilot reviews has been delayed due to COVID-19, however work on preparing guidance documentation is continuing.

Ensure the Effective Engagement of Individuals in the Design and Provision of their Care

The Scottish Health Council's local office network has continued its work to enable local communities to participate in the planning, development, and delivery of services. The Directorate also continues to lead on the national Our Voice Citizens' Panel and providing advice and support to NHS boards and HSCPs on service change. On 1 April 2020 the Scottish Health Council changed its operating name to **Healthcare Improvement Scotland – Community Engagement**.

Through our local office networks we have supported the following requests to **gather public views** to influence national policy and direction:

- Gathering Views of people living with Myalgic Encephalomyelitis
- Gathering Views on shared decision making and the use of question prompts
- Gathering Views on General Standards for neurological care and support
- Gathering Views on Engagement in Maternity Services in Scotland

The online survey to gather views of people living with Myalgic Encephalomyelitis was a key example of effective engagement. The responses were more than double our expectations and analysis showed that work undertaken in advance with patient groups had resulted in increased engagement levels via social media.

During the last year we have evaluated the short-term impact of the **Our Voice Citizens' Jury** on the topic of shared decision making.

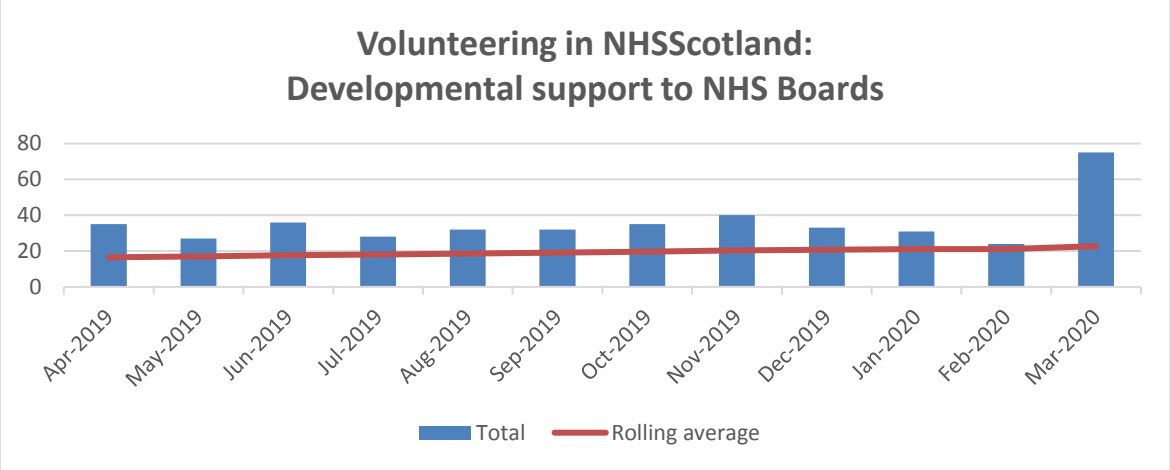
The evaluation concludes that the Jury successfully provided insights on how shared decision making in health and care may be strengthened, and demonstrates that Citizen's Juries can be an innovative and useful way to involve citizens in the policy making process.

In 2019 the **Citizens' Panel** was refreshed with new members, and now stands at approximately 1,170 members broadly representative of the Scottish public. A Topic Advisory Group has been established from health and social care stakeholders to help ensure a robust and transparent process for developing topics for future survey programmes. Three topics reported from the panel's fifth survey include the Scottish Ambulance Service, Organ and Tissue donation and Nursing and Midwifery Care.

Our **Service Change team** provides advice and support to NHS boards on ways to improve their engagement process when considering changes to a service, and as such provides a consistent and responsive core service. We offered advice and support on engagement to 41 service changes across 12 NHS Boards and 10 Integration Authorities. This included two major service changes: NHS Lanarkshire – Monklands Replacement Project, and NHS Tayside's proposed changes to orthopaedic services. The quality assurance report on NHS Tayside's engagement and consultation process, published December 2019, highlights that NHS Tayside met national guidance, and outlines recommendations for next steps.

Two short animations have also been produced to support NHS Boards and Health and Social Care Partnerships good engagement practices.

The **Volunteering Programme** published nine case studies including on mealtime volunteers, breastfeeding support volunteers, Community Chaplaincy Listening and volunteering in an NHS care home. The Programme also provided developmental support to 19 NHS Boards a total of 428 times. However some planned pilots in relation to the application process and peer support have been delayed due for both external and capacity reasons.



Engaging People in the Work of Healthcare Improvement Scotland

The Public Involvement Team has continued to support service user, carer and public engagement in HIS, with achievements including:

- The development of patient versions to accompany SIGN guidelines on topics including the management of chronic pain and delirium, and the production of plain language summaries for every SHTG advice statement published on the website.

- A public engagement exercise for the Scottish Health Technologies Group (SHTG) to gather views on the topic of surgical mesh repair for primary inguinal hernia in men. The engagement exercise had a high response rate and the full report was published along with the final advice.

We completed a review in 2019 of the ways in which people are engaged across the range of Healthcare Improvement Scotland's work activities. As a result some work in relation to governance, building capacity and developing roles has been delayed, but the review identified four distinct work-streams which will be progressed during 2020, including work to build capacity and capability for public engagement, to redevelop volunteering / Public Partner roles and to ensure sufficient governance mechanisms about how the organisation is engaging people in its work.

Access to Care

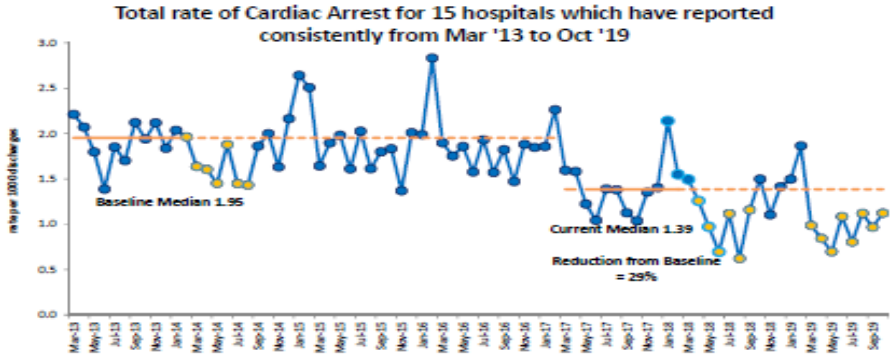
In October 2019 we launched **Access QI**, a new programme of work focused on supporting NHS Boards to deploy quality improvement (QI) expertise to meet the challenge of delivering sustainable improvements in waiting times while maintaining or improving the quality of care.

The primary focus is support to three accelerator sites (NHS Grampian, NHS Lothian and NHS Tayside) to enable them to deploy their QI expertise to sustainably improve access. We are working with NHS Education for Scotland to deliver a programme of activities in support of this and in 2020 are planning a national learning system to spread learning to all NHS boards.

Statutory Duties to Safeguard the Public and to Provide High Quality Care

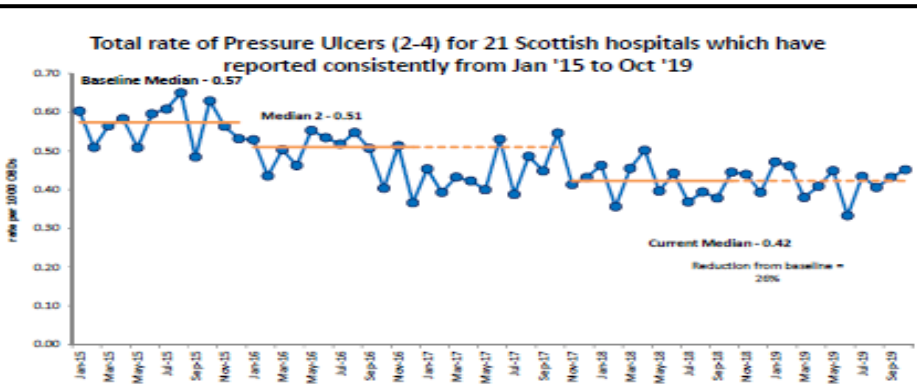
Our national safety improvement programmes include Acute Adult, Primary Care, Maternity and Children, Medicines and Mental Health. The overall aim of the **SPSP Acute Adult** programme is to reduce harm and mortality for people in Scotland's acute hospitals, within 3 specific workstreams: deterioration; falls; and pressure ulcers. Examples of improvement during 2019-20 are provided below.

Cardiac Arrest



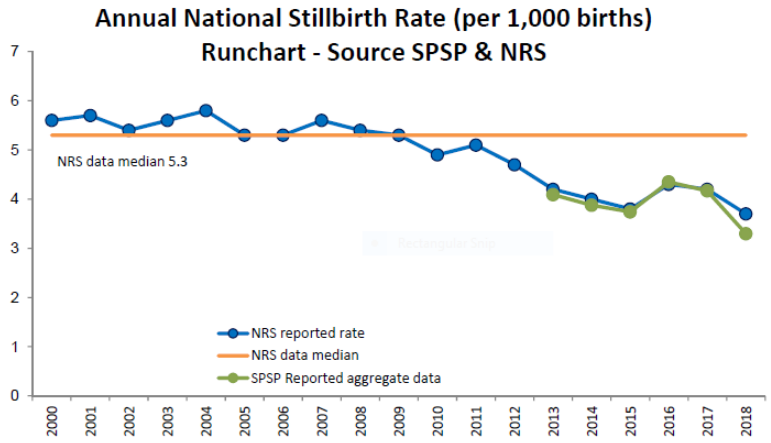
There is now a 29% improvement across 15 reporting hospitals who have reported data consistently between March 2013 and Oct 2019. This is, on average, 17 fewer cardiac arrests in general wards each month.

Pressure Ulcers



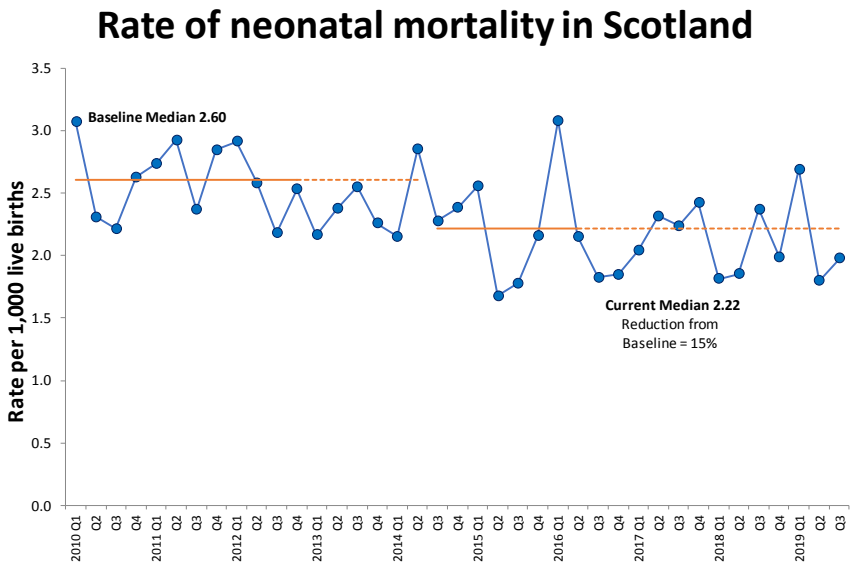
There is now a 26% improvement across 21 hospitals who have reported data consistently between January 2015 and Oct 2019 which equates to an average of 25 fewer pressure ulcers per month.

The **Maternity and Children Quality Improvement Collaborative** (MCQIC) has experienced challenges around board engagement with the paediatric programme, however continued its work across a number of outcomes and two examples of improvement are provided below.



Aim: reduce stillbirth by 35% by March 2021

As of February 2020 there has been a 24% reduction in stillbirth rate with 11 units reporting.



Aim: Reduce neonatal mortality by 15% by March 2021

MCQIC track National Records of Scotland data related to neonatal mortality and convert this into time series data. The aim has been achieved; however, the continued focus will be to reduce preterm mortality.

In July 2019 **SPSP Medicines** launched a NSAIDs (non-steroidal anti-inflammatory drugs) Safer Care bundle which aims to improve the clinical care of patients taking these medications. It accompanies the NSAIDs Communication Care Bundle, both of which have been distributed to all community pharmacies in Scotland.

In 2019-20, the **Scottish Medicines Consortium** (SMC) issued advice on 97 medicines, with 80% of full submissions being accepted for use in NHSScotland (including two medicines accepted on an interim basis subject to ongoing evaluation and future reassessment). While slightly lower than the anticipated number of advice publications it is within normal variation. In addition, SMC issued initial assessment reports for two medicines used to treat extremely rare conditions as part of a new pathway for ultra-orphan medicines.

In 2019-20 our public involvement team supported 103 patient group partners to provide a written submission to SMC, resulting in 94% of our full medicine appraisals being accompanied with a patient group submission. 61 patient and carer representatives participated in Patient and Clinician Engagement meetings for orphan and end of life medicines and 51 patient group partner organisations participated in SMC Committee meetings.

Evidence to Improve Health and Care for the People of Scotland

The Knowledge Management Team delivered a total of 356 **evidence outputs** (over 20 different types) this year, ranging from systematic evidence retrieval to training sessions as well as evidence critical appraisals, reference checks and after-action reviews. The team also provided support to external partners such as the Scottish Government, Glasgow University and Health Technology Wales.

We supported the **Scottish Palliative Care Guidelines Programme** to publish six new guidelines this year and fully or partially revise 49 existing guidelines. The guidelines are used in acute and community settings and directly impact prescribing and symptom management decisions.
We also supported the **Scottish Screening Committee** with the publication of revised standards for cervical screening and draft standards for AAA and bowel screening. Throughout 2019-20, the team have undertaken work for the **Chief Medical Officer's Rape and Sexual Assault Taskforce** which included publishing indicators for forensic medical services, supporting the development of clinical pathways for adult and child victims and working with the Care Inspectorate to develop Barnahus standards for children who are victims of harm and abuse.

Publication of the draft Barnahus standard and associated consultation were delayed to enable further engagement with the Crown regarding legal implications of the standards and have since been put on hold due to COVID-19. We are working with the Care Inspectorate and Scottish Government to agree revised timelines.

The **SHTG** issued 19 publications on the use of health technologies across Scotland. The eight Advice Statements published by SHTG include advice on the use of surgical mesh for elective repair of primary inguinal hernia in male patient. Use of surgical mesh has become an important topic in the last few years following women's experiences of severe, chronic pain after surgical mesh was used to treat pelvic organ prolapse. We also continued to support the **Transvaginal Mesh Oversight group**, which has reviewed data, evidence, patient information and service provision for women who have experienced stress urinary incontinence and pelvic organ prolapse.

A review of SHTG activities demonstrated a welcome move towards more directive conclusions, an increase in impact (i.e. a greater proportion of outputs used to inform practice/policy/discussion), provision of a broader and more tailored product range, and increased alignment to national groups and policy makers.

An update to the **British guideline on the management of asthma** and accompanying patient booklets were produced from SIGN's collaboration with the British Thoracic Society, which this year has extended to include the National Institute for Health and Care Excellence. SIGN also published an update of its methodology manual, SIGN 50: A guideline developer's handbook.

The **Scottish Antimicrobial Prescribing Group (SAPG)** continues to work with board antimicrobial teams on local quality improvement approaches to support achievement of targets for the antibiotic use indicators, and in 2019-20 has published the following:

- new guidance on use of antifungal agents to support clinical teams
- the Hospital Antibiotic Review Programme, developed in collaboration with NHS Education
- updated guidance for boards on local surveillance of antimicrobial use

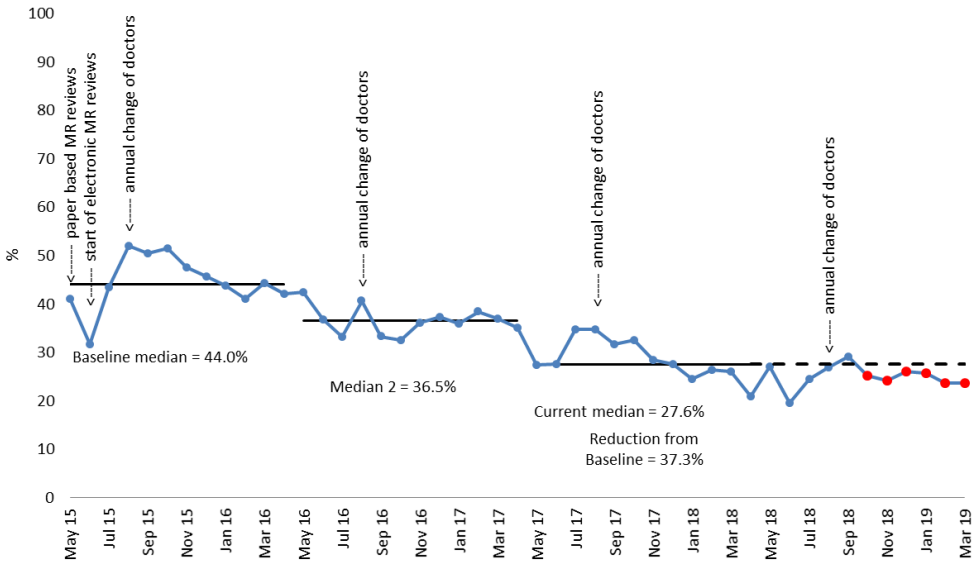
We have completed a systematic review and survey of prescribers across all care settings to inform national advice on the use of antibiotics in patients towards the end of life, due to be published in 2020-21.

In early 2020 SAPG published a report on its support to two hospitals in Ghana to develop and implement a stewardship programme. This was undertaken by volunteers from both SAPG and NHS boards, funded by a Fleming Fund grant, and supports the Scottish Government's Global Citizenship initiative, with recognised benefits for the NHS.

In 2020-21 the Evidence Directorate will be developing a single work programme, shifting the emphasis away from a set 'menu of products' to a more coordinated response to the questions and problems posed by stakeholders, enabling the Directorate to join up and improve support whilst making the best use of resources.

The **Death Certification Review Service** (DCRS) was established by legislation in 2015 with a statutory function to review medical certificates of the cause of death in Scotland. The service analyses around 10% of Scottish death certificates which are randomly selected (around 5,500 certificates per year). The chart below shows the 'not in order' rate has reduced by over a third from 44% to 27.6% since the service was established in 2015. There is a sign of further improvement from October 2018.

Run Chart of Monthly Percentage MCCDs 'not in order'



The DCRS Annual Report, published in September 2019, also indicates that service level agreement targets have been met, with 96% of Level 1 reviews and 98% of Level 2 reviews completed within service level agreement timescales.

Regulation of Independent Healthcare

HIS has been responsible for regulating independent hospitals (including voluntary hospices) and private psychiatric hospitals since it was established in 2011, and since April 2016, has regulated independent clinics. Inspections of independent clinics began in late summer 2018, and at the beginning of May 2020, 404 independent clinics were registered with HIS.

The independent clinic sector is in growth and is increasing in complexity, in an unpredictable market. Risks have been identified in relation to this service and a short life working group has been convened to address the risks and to review the future operating model.

At the time of writing a number of changes have also been made to the way we regulate the independent healthcare sector in the light of the COVID-19 pandemic. In order to minimise the spread of the disease and protect our staff we stopped all routine regulatory activity from the middle of March 2020. Our regulatory activity is self-financing with the costs being recouped from the independent sector by way of regulatory fees. The steps that the Scottish Government and the UK Government have put in place to control the spread of the virus will impact significantly on the income of many independent healthcare services. In order to support independent healthcare services and ensure that HIS can continue to effectively regulate the sector it has been agreed with Scottish Government that they will fund the regulatory service for the period from 1 April to 31 August 2020 and this will enable us to suspend continuation fees for the same period.

During 2019-20 Healthcare Improvement Scotland received 14 disclosures from NHS Scotland staff under the **Public Interest Disclosure Act**. For nine of these, we sought information from the relevant NHS board to understand whether the board was aware of the issues raised and, where applicable, to seek evidence of how the concerns had been addressed. Following a review of the information provided, we were satisfied that no further assessment was required in relation to all nine disclosures. Of the remaining disclosures, three were not within our remit (but shared with the NHS Boards for consideration) and two related to procurement and supply issues which were being taken forward nationally.

In undertaking this work we are providing public assurance that concerns are being addressed, and can also, through our assessments and investigation process, identify areas for improvement.

In relation to our duties under the **Children and Young People (Scotland) Act 2014**, Healthcare Improvement Scotland has established a Children and Young People Working Group and published the following reports on actions being taken to protect and promote the rights of children and young people in Scotland: Children's Rights Report to 31 March 2020; and a Corporate Parenting action plan and progress report. Key areas of focus are:

- increasing awareness of our corporate parenting duties among staff and non-executive members
- empowering care experienced people to have their views heard

In the last year we have developed and delivered public protection training for staff and worked with Who Cares? Scotland to develop an e-learning module on involving care experienced people in our work. The Scottish Health Council has worked to involve care experienced people in a range of our outputs over the last 3 years including standards, developing our inspection model, mental health improvement and gathering public views.

In addition to those outlined above we have continued to fulfil all **other statutory requirements** including:

- maintaining and publishing the register of controlled drugs' accountable officers in Scotland, and providing external quality assurance of the governance arrangements for the safe management of controlled drugs
- carrying out regulatory inspections to ensure safe care for patients, carers and staff who are exposed to medical ionising radiation (X-rays and nuclear medicine, and treatments such as radiotherapy) in any NHS or independent service.

In line with the **Scottish Regulators' Strategic Code of Practice**, HIS is required to publish an annual statement on compliance with the Code. All of our quality assurance and regulatory work is:

- user-focused
- transparent and mutually supportive, yet independent
- intelligence-led and risk-based
- integrated and co-ordinated
- improvement-focused

In line with the Code and our principles we offer a wide range of support and information to regulated services to help them to deliver straightforward compliance solutions. We have shared considerable guidance with new providers to assist them in becoming registered with us.
We also routinely engage with stakeholder groups including opportunities to inform the development of our policies, and we have published all of our inspection methodologies.

We ensure that our regulatory work is intelligence-led through links with the work of HIS' Data Measurement and Business Intelligence team. We also use information on previous inspection performance, notifications and service level risk assessment to inform and target our regulatory activity.

The following operational arrangements are also in place:

- All services we inspect have the opportunity to review our inspection reports to ensure they are factually accurate. Services required to register with us can also review and agree any conditions that will be attached to their registration, and there are also systems in place to allow the opportunity to comment, and in some cases appeal, in relation to any enforcement action.
- We have a complaints process in place that allows providers of services the opportunity to complain if they feel we have not followed our published methodology.

We are constantly reviewing learning from our inspection, review and regulatory activity, which is informing the review of the Quality of Care approach. During 2019-20 we have taken the learning about using the approach across all types of our work to develop overarching operational guidance. When completed this will support us to deliver further consistency to our work and continue to deliver inspections and reviews in line with our principles and the principles of the Code.

Issues and Risks

The HIS Board maintain an overview of the main issues that impact on our operating environment, the risks associated with achieving our organisational objectives and the status of delivering our operational plan. The Audit and Risk Committee and the Board review all strategic risks and all high/very high operational risks at each of its meetings.

During 2019-20, the main risks and mitigations that were considered were as follows:

- Financial sustainability and particularly the increasing pressure to deliver more with reduced base line funding. The impact of the non-recurring element of our funding on delivery and workforce due to the short-term nature of the funding and the collaborative working with National Boards to deliver additional savings
- Workforce planning and the challenges that are evident with recruiting particular skills in a number of areas. Also, the significant turnover within the workforce resulting from the number of fixed term contracts associated with the short-term commissions and funding received from Scottish Government

- Risks continue to materialise around changes being made to the work of the Quality Assurance Directorate and in particular, the testing and maturing of the Quality of Care reviews and the unpredictability of the growth of independent clinics which we regulate. A review of the processes and modelling of fee income from independent clinics was undertaken during 2019-20 with improvements being introduced during 2020-21.
- The Risk Management Strategy was reviewed and refreshed during 2019-20. An internal audit was undertaken during the year and the recommendations are being implemented. A short life working group has been formed which includes the Chair of the Audit and Risk Committee to oversee the action plan that has been agreed and to assist with embedding the identification and management of risk within the work of the organisation.
- The Quality of Care Approach was tested with three health boards and some learning was identified. An external review was commissioned and this recommended that more targeted intelligence-led, risk-based reviews, complementing our broader inspection and review programmes, would offer a better use of our resources than a rolling programme of organisational reviews. A short life working group was established which was led by the Chair of the Quality and Performance Committee to review this work and its standard operating procedures (SOP). The SOP was developed with advice from Grant Thornton, internal auditors, in order to help provide independent assurance to the Group about its fitness for purpose and to provide a degree of external assurance and transparency.

Summary of Performance

A revised performance reporting system was introduced into HIS during 2019-20. This was tested with the Board and with the Quality and Performance Committee and was well received, The report is produced quarterly and provides exception reporting against agreed outputs, describes progress against the priorities set out above and provides a horizon scan of policy changes and potential new work that the organisation is being asked to deliver. The report includes the operational risk register, financial and workforce information. Performance reporting will continue to be developed during 2020-21 including electronic reporting.

During 2019-20 the organisation performed well against delivering its priorities and this has been described above. In the last quarter of the year, work was disrupted as a consequence of the COVID-19 pandemic and this impacted on a number of outputs. In particular, planned events and learning sessions led by the ihub were cancelled and work that required engagement with stakeholders e.g. production of standards and indicators in the Evidence Directorate were delayed. Regulatory work within the Quality Assurance Directorate was paused e.g. inspections and the review of death certificates.

Retaining the learning gained from our experience of COVID-19 for new ways of working is a key focus for the coming year. We will decide how best to respond to key issues highlighted by the pandemic and which require our skills to make a positive difference. In particular, the safe and effective provision of services for our older population, including our involvement in the care home sector and recent initiatives such as Hospital at Home and Near Me which also capitalise on the digital advances that are being made. In reactivating our Operational Plan we will consider carefully how we can work differently in future and build on the current learning. We will increasingly consider our work programmes from a cross-organisational perspective, underpinned by the Quality Management System and with the engagement of our stakeholders to inform how we reactivate and scope our future programmes of support for the health and care system.

The disruption caused by the COVID-19 pandemic resulted in some under spend at the end of the financial year and the prospect of this had been agreed with Scottish Government finance colleagues during March 2020. The organisation operated during 2019-20 within the financial targets agreed with Scottish Government and met its savings target. Workforce targets relating to sickness absence were also met.

Performance Report - Analysis

Financial

HIS measures its progress toward achieving the Scottish Government's nine national health and wellbeing outcomes and the strategic improvement priority areas identified in the Annual Operating Plan (AOP) using a suite of performance indicators. The AOP gives detailed targets and trends for a number of key performance indicators towards achieving these outcomes. HIS also measures its performance against the financial targets set by the Scottish Government Health and Social Care Directorate (SGHSCD). Performance against these targets is monitored by the Executive Team and reported to the Board on a regular basis.
The Scottish Government require NHS Boards to meet three key financial targets:

- a Revenue Resource Limit;
- a Capital Resource Limit; and
- a Cash Requirement.

Further details on non-core elements of expenditure, typically comprising items of a technical accounting nature, can be found in the Summary of Resource Outturn (page 64).

Financial Performance Against Three Key Financial Targets

For the Year Ended 31 March 2020

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (deficit)/ surplus £'000
Core revenue resource limit	32,583	32,056	527
Non – core revenue resource limit	1,091	1,093	(2)
Total	**33,674**	**33,149**	**525**
Core capital resource limit	0	0	0
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	**0**	**0**	**0**
Cash requirement	32,061	32,075	(16)

For the Year Ended 31 March 2019

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (deficit)/ surplus £'000
Core revenue resource limit	29,651	29,394	257
Non – core revenue resource limit	102	102	0
Total	**29,753**	**29,496**	**257**
Core capital resource limit	235	236	(1)
Non-core Capital Resource Limit	0	0	0
Total Capital Resource Limits	**235**	**236**	**(1)**
Cash requirement	27,441	27,441	0

All cash balances are held in accounts that form part of the Government Banking Services, with the likelihood of monies being irrecoverable considered to be minimal.

Memorandum for In Year Outturn

	£'000
Core revenue resource Variance (Deficit)/Surplus in 2019-20	527
Financial flexibility: funding banked with/(provided by) Scottish Government	257
Underlying (Deficit)/Surplus against Core Revenue Resource Limit	270
Percentage	0.83%

A three-year financial plan was submitted to Scottish Government by HIS on 31 March 2019 and subsequently approved on 19 June 2019.

Excluding provision of financial flexibility provided by the Scottish Government, the Board's outturn would have been an underspend on RRL of £0.270m (equivalent to 0.83%). The under spend is within one percent flexibility afforded by the three-year financial planning and performance cycle, and will be managed within an overall breakeven position in the period 2021-22.

Efficiency Targets

The budget for 2019-20 featured a number of efficiency targets that are summarised below.

	Target £'000	**Achieved £'000**	**Recurring**	**Non Recurring**
Staff Turnover	676	673	339	335
General Expenditure	734	828		828
National Board Collaboration		230		230
Total	**1,410**	**1,731**	**339**	**1,393**

Payment Policy

The Scottish Government is committed to supporting business in the current economic situation by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within 10 working days, across all public bodies. The statistics below include disputed invoices.

In 2019-20:

- Average credit taken was 13 days.
- HIS paid 99.12% by value and 91.75% by volume within 30 days.
- HIS paid 94.75% by value and 79.22% by volume within 10 working days.

The comparators for 2018-19 are:

- Average credit taken was eight days.
- HIS paid 98.25% by value and 96.23% by volume within 30 days.
- HIS paid 95.01% by value and 86.23% by volume within 10 working days

Note: These calculations only relate to non-NHS suppliers

The above calculations include all invoices and during 2019-20 the main reason for the increase in average credit days was the clearance of disputed backlog invoices mostly relating to one supplier. It is estimated that removing these from the calculation would reduce the average credit taken for undisputed invoices to 10 working days.

Independent Healthcare

Independent Healthcare incorporates independent hospitals, which includes hospices, private psychiatric hospitals and independent clinics. The financial results are shown below and the remaining surplus has been carried forward to the financial year 2020-21.

OUTTURN	2019-20	2018-19
	£'000	£'000
Income	793	749
Expenditure	810	(705)
Surplus (Deficit)	**(17)**	**44**

Workforce

The workforce Development Plan for 2019-22 set out how the organisation would embed the Staff Governance Standard and work in Partnership to develop and support staff. The actions for 2019-20 were ambitious with staff development built around improving cross organisational working, improving career pathways and involving the senior staff in more decision making and problem solving.

The plan also included an action to produce regular robust workforce reporting to assist with understanding and managing capacity and capability across the organisation. These actions were implemented and the reporting requirement was achieved. The staff development work is ongoing and includes all managers being trained in how to coach their staff.

At 31 March 2020 the headcount for HIS was 489 (2018-19 462) which is a net increase of 27 staff during the year. Staff turnover during the year was 13% (2018-19 11%) from a mix of permanent and fixed term staff and 104 staff were recruited during the year. Approximately 50% of all staff vacancies were project related posts e.g. programme manager, project officer and administrative. Sickness absence was 3% (2018-19 3.2%) which is below the Scottish Government target of 4%. The most common reason for sickness absence was anxiety, stress or depression and this related to 25% of absence.

A short life working group to support Mental Health was established during 2019-20. This has recently evolved into the Health and Wellbeing group and focuses on interventions that support staff to manage their mental health and work life balance. This group will work closely with the Healthy Working Lives Group to aim to achieve the gold award following the achievement of the silver award during 2019.

A bespoke Culture Survey was completed during 2019/20 to provide a better understanding of staff experience working in Healthcare Improvement Scotland. The results provided key data which has been incorporated within the Workforce & Development Plan 2020-2023. In particular, actions around potential reasons for employees leaving the organisation, reasons for retention, aspirations and balance of workload have been developed.

iMatter continues to be used by teams as a tool to help continuously improve employee experience by using the output to structure team discussions to agree areas of importance to them. It commits the team to specific actions to help them measure progress during the course of the year.

Our 2018/19 Workforce Equality Monitoring Report was reviewed during the year and updated with actions to be completed and reviewed again by April 2022. This work is fundamental to understanding the composition of the workforce and to devising strategies for improving its balance The Government introduced the EU Settlement Scheme to help transition from EU free movement to a domestic system of skills-based immigration for future migrants.

Under this scheme, all EU nationals (along with EEA and Swiss citizens) living in the UK have the right to register for pre-settled or settled status, which would allow them to continue living and working in the UK. This information has been made available to all staff.

Social Matters

HIS was created by the Scottish Parliament and its functions and powers are compliant with human rights, as is required of all legislation passed by the Parliament. Policies are in place to deter bribery, corruption and collusion with external parties. Awareness sessions for staff relating to deterring and detecting fraud take place and are led by the Counter Fraud Service. Our recruitment processes are designed to ensure that all applicants are treated fairly and without favour. We work closely with the Glasgow Centre for Inclusive Living and have successfully recruited graduates from this source.

HIS is committed to embedding a human rights based approach within its work. Scotland's National Action Plan – Human Rights Action Group on Health and Social Care, highlighted the work of HIS and we are represented on this national action group. Training sessions delivered by the Scottish Human Rights Commission (SHRC) have taken place with staff and we have published a guide for staff 'Tackling Health Inequalities by Taking a Human Rights Based Approach' which was introduced into HIS with bespoke training. During May 2019, the Chair of the SHRC led a development session for Board members and for the Executive Team highlighting the benefits of a human rights based approach, the key requirements for success and their role as decision makers.

Sustainability and Environmental Reporting

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

Further information on the Scottish Government's approach can be found in the Climate Change Plan 2018-2032 while national reports can be found at the following resource:

https://sustainablescotlandnetwork.org/reports

The National Sustainability group advised that the base line results from 2018-19 will remain in place until the National Sustainability measurement system is in place. It is expected that this will be completed by February 2021. The baseline audit for HIS identified that bronze status had been reached which was in line with most of our peers.

The impact of COVID-19 lockdown on travel, waste and energy consumption will be analysed with the learning being taken into future sustainability planning.

Forward Look

From the beginning of February 2020, an organisation wide HIS COVID-19 group was established to manage organisational resilience including business continuity and cyber security in response to the pandemic. Since mid - March, all staff within HIS have been working from home and significant aspects of work were paused including statutory and regulatory work. Clinical staff on secondment with HIS were deployed back to their substantive Boards. In addition, staff within HIS have volunteered and have been deployed across the NHS and to some third sector organisations.

Forward Look, cont'd

It is expected that during 2020-21 HIS will continue to flex its work to support the immediate needs of health and social care. A mobilisation plan has been prepared and a prioritisation framework is being developed to assist with decision making to reactivate paused work and to accommodate new work. In particular, there is a need to urgently scale up capacity for quality assurance to assist the Care Inspectorate with the inspection of care homes. A financial forecast has been prepared to support the mobilisation plan and was considered by the Board at its meeting on 29 April 2020. The financial forecast confirmed that HIS is able to operate within its current funding model for 2020-21. The prioritisation framework will assist HIS to make decisions that enables financial balance to be met by 31 March 2021.

DocuSigned by:
Robbie Pearson
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Robbie Pearson.....

Chief Executive Date 24 June 2020

The Accountability Report

Corporate Governance Report

The Directors' Report

Date of Issue

These financial statements were approved and authorised for issue by the Board on 24 June 2020.

Appointment of Auditors

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Deloitte LLP to undertake the audit of HIS for the five year period 2016 to 2021. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

In the financial year 2019-20, Deloitte LLP only undertook audit related work for HIS.

Board Membership

Under the terms of the Scottish Health Plan, the Board of HIS is a Board of governance whose membership will be conditioned by the functions of the organisation. Members are selected on the basis of their position or the particular expertise which enables them to contribute to the decision making process at a strategic level.

The Board of HIS has collective responsibility for the performance of the organisation as a whole, and reflects a Partnership approach, which is essential to improving health and social care.

The Board members of HIS who were in office during the year and up to the date of signing the financial statements were as shown in the following table.

Individual	Board post	Date of Appointment
Ms C Wilkinson	Chair	10/10/2018
Dr B Anderson	Non-Executive Board Member	01/04/2015 until 31/8/2019
Ms J Brock	Non-Executive Board Member	01/04/2015
Ms S Dawson	Non-Executive Board Member & Chair of the Scottish Health Council	01/3/2019
Dr Z M Dunhill MBE	Non-Executive Board Member	01/06/2014
Mr P Edie	Non-Executive Board Member	15/04/2013
Mr J Glennie OBE	Non-Executive Board Member	01/06/2014
Mrs G Graham	Non-Executive Board Member	01/03/2019
Ms R Hotchkiss	Non-Executive Board Member	01/03/2019
Ms C Lester	Non-Executive Board member	01/04/2019
Mrs K Preston	Non-Executive Board Member	01/06/2014
Mr D Service	Employee Director	01/03/2011
Mr R Pearson	Chief Executive	01/08/2016

The Statement of Healthcare Improvement Scotland Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, HIS 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 organisation as at 31 March 2020 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

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

Board members are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of HIS 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 HIS and hence taking reasonable steps for the prevention of fraud and other irregularities.

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

Board Members' and Senior Managers' Interests

The register of interests is published on the HIS website and is considered on an annual basis by the Audit and Risk Committee

http://www.healthcareimprovementscotland.org/about_us/our_board.aspx

Director Third Party Indemnity Provisions

No qualifying third party indemnity provision was in place for any director at any time during the financial year.

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year.

The information required to meet the disclosure requirements of the Act may be found on the HIS website at the link:
http://www.healthcareimprovementscotland.org/about_us/what_we_do/freedom_of_information/expenditure.aspx

Personal data related incidents reported to the Information Commissioner

There were no occasions where a personal data related incident was reported to the Information Commissioner during the year 2019-20 (2018-19 Nil).

Disclosure of Information to Auditors

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

The Statement of the Accountable Officers' 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 HIS.

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 organisation's disposal; and
- Safeguarding the assets of HIS.

In preparing the accounts I am required to comply with the requirements of the government's Financial Reporting Manual and in particular to observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;

- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the government Financial Reporting Manual have been followed and to disclose and explain any material departures; and
- Prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable.

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of 28 November 2016.

The 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 the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. In addition, I am responsible for safeguarding the public funds and assets assigned to the organisation.

Purpose of the System of Internal Control

The system of internal control is based on an on-going process designed to identify, prioritise and manage the principal risks facing the organisation. The system aims to evaluate the nature and extent of risks, and manage risks efficiently, effectively and economically.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's aims and objectives. As such, it can only provide reasonable and not absolute assurance.

The process within the organisation accords with guidance from Scottish Ministers in the Scottish Public Finance Manual (SPFM) and supplementary NHS guidance, and has been in place from 2016-17 and up to the date of approval of the annual report and accounts.

The SPFM is issued by 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, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

Governance Framework of the Board

HIS has a comprehensive governance framework in place to support delivery of its strategic direction and that supports me, as the Accountable Officer, to discharge my responsibilities.

The Governance Framework is set out in the Code of Corporate Governance which was reviewed during 2019 and approved by the Board. This defines and documents the roles and responsibilities of the Board through detailed guidance on standing orders, standing financial instructions, scheme of delegation, contract/procurement regulations and a code of conduct. The organisation has a Board of 11 Non-Executive Board Members and one Executive member of the Board, the Chief Executive.

Board meetings are held in both public and private session. The Board is supported in its assurance role by a number of governance committees. Each Committee submits an annual report to the Board which specifies whether or not it has met its remit during the year and describes the outcomes from the Committee during the year, including improvement actions for the subsequent year. Progress against the actions is reviewed by the Board.

Key aspects of the organisation's governance are assured by our Committees – financial and information governance by the Audit and Risk Committee; Staff governance by the Staff Governance Committee; and clinical governance by the Quality and Performance Committee.

In HIS, we interpret clinical governance to be the provision of assurance that clinical and care governance arrangements are in place in all programmes of our work to support the delivery of safe, effective and person-centred health and social care services to improve outcomes for the people of Scotland.

The details of the Committees and their membership are set out in the table below:

Committee	Principal Function	Committee Membership
Audit and Risk Committee	To assist the Board to deliver its responsibilities for the issues of risk, control and governance and associated assurance through a process of constructive challenge.	John Glennie (Chair) Gill Graham (Vice Chair) Bryan Anderson (until 31/8/19) Rhona Hotchkiss (until 1/2/20) Christine Lester (from 1/2/20) Kathleen Preston Evelyn McPhail co-opted to the Committee for 12 months from 3/2/20
Executive Remuneration Committee	To assist the Board in discharging its responsibilities for staff employed on executive and senior management terms and conditions and remuneration arrangements ('Executive Cohort') and to maintain the highest possible standards of corporate governance in this area. In addition, the Committee takes an overview of the wider Executive Team, some of whom are employed on 'Agenda for Change' terms and conditions and remuneration arrangements.	Kathleen Preston (Chair) Rhona Hotchkiss (Vice Chair) John Glennie Duncan Service Carole Wilkinson
Quality and Performance Committee	Responsible for providing assurance to the Board in relation to progress against delivery of the organisational Strategy: Making Care Better (2017-2022). The Committee will assure the Board that the organisation is delivering to the highest quality, including the appropriate provision of clinical and care expertise.	Zoë M. Dunhill (Chair) Jackie Brock (Vice Chair) Bryan Anderson (until 31/8/19) Suzanne Dawson Gill Graham Duncan Service
Scottish Health Council Committee	Responsible for oversight of the governance and assurance of the statutory duties of the Scottish Health Council as set out in the National Health Service (Scotland) Act 1978 as amended by the Public Service Reform (Scotland) Act 2010: • ensuring, supporting and monitoring NHS Boards compliance with the duty to involve the public • ensuring, supporting and monitoring the NHS Boards compliance with the duty of Equal Opportunities (in relation to the provision of services and public involvement).	Suzanne Dawson (Chair)* John Glennie (Vice Chair)* Christine Lester* Alison Cox Elizabeth Cuthbertson Dave Alan Bertin (from 1/1/20) James Mallen (from 1/1/20) Emma Cooper (from 1/1/20) Simon Bradsheet (from 1/1/20) *HIS Board member
Staff Governance Committee	The Committee holds the organisation to account in terms of meeting the requirements of the Staff Governance Standard. More specifically, the role of the Committee is to support and maintain a culture where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the organisation and is built upon partnership and collaboration. Finally, the Committee ensures that robust arrangements to implement the Standard are in place and monitored.	Duncan Service (Chair) Kathleen Preston (Vice Chair) Bryan Anderson (until 31/8/19) Rhona Hotchkiss (from 1/2/20) Christine Lester (up to 31/1/20)

Attendance at the Board and Committee meetings by Non-executive Directors during 2019 -20 is set out below.

	Board Meetings	Audit and Risk	Executive Remuneration	Quality and Performance	Scottish Health Council	Staff Governance
Bryan Anderson (member until 31 August 2019)	1/1	1/1	-	2/2	-	2/2
Jackie Brock	4/4	-	-	2/4	-	-
Suzanne Dawson	3/4	-	-	3/4	5/5	-
Zoe M. Dunhill	3/4	-	-	4/4	-	-
Paul Edie	4/4	-	-	-	-	-
John Glennie (Vice Chair)	4/4	4/4	5/5	-	5/5	-
Gill Graham	3/4	4/4	-	4/4	-	-
Rhona Hotchkiss	4/4	3/3	4/5	-	-	0/1
Christine Lester	3/4	1/1	-	-	5/5	3/3
Kathleen Preston (sickness absence for part of the year)	3/3	2/2	3/3	-	-	2/2
Duncan Service	4/4	-	3/5	4/4	-	4/4
Carole Wilkinson (Board Chair)	4/4	2/4 Observer	5/5	1/4 Observer	-	1/4 Observer

Corporate Governance

The framework for corporate governance is reviewed on an ongoing basis with any amendments being considered by the Audit and Risk Committee and approved by the Board. During 2019-20 there was a comprehensive review of the Code of Corporate Governance to incorporate revised terms of reference for the governance committees, a new national model for standing orders and the Blueprint for Good Governance.

Strategic Direction

Healthcare Improvement Scotland's Strategy 'Making Care Better – Better quality health and social care for everyone in Scotland 2017-22' describes the Board's priorities and how they are aligned the national health and wellbeing outcomes. The process of reviewing the organisation's strategy began in October 2019 with an event for Board members and the Executive team. This work is ongoing and will be influenced by the views of stakeholders.

Performance Reporting

Following the Board's self-assessment against the Blueprint for Good Governance, a short life working group was established to review the performance reporting arrangements for HIS. This group included two Board members.

A revised performance report has been tested and is now in place as a regular quarterly update for the Board. The report details progress against the Annual Operating Plan and includes a horizon scanning section of potential new work or policy changes that might impact our work.

Stakeholder Engagement
We engage with our stakeholders in a variety of ways to ensure that our work meets their needs based on feedback. We have set up a Strategic Stakeholder Advisory group which includes membership from the Board. Meetings are held using a workshop format to gain views on priority areas of work. During 2019-20 views were sought on our work in Primary Care, Mental Health and Growing Older.

The Chair and Chief Executive meet with MSPs on a regular basis. In August 2019, an opinion survey was undertaken of some MSPs to help us to tailor these meetings to provide most benefit.

Policies and Procedures
Policies and procedures to manage compliance with relevant laws, regulations and internal arrangements are in place. All members of staff are responsible for compliance with these arrangements. Organisational policies are reviewed regularly and are accessible to staff via the intranet.

Staff Governance
The Code of Conduct for members of Healthcare Improvement Scotland describes the minimum standards of conduct expected from all staff. This details the Board's regulations regarding remuneration, confidentiality, gifts and hospitality, registration and declaration of interests.

There are clear mechanisms in place to enable employee concerns to be dealt with quickly and effectively either formally or informally. A Health and Wellbeing group has been established which provides access to a range of services and interventions for staff.

During 2019 the Board conducted a Culture Survey to engage staff in sharing their experience of working in the organisation. The findings from the survey were largely positive with an action plan is being developed and taken forward by the Partnership Forum.

Complaints and Whistleblowing Arrangements
There is an established complaints process in place within Healthcare Improvement Scotland and this includes a Whistleblowing Policy. These are clearly stated on the website. Details of complaints received are reported to the Board. An annual report on complaints, feedback and concerns is prepared for the oversight of the Quality and Performance Committee.

A Board member has been appointed as Interim Whistleblowing Champion pending the external appointment of a permanent Whistleblowing Champion. This role reports directly to the Staff Governance Committee and provides an annual update to the Board.

Internal Audit
The 2019-20 Internal Audit Plan, approved by the Audit and Risk Committee, included a range of reviews that were prioritised based on the risk register. All recommendations by Internal Audit are recorded in a register to create an action plan and progress against these actions are reported to each meeting of the Audit and Risk Committee.

Internal Audit produced and presented their Annual Report to the Audit and Risk Committee meeting on 17 June 2020. In their opinion, HIS has a framework of controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

Fraud Prevention
Healthcare Improvement Scotland worked in partnership with Counter Fraud Services during 2019-20 to proactively manage the risk of fraud and there were no incidents of fraud during the year. (2018-19 Fraud cases: nil). The organisation participated in the bi-annual National Fraud Initiative (NFI) data matching exercise to help prevent and detect fraud, overpayments and errors.

Review of Performance
The Scottish Government Annual review of Healthcare Improvement Scotland for 2018-19 was held on 21 November 2019 and was a non-ministerial review.

Review of Adequacy and Effectiveness
As Accountable Officer, I am responsible for reviewing the adequacy and effectiveness of the system of internal control. My review is informed by:

- the Executive Team and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas which is supported by an annual statement of assurance from the Executive Team
- the work of the internal auditors, who submit regular reports to the Audit and Risk Committee which include their independent and objective opinion on the effectiveness of risk management, internal controls and governance processes, together with their recommendations for improvement
- the work of the external auditors through their annual report
- the review of performance against key performance and risk indicators
- the maintenance of an organisation-wide risk register formally reviewed by the Executive Management Team, the Audit and Risk Committee and the full Board
- the performance appraisal system for all staff with personal objectives and development plans designed to support the Board in the attainment of the corporate objectives set out in the Annual Operating Plan.
- 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:
    - Atos and NSS Digital and Security in the discharge of their services to support National IT Services on behalf of NHS Scotland Health Boards
    - NHS Ayrshire and Arran in the discharge of their services to operate the National Single Instance (NSI) financial ledger services on behalf of NHS Scotland Boards.

For the year 2019/20, the Service Audit Report in relation to the NSI financial ledger services was unqualified. However, the report(s) in relation to IT Services were both qualified. The Board has considered the issues identified in the report and concluded that they do not represent significant governance issues. The Board has received assurances from NSS that each point raised within the report will be addressed as part of its continuous improvement programme of work.

I have taken assurance from the annual statements provided to me by my Executive Team and the additional sources noted above. I conclude that appropriate arrangements are in place to address any weaknesses identified and to ensure the continuous improvement of the system.

Risk Management
All 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. Healthcare Improvement Scotland aims to manage risk to an acceptable level, in line with the organisation's risk appetite.

The Risk Management Strategy was updated and approved by the Board in December 2019. The process for reviewing the strategy included a risk management workshop with the Board in August 2019 which included a self – assessment against the Audit Scotland Risk Management Toolkit and a detailed review of the strategic risk register. An exercise was conducted with the Board to update the risk appetite of the organisation and a new category for workforce risks was agreed.

The revised strategy has set out an enhanced role for the Risk Management Advisory Group in sharing best practice and supporting colleagues to manage risk. Each Directorate has a representative on this group.

Internal Audit were asked to review the application of risk across the organisation and their recommendations have led to a short life working group being set up to take forward the action plan that was created as a result. The working group includes Board members and the work is ongoing.

The Board receives the Strategic Risk Register for consideration at each of its meetings. Each governance committee receives the high and very high operational risks assigned to it. The Audit and Risk Committee also review all strategic risks. The most significant risks for the organisation during 2019-20 were:

- the expiration of the lease for the Glasgow office accommodation and the process of options appraisal to identify suitable accommodation for the future
- the financial arrangements related to the regulation of independent healthcare
- the delivery of work and financial management of additional funding allocations issued by Scottish Government
- the development, testing and implementation of the Quality of Care reviews
- the impact of the COVID-19 pandemic on staff wellbeing and the organisation's work

Best Value

In accordance with the principles of Best Value, the Board aims to foster a culture of continuous improvement. As part of this, executive directors and senior managers are encouraged to review, identify and improve the efficient and effective use of resources. I can confirm that arrangements are in place to secure best value as set out in the Scottish Public Finance Manual.

Disclosures

During 2019-20, no significant control weaknesses or issues have arisen and there have been no significant failures in the expected standards for good governance, risk management and control. This was the same during 2018-19. Attention is however, drawn to the key risks reported in the risk management section of this statement.

Remuneration and Staff Report

Board Members and Senior Employees Remuneration

Executive Remuneration

The Executive Remuneration Committee met on 23 May 2019 to appraise the performance of all Executive and Senior Managers for the year 2018-19. They considered the performance review information against the objectives which had been set for 2018-19. On this basis, each post holder was assigned one of the five performance bands. There were six Executive Managers included in this process, of which one was seconded-out of the organisation with effect from 1 March 2016, and two Senior Staff members on Agenda for Change terms and conditions.

NHS Circular PCS (ESM) 2019/2, issued on 14 December 2019 gave effect to the performance pay rating from 1 April 2019.

Remuneration Report

For the Year Ended 31 March 2020

Remuneration Table (Audited Information)

Remuneration of:	Gross Salary (Bands of £5,000)	Total Earnings in Year (Bands of £5,000)	Pension Benefits (£'000)	Total Remuneration (Bands of £5,000)	Notes
Executive Members					
Chief Executive: Mr R Pearson	115-120	115-120	49	165-170	-
Non Executive Members					
The Chair: Ms C Wilkinson	25-30	25-30	0	25-30	-
Dr Z M Dunhill MBE	0-5	0-5	0	0-5	-
Cllr P Edie	0-5	0-5	0	0-5	(see note 1 below)
Mr J Glennie OBE	0-5	0-5	0	0-5	-
Mrs K Preston	0-5	0-5	0	0-5	-
Mr D Service (Employee Director)	50-55	50-55	18	70-75	The Employee Director's salary includes £44.1K in respect of non-Board duties.
Ms J Brock	0-5	0-5	0	0-5	-
Dr B Anderson	0-5	0-5	0	0-5	Dr B Anderson ceased office as non-executive Board member on 31 August 2019.
Ms S Dawson	10-15	10-15	0	10-15	-
Mrs G Graham	0-5	0-5	0	0-5	-
Ms R Hotchkiss	0-5	0-5	0	0-5	-
Mrs C Lester	5-10	5-10	0	5-10	Mrs C Lester took up office as non-executive Board member on 1 April 2019.

Other Senior Employees					
Director of Finance & Corporate Services: Ms M Waterston	85-90	85-90	15	100-105	-
Director of Safety & Improvement: Ms R Glassborow	90-95	90-95	35	125-130	-
Director of Quality Assurance: Mr A Delaney	65-70	65-70	17	85-90	Mr A Delaney left office as Director of Quality Assurance on 30 September 2019.
Interim Director of Scottish Health Council: Ms S McDougall	65-70	65-70	14	80-85	-
Nurse Director: Ms A Gow	90-95	90-95	93	180-185	-
Director of Workforce: Mrs S Canavan	70-75	70-75	37	105-110	Mrs S Canavan took up office as the Director of Workforce on 29 April 2019 and had a full year equivalent salary of £76.5k.
Director of Community Engagement: Mrs Lynsey Cleland	60-65	60-65	16	75-80	Mrs L Cleland took up office as the Director of Community Engagement on 3 Jun 2019 and had a full year equivalent salary of £76.8k.
Director of Evidence : Dr S Qureshi	55-60	55-60	34	90-95	Dr S Qureshi took up office as the Director of Evidence on 1 Jul 2019 and had a full year equivalent salary of £77.7k.

Note 1 The chair of HIS, Ms C Wilkinson, and the chair of the Care Inspectorate, Cllr P Edie, are non-executive members of one another's Boards. In both cases neither received any remuneration from the non-executive appointment, with all payments being made on a quid pro quo basis by the Board they chair.

Remuneration Report

For the Year Ended 31 March 2019

Remuneration Table (Audited Information)

Remuneration of:	**Gross Salary (Bands of £5,000)**	**Total Earnings in Year (Bands of £5,000)**	**Pension Benefits (£'000)**	**Total Remuneration (Bands of £5,000)**	**Notes**
Executive Members					
Chief Executive: Mr R Pearson	110-115	110-115	47	155-160	-
Non Executive Members					
The Chair: Dr D Coia	10-15	10-15	0	10-15	Dame Dr D Coia ceased office as chair on 5 September 2018. (see note 1 below).
The Chair: Ms C Wilkinson	10-15	10-15	0	10-15	Ms C Wilkinson took up office as chair on 10 October 2018. (see note 1 below).
Dr Z M Dunhill MBE	0-5	0-5	0	0-5	-
Cllr P Edie	0-5	0-5	0	0-5	(see note 1 below).
Ms S Walsh OBE	0-5	0-5	0	0-5	Ms S Walsh ceased office as a non-executive Board member on 4 October 2018.

Mr J Glennie OBE	0-5	0-5	0	0-5	-
Mrs K Preston	0-5	0-5	0	0-5	-
Mr D Service (Employee Director)	50-55	50-55	15	65-70	The Employee Director's salary includes £44.3K in respect of non-Board duties.
Dr H Wilson CBE	5-10	5-10	0	5-10	Dr H Wilson held office as interim chair of the Board from 6 September 2018 to 9 October 2018. Dr H Wilson ceased office as vice chair on 28 February 2019.
Ms J Brock	0-5	0-5	0	0-5	-
Dr B Anderson	0-5	0-5	0	0-5	-
Mr W G Black CBE	0-5	0-5	0	0-5	Mr W G Black ceased office as non-executive Board member on 28 March 2019.
Mrs P Whittle CBE	10-15	10-15	0	10-15	Mrs P Whittle is chair of the SHC. Mrs P Whittle ceased office on 28 February 2019.
Ms S Dawson	0-5	0-5	0	0-5	Ms S Dawson took up office as non-executive Board member on 1 March 2019.
Mrs G Graham	0-5	0-5	0	0-5	Mrs G Graham took up office as non-executive Board member on 1 March 2019.
Ms R Hotchkiss	0-5	0-5	0	0-5	Ms R Hotchkiss took up office as non-executive Board member on 1 March 2019.
Other Senior Employees					
Medical Director: Dr B Robson	155-160	155-160	16	170-175	Dr B Robson resigned with effect 8 April 2019.
Director of Finance & Corporate Services: Ms M Waterston	85-90	85-90	24	110-115	-
Director of Safety & Improvement: Ms R Glassborow	90-95	90-95	38	125-130	-
Director of Scottish Health Council: Mr R Norris	75-80	75-80	21	95-100	Mr R Norris Visiting Fellow, Academy of Government retired 6 April 2019.
Director of Evidence: Dr S Twaddle	85-90	85-90	43	125-130	Dr S Twaddle retired 30 April 2019.
Director of Quality Assurance: Mr A Delaney	85-90	85-90	29	115-120	-
Interim Director of Scottish Health Council: Ms S McDougall	70-75	70-75	24	95-100	-
Nurse Director: Ms A Gow *	80-85	80-85	55	135-140	*Ms A Gow received benefits in kind of 0-5.

Note 1 The chair of HIS, Dr D Coia/C Wilkinson, and the chair of the Care Inspectorate, Cllr P Edie, are non-executive members of one another's Boards. In both cases neither received any remuneration from the non-executive appointment, with all payments being made on a quid pro quo basis by the Board they chair.

Remuneration Report

For the Year Ended 31 March 2020

Pension Values Table (Audited Information)

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

During the year, the Government announced that public sector pension schemes will be required to provide indexation on the Guaranteed Minimum Pension element of the pension. Scottish Public Pensions Agency has updated the methodology used to calculate CETV values as at 31 March 2020. The impact of the change in methodology is included within the reported real increase in CETV for the year.

	Total accrued pension at age 60 at 31 March 2020 (Bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2020 (Bands of £5,000)	Real increase in pension at age 60 at 31 March 2019 (Bands of £2,500)	Real increase in lump sum at age 65 at 31 March 2019 (Bands of £2,500)	CETV at 31 March 2019 (£'000)	CETV at 31 March 2020 (£'000)	Real increase in CETV in year (£'000)
Remuneration of:							
Executive Members							
Chief Executive: Mr R Pearson	50-55	0-5	2.5-5	0-2.5	662	716	55
Non Executive Members							
Mr D Service (Employee Director)	20-25	0-5	0-2.5	0-2.5	245	264	19
Other Senior Employees							
Director of Finance & Corporate Services : Ms M Waterston	55-60	40-45	0-2.5	2.5-5	307	335	16
Director of Safety & Improvement: Ms R Glassborow	115-120	75-80	0-2.5	0-2.5	568	611	43
Director of Quality Assurance: Ms S McDougall	10-15	0-5	0-2.5	0-2.5	127	142	15
Nurse Director: Ms A Gow	45-50	0-5	5-7.5	0-2.5	582	666	84
Director of Workforce: Mrs Sybil Canavan	85-90	55-60	0-2.5	0-2.5	437	478	41
Director of Community Engagement: Mrs Lynsey Cleland	0-5	0-5	0-2.5	0-2.5	0	12	12
Director of Evidence : Dr S Qureshi	65-70	45-50	0-2.5	0-2.5	362	401	39

For the Year Ended 31 March 2019

Pension Values Table (Audited Information)

	Total accrued pension at age 60 at 31 March 2019 (Bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2019 (Bands of £5,000)	Real increase in pension at age 60 at 31 March 2019 (Bands of £2,500)	Real increase in lump sum at age 65 at 31 March 2019 (Bands of £2,500)	CETV at 31 March 2018 (£'000)	CETV at 31 March 2019 (£'000)	Real increase in CETV in year (£'000)
Remuneration of:							
Executive Members							
Chief Executive: Mr R Pearson	50-55	0-5	2.5-5	0-2.5	600	651	51
Non Executive Members							
Mr D Service (Employee Director)	15-20	0-5	0-2.5	0-2.5	224	241	16
Other Senior Employees							
Clinical Director: Dr B Robson	165-170	115-120	0-2.5	0-2.5	915	954	39
Director of Finance & Corporate Services : Ms M Waterston	50-55	35-40	0-2.5	2.5-5	265	302	26
Director of Safety & Improvement: Ms R Glassborow	105-110	75-80	0-2.5	0-2.5	514	558	44
Director of Scottish Health Council: Mr R Norris:	55-60	40-45	0-2.5	2.5-5	304	344	30
Director of Evidence : Dr S Twaddle	130-135	95-100	0-2.5	5-7.5	657	725	56
Director of Quality Assurance: Mr A Delaney	0-5	0-5	0-2.5	0-2.5	20	46	26
Interim Director of Scottish Health Council: Ms S McDougall	10-15	0-5	0-2.5	0-2.5	106	125	20
Nurse Director: Ms A Gow	40-45	0-5	2.5-5	0-2.5	518	572	54

Remuneration Report

Fair Pay Disclosure Required (Audited Information)

2019-20 £'000		2018-19 £'000	
Range of Staff Remuneration	15-135	Range of Staff Remuneration	15-160
Highest Earning Director's Total Remuneration (£'000s)	115-120	Highest Earning Director's Total Remuneration (£'000s)	155-160
Median Total Remuneration *	39,169	Median Total Remuneration	37,010
Ratio	3.00	Ratio	4.26

Commentary The highest earning director has fallen to the 115-120 remuneration banding, while the average (median) workforce salary has increased by 5.83%, compared to the previous year. The gap between the median workforce salary and our highest earning director has therefore fallen, and expressed as a ratio, represents a decrease of 29.51%

*Note - Total remuneration is equivalent to the total earning for the year and excludes employer superannuation contributions.

Changes to the Roles of Senior Staff

Changes have taken place within the Executive Team cohort during the year. During April 2019, The Director of the SHC and the Director of Evidence both retired and the Medical Director resigned. Appointments were made as follows: the Director of Community Engagement (Chief Officer of SHC) took up appointment on 3 June 2019, and the Director of Evidence took up appointment on 1 July 2019. Recruitment to the post of Medical Director took place during 2019-20 with the post being filled from 6 April 2020. A Director of Workforce was appointed from 29 April 2019 to strengthen staff governance arrangements in a growing organisation. The Director of Quality Assurance resigned with effect from 1 October 2019 and an interim Director was appointed from that date. Recruitment to this post will take place during 2020. The Director of Nursing was appointed as deputy Chief Executive with effect from 1 July 2019 following an internal recruitment process.

Staff Report

Higher Paid Employees Remuneration (Audited Information)

For the Year Ended 31 March 2020

Clinical staff	2020	2019
£70,001 to £80,000	4	4
£80,001 to £90,000	1	2
£90,001 to £100,000	4	4
£100,001 to £120,000	1	0
£120,001 to £130,000	0	1
£130,001 to £140,000	1	0
£150,001 to £160,000	0	1

Other staff non-clinical	2020	2019
£70,001 to £80,000	4	4
£80,001 to £90,000	6	5
£90,001 to £100,000	1	1
£110,001 to £120,000	1	1

Remuneration Report (Audited Information)

For the Year Ended 31 March 2020

2018-19		Executive Board Members	Non Executive Members	Permanent Staff	Inward Secondees	Other Staff	Outward Secondees	2019-20 Total
£'000		£'000	£'000	£'000	£'000	£'000	£'000	£'000
	STAFF COSTS							
15,722	Salaries and wages	117	74	14,871	0	2,254	(278)	17,038
1,646	Social security costs	15	4	1,589	0	223	(31)	1,800
2,145	NHS scheme employers' costs	24	0	2,856	0	461	(58)	3,283
1,770	Inward secondees	0	0	0	2,582	0	0	2,582
523	Agency staff	0	0	0	0	439	0	439
21,806		156	78	19,316	2,582	3,377	(367)	25,142
0	Compensation for loss of office or early retirement	0	0	0	0	0	0	0
21,806	**TOTAL**	**156**	**78**	**19,316**	**2,582**	**3,377**	**(367)**	**25,142**
	STAFF NUMBERS							
427	Whole time equivalent (WTE)	**1**	**1**	**361**	**32**	**73**	**(6)**	**462**
0	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: (Unaudited)							**0**
16	Included in the total staff numbers above were disabled staff of(Unaudited)							**19**
0	Included in the total staff numbers above were Special Advisers of:							**0**

Staff composition (Unaudited Information) – an analysis of the number of persons of each sex who were directors and employees

Staff Composition	2020			2019		
	Male	Female	Total	Male	Female	total
Executive Directors	1	0	1	1	0	1
Non-Executive Directors and Employee Director	2	8	10	4	7	11
Senior Employees	5	17	22	7	15	22
Other	107	349	456	103	325	428
Total Headcount	**115**	**374**	**489**	**115**	**347**	**462**

Remuneration Report

Note: The numbers in the staff composition table reflect employees in post at 31 March in both the current and prior year.

Sickness absence data (Unaudited Information)

	2020	2019
Sickness Absence Rate	3.00%	3.24%

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

- For giving full and fair consideration to applications for employment by the Board made by disabled persons, having a regard to their particular aptitudes and abilities
- For continuing the employment of, and for arranging appropriate training for, employees of the Board who have become disabled persons during the period when they were employed by the Board
- Otherwise for the training, career development and promotion of disabled persons employed by the Board

Other Staff Information

Pay policies used within the organisation are based on national agreements. The majority of employees are employed under the conditions of Agenda for Change.

A proactive Equality and Diversity Working group is in place to ensure that all policies and practices within HIS are fair for all staff and stakeholders. All policies are being refreshed nationally on a 'Once for Scotland' basis and these are equality impact assessed. This group has been set up in Partnership and reports to the Staff Governance Committee. The Equalities Monitoring Report is reviewed by the Partnership Forum prior to being submitted to the Staff Governance Committee. Recent work includes a Stonewall assessment and an equality impact assessment of home working to support our response to revised working arrangements due to COVID-19.

Employee consultation is fundamental to the operation of HIS. A bespoke culture survey was commissioned and conducted during 2019 to establish how improvements to the culture could be made. An action plan has been prepared by Partnership Forum based on the findings. More recently, a survey of all staff was undertaken to understand the impact of home working based on the changed arrangements in response to the pandemic. This will help to inform immediate support required for staff and also future policy around flexible working arrangements. A working group has been established with members of Partnership Forum to review options for revised accommodation arrangements in Glasgow in preparation for the expiry of the lease in March 2021. This group visited potential sites and scored each option against criteria that they had set which was included within the decision making of the formal options appraisal. A consultation exercise took place during 2019 to support the redesign of the Communications Team.

A Health and Safety Adviser was appointed during 2019 as the service that was being provided by a third party was unsatisfactory and the contract was terminated. This appointment has improved building compliance arrangements and has refreshed both the Fire policy and the Incident Reporting policy. No major incidents were reported during the 2019-20. The Health and Safety adviser has provided support for the current home working arrangements and will also support the revised arrangements for office accommodation in Glasgow.

An electronic recruitment system (JobTrain) was introduced during 2019-20. This system supports improved recruitment practice in terms of responsiveness to candidates and the quality of shortlisting. This is a national NHS system and it supports the demand and supply measures that are set out in the Workforce Plan.

A skills framework is being developed and is currently being trialled within the Improvement Directorate. This will assist with the progression of succession planning and talent management within HIS. In addition, a Career Pathways Framework has been created to assist staff in understanding the skills and experience required for their next job move and the options they have to meet the job requirements.

Exit packages (Audited Information)

There was one instance in 2019-20 which was <13,000, with none in 2018-19

Facility Time (Unaudited Information)

Facility Time 2019-20 - Union	
Table 1	
Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
5.00	0.71
Table 2	
Percentage of time	Number of Employees
0%	0
1-50%	5
51-99%	0
100%	0
Table 3	
Provide the total cost of facility time	£38,391
Provide total pay bill	£25,283,477
Provide the percentage of the total pay bill spent on facility time	0.15%
Table 4	
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%

Parliamentary Accountability Report

Losses and Special Payments

There was one redundancy payment during 2019-20 at a cost of £12,523 (2018-19: £nil) No losses or special payments above £250k.

Fees and Charges

Independent Healthcare (Audited Information)

Independent Healthcare encompasses independent hospitals, which includes hospices, private psychiatric hospitals and independent clinics.

Financial Objective

The financial objective is to set fees at a level that achieve a breakeven position over time. The table below summarises the outturn for both the financial year 2019-20 and the prior two years. This information has been reviewed and is subject to the audit opinion

.OUTTURN	2019-20	2018-19	2017-18
	£'000	£'000	£'000
Income	793	749	648
Expenditure	810	705	593
Surplus / (Deficit)	**(17)**	**44**	**55**

Performance against Financial Objectives

The position with regard to the registration of Independent Clinics at 31 March 2020 is shown below. Comparative information for the prior year is also provided.

Independent Clinics	As at 31 March 2020	As at 31 March 2019
Clinics registered	404	347
Applications being processed by the Inspectorate	30	42
Applications yet to commence	7	18
Services that may still require to be registered	29	34
Total	**470**	**441**

The movement in the total number of prospective independent clinics reflects a more accurate estimation of the likely quantity of clinics that will require to be registered. This has been possible as our knowledge of the sector has improved with the passage of time.

DocuSigned by:
Robbie Pearson
74D7D4BC6D86461...

Robbie Pearson.....

Chief Executive Date 24 June 2020

Independent Auditor's Report to the Members of Healthcare Improvement Scotland, the Auditor General for Scotland and the Scottish Parliament

Report on the Audit of the Financial Statements

Opinion on Financial Statements

We have audited the financial statements in the annual report and accounts of Healthcare Improvement Scotland for the year ended 31 March 2020 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2019/20 Government Financial Reporting Manual (the 2019/20 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2020 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

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

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of Material Misstatement

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

Responsibilities of the Accountable Officer for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Information in the Annual Report and Accounts

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on Regularity of Expenditure and Income

Opinion on Regularity

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

Responsibilities for Regularity

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

Report on Other Requirements

Opinions on Matters Prescribed by the Auditor General for Scotland

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

In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception

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

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

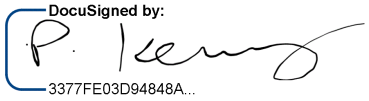
We have nothing to report in respect of these matters.

Conclusions on Wider Scope Responsibilities

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

Use of Our Report

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



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

24 June 2020

Financial Statements

Statement of Comprehensive Net Expenditure

For Year Ended March 2020

	Note	2020 £'000	2019 £'000
Employee Expenditure	3a	25,509	22,054
Other Healthcare Expenditure	3b	8,998	8,528
Gross expenditure for the year		**34,507**	**30,582**
Less: operating income	4	(1,358)	(1,086)
Comprehensive net expenditure		**33,149**	**29,496**

Statement of Financial Position

As at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Property, Plant and Equipment	7	278	371
Intangible Assets	6	67	108
Total non-current assets		**345**	**479**
Current assets			
Financial Assets:			
Trade and other receivables	8	711	740
Cash and cash equivalents	9	757	623
Total current assets		**1,468**	**1,363**
Total assets		**1,813**	**1,842**
Current liabilities			
Provisions	11	(1,203)	(43)
Financial liabilities:			
Trade and other payables	10	(4,680)	(4,439)
Total current liabilities		**(5,883)**	**(4,482)**
Non-current assets less net		**(4,070)**	**(2,640)**
Non-current liabilities			
Provisions	11	(29)	(251)
Total non-current liabilities		**(29)**	**(251)**
Assets less liabilities		**(4,099)**	**(2,891)**
Taxpayers' equity			
General Fund	SOCTE	(4,099)	(2,891)
Total taxpayers' equity		**(4,099)**	**(2,891)**

The notes to the accounts, numbered 1 to 15, form an integral part of the accounts.

The financial statements on pages 49-53 were approved by the Board on 24 June 2020 and signed on their behalf by

DocuSigned by:
Margaret Waterston
0AEE9AE0BE10444...

Margaret Waterston .....

Director of Finance and Corporate Services

DocuSigned by:
Robbie Pearson
74D7D4BC6D86461...

Robbie Pearson .....

Chief Executive

For the Year Ended 31 March 2020

Statement of Cash Flows

	Note	2020 £'000	2019 £'000
Cash flow from operating activities			
Net expenditure	SOCTE	(33,149)	(29,496)
Adjustments for non-cash transactions	2b	134	102
Movements in working capital	2c	1,074	276
Net cash outflow from operating		**(31,941)**	**(29,118)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7a	0	(236)
Purchase of intangible assets	6	0	0
Net cash outflow from investing		**0**	**(236)**
Cash flows from financing activities			
Funding		31,941	29,354
Movement in general fund working capital		134	(1,913)
Net financing	SOCTE	**32,075**	**27,441**
Net increase/(decrease) in cash and cash equivalents in the period		134	(1,913)
Cash and cash equivalents at the beginning of the period		623	2,536
Cash and equivalents at the end of the period		**757**	**623**
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash in year		134	(1,913)
Net cash at 1 April	9	623	2,536
Net cash as at 31 March	9	**757**	**623**

For the Year Ended 31 March 2020

Statement of Changes in Taxpayers' Equity

	General Fund
	£'000
Balance at 31 March 2019	**(2,891)**
Changes in taxpayers' equity for 2019-20	
Net operating cost for the year	(33,149)
Total recognised income and expense for 2019-20	**(33,149)**
Funding:	
Drawn down	32,075
Movement in General Fund (creditor)/debtor	(134)
Balance at 31 March 2020	**(4,099)**
Statement of changes in Taxpayers' Equity for the Year Ended 31 March 2019	
Balance at 31 March 2018	(2,749)
Changes in taxpayers' equity for 2018-19	
Net operating cost for the year	(29,496)
Total recognised income and expense for 2018-19	**(29,496)**
Funding:	
Drawn down	27,441
Movement in General Fund (creditor)/debtor	1,913
Balance at 31 March 2019	**(2,891)**

Notes to the Financial Statements

Accounting Policies

For the Year Ended 31 March 2020

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRIC Interpretations and the Companies Act 2006 to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 30 below.

For all standards, issued but not yet effective in current year

Adoption of New and Revised Standards

a) Standards, amendments and interpretations effective in the current year

In the current year, HIS has applied a number of amendments to IFRS Standards and Interpretations that are effective for an annual period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements:

- **IFRIC 23:** Uncertainty over Income Tax Treatment
- **Amendment to IFRS 9:** Prepayment Features with Negative Compensation
- Annual Improvements to IFRS Standards 2015-2017 Cycle

b) Standards, amendments and interpretations early adopted this year

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

c) Standards, amendments and interpretations issued but not adopted this year

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

- **IFRS 16: Leases** – HM Treasury have agreed to defer implementation until 1 April 2021
- **IFRS 17: Insurance Contracts** – applicable for periods beginning on or after 1 January 2021. Not yet endorsed for use in the EU.
- Amendments to References to the Conceptual Framework in IFRS Standards – applicable for period beginning on or after 1 January 2020

- **Amendments to IAS 1 and IAS 8** (Definition of Material) – applicable for periods beginning on or after 1 January 2020
- **Amendments to IFRS 9, IAS 29 and IFRS 7** (Interest Rate Benchmark Reform) – applicable for periods beginning on or after 1 January 2020
- **Amendment to IAS 1** (Classification of Liabilities as Current or Non-Current) – applicable for periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU.

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

IFRS 16 Leases supersedes IAS 17 Leases and is being applied by HM Treasury in the Government Financial Reporting Manual (FReM from 1 April 2021. IFRS 16 introduces a single lessee accounting model that results in a more faithful representation of a lessee's assets and liabilities, and provides enhanced disclosures to improve transparency of reporting on capital employed.

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

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

HIS has assessed the likely impact to i) comprehensive net expenditure and ii) the Statement of Financial Position of applying IFRS 16. The figures below represent existing leases as at 31 March 2020.

The standard is expected to increase total expenditure by £nil million. Right-of-use assets totalling £0.845 million will be brought onto the Statement of Financial Position, with an associated lease liability of £0.845 million.

2. Basis of Consolidation

As directed by the Scottish Ministers, the financial statements do not consolidate the NHS Superannuation Scheme for Scotland.

3. Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. The impact of the COVID-19 pandemic on the entity has been considered and a financial forecast was prepared and reviewed by the Board in April 2020. The assumptions are reasonable and the outcome demonstrated that financial balance could be achieved by 31 March 2021. Funding for the entity is received from Scottish Government and monthly financial forecasts are being provided to them.

Recent legislation has enhanced the role of the entity e.g. Health and Care (Staffing) (Scotland) Bill and currently its role with regard to care homes in response to the pandemic.

4. Accounting Convention

The accounts are prepared on a historical cost basis.

5. Funding

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

All other income receivable by HIS that is not classified as funding is recognised in the year in which it is receivable except where income is received for a specific activity which is to be delivered, in whole or in part, in the following financial year, that income is deferred proportionately.

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

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

6. 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.

6.1 Recognition

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

All assets falling into the following categories are capitalised:

1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.

   Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

6.2 Measurement

Valuation

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

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 HIS and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the statement of comprehensive net expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

6.3 Depreciation

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

a) 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.

b) Equipment is depreciated over the estimated life of the asset.

c) Property, plant and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful life (Years)
Buildings (excluding dwellings)	10-15
Plant & machinery	1-5
Information technology	3-5
Furniture & fittings	3-5

7. Intangible Assets

7.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the organisation's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, HIS 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 HIS activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

Information Technology Software

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

Software licences

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

7.2 Measurement

Valuation

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

7.3 Amortisation

Amortisation is charged to the statement of comprehensive net expenditure on each main class of intangible asset as follows:

Software.	Amortised over their expected useful life.
Software licences.	Amortised over the shorter term of the licence and their useful economic lives.

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Asset Category/Component	Useful Life (years)
Software licences	3-5
Information technology software	3-5

8. Operating Leases

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

9. Impairment of Non-Financial Assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

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

10. General Fund Receivables and Payables

Where HIS 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 HIS 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.

11. 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.

12. Employee Benefits

12.1 Short-term employee benefits

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

12.2 Pension costs

HIS 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 Statement of Comprehensive Net Expenditure represents the Board's employer contributions payable to the scheme in respect of the year.

The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to 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 and is available on their website.

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

13. 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 employing authorities from a central fund held by the CNORIS by the Scottish Government.

HIS 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 Clinical Negligence and Other Risks Indemnity Scheme 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.

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

14. Related Party Transactions

Material related party transactions are disclosed in the Note 15 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3b.

15. Value Added Tax

Most of the activities of HIS 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.

16. Provisions

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

17. Contingent Liabilities

Contingent liabilities are:

Possible obligations – as it has yet to be confirmed whether HIS has an obligation that could lead to a transfer of economic benefits; or

Present obligations – that do not meet the recognition criteria because either it is not probable that a transfer of economic benefit will be required to settle the obligation or a sufficiently reliable estimate of the obligation cannot be made.

18. Corresponding Amounts

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

19. Financial Instruments

18.1 Financial assets

Classification

HIS classifies its financial assets at fair value through profit or loss.

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 the Statement of Comprehensive Net Expenditure and by reducing the carrying amount of the asset in the Statement of Financial Position.

Recognition and Measurement

Financial assets are recognised when HIS becomes party to the contractual provisions of the financial instrument and are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and HIS has transferred substantially all risks and rewards of ownership.

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive net expenditure.

18.2 Financial Liabilities

Classification

HIS classifies all 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. HIS 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 HIS 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.

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

20. Directorate Reporting

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in Note 5.

21. 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 the National Westminster Bank to provide the banking services, funds held in these accounts should not be classed as commercial bank balances.

22. Foreign Exchange

The functional and presentational currencies of HIS are sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expenditure in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

23. Key Sources of Judgement and Estimation Uncertainty

HIS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. HIS also makes judgements in applying accounting policies. Under accounting guidance we are required to disclose the estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year. The judgement and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are detailed below:

Income Deferral

Deferred income primarily reflected registration and continuation fees within Independent Healthcare. The deferred income is based on the assumptions shown in the table below

Registration Process still to be allocated to an inspector	100% Deferred
Application been allocated to an inspector	50% Deferred
Registration process completed	0% Deferred
Continuation fees	Deferral % specific to period covered in future year

Accrual Recognition

Accruals relating to HIS operating activities are estimated on the basis of existing contractual obligations and goods and services received during the financial year.

Dilapidation Provision

Details of the provisions recognised and the significant estimates and judgements can be seen in note 11. A dilapidations provision is recognised when there is a future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of the Boards unavoidable cost of meeting its obligations under the lease contracts. Key uncertainties are the estimates of amounts due.

There were no estimates, assumptions and judgements during 2019-20 that gave rise to a significant risk.

Notes to the Financial Statements

For Year Ended 31 March 2020

Summary of Resource Outturn

	2020	2019
Summary of Core Revenue Resource Outturn	**£'000**	**£'000**
Net expenditure	33,149	29,496
Total non-core expenditure	(1,093)	(102)
Total Core Expenditure	**32,056**	**29,394**
Core Revenue Resource Limit	32,583	29,651
Saving against core revenue resource limit	**527**	**257**

Summary of Non-Core Revenue Resource Outturn		
Depreciation/Amortisation	134	102
Annually Managed Expenditure – creation of provisions	959	0
Total non-core expenditure	1,093	102
Non-core revenue resource limit	1,091	102
Saving/(excess) against non-core revenue resource limit	**(2)**	**0**

Summary of Resource Outturn	**Resource**	**Expenditure**	**Saving**
	£'000	**£'000**	**£'000**
Core	32,583	32,056	527
Non-Core	1,091	1,093	(2)
Total	**33,674**	**33,149**	**525**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Notes to the cash flow statement

2b. Adjustments for non-cash transactions

	2020 £'000	2019 £'000
Expenditure not paid in cash		
Depreciation	93	60
Amortisation	41	42
Total expenditure not paid in cash	**134**	**102**

2c. Movements in working capital

	Note	2020 Opening balances £'000	2020 Closing balances £'000	2019
Trade and other receivables				
Due within one year	9	740	711	(146)
Net movement			**29**	**(146)**
Trade and other payables				
Due within one year	2	4,439	4,680	(1,532)
Less: General Fund creditor included in above	2	(620)	(754)	1,913
		3,819	3,926	
Net movement			**107**	**381**
PROVISIONS				
Statement of Financial Position	13a	294	1,232	41
		294	1,232	
Net movement			**938**	**41**
Net movement (decrease) / increase CFS			**1,074**	**276**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Operating expenses

3a. Staff costs

	2020 £'000	2019 £,000
Medical and dental	2,826	2,375
Nursing	122	105
Other staff	22,561	19,574
Total	**25,509**	**22,054**

Further detail and analysis of employee costs can be found in the Remuneration and Staff Report, forming part of the Accountability Report.

3b. Other operating expenditure

	2020 £'000	2019 £'000
Goods and services from other NHS Scotland bodies	4,282	4,430
Goods and services from other UK NHS Bodies	0	15
Goods and services from private providers	4,594	3,922
Goods and services from voluntary services	96	134
External auditor's remuneration – statutory audit fee	26	27
Total	**8,998**	**8,528**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Operating Income

	2020 £'000	2019 £'000
Scottish Government	69	38
NHS Scotland bodies	284	150
NHS non Scottish bodies	14	28
Other	991	870
Total income	**1,358**	**1,086**

Other income is mainly made up of Independent Healthcare (IHC) £793k 80.02% (2018-19 £705k 81.03%)

For the Year Ended 31 March 2020

Directorate Spend

	Net Operating Cost	
	2020	**2019**
	£'000	**£'000**
Directorates		
Chief Executive's Directorate	754	949
Office of Medical Director	2,344	2,262
Office of NMAHP Director	1,647	507
Finance and Corporate Services Directorate	2,278	2,216
Property	1,369	1,463
Corporate Provisions	1,293	289
Improvement Support and ihub Directorate	10,945	10,257
Evidence Directorate	5,731	5,437
Quality Assurance Directorate	3,372	2,970
Scottish Health Council	2,785	2,532
People and Workforce	673	614
	33,191	**29,496**

The increase in the NMAHP Directorate is due to the new work commissioned by SG in relation to safer staffing. Corporate provisions movement is due to the creation of the additional dilapidation provision.

Notes to the Financial Statements for the Year Ended 31 March 2020

Intangible Assets (Non-current)

	Software Licences	Information technology software	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2019	419	46	465
Disposals	0	(23)	(23)
At 31 March 2020	**419**	**23**	**442**
Amortisation			
At 1 April 2019	311	46	357
Provided during the year	41	0	41
Disposals	0	(23)	(23)
At 31 March 2020	**352**	**23**	**375**
Net book value at 1 April 2019	**108**	**0**	**108**
Net book value at 31 March 2020	**67**	**0**	**67**
Prior Year Cost or Valuation			
As at 1 April 2018	419	46	465
At 31 March 2019	**419**	**46**	**465**
Amortisation			
As at 1 April 2018	269	46	315
Provided during the year	42	0	42
At 31 March 2019	**311**	**46**	**357**
Net Book Value at 1 April 2018	**150**	**0**	**150**
Net Book Value at 31 March 2019	**108**	**0**	**108**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Property, Plant and Equipment

	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Information Technology £'000	Furniture &Fittings £'000	Total £'000
Cost or valuation					
At 1 April 2019	583	344	351	69	1,347
Disposals	0	(20)	0	0	(20)
At 31 March 2020	**583**	**324**	**351**	**69**	**1,327**
Depreciation					
At 1 April 2019	345	344	218	69	976
Provided during the year	55	0	38	0	93
Disposals	0	(20)			(20)
At 31 March 2020	**400**	**324**	**256**	**69**	**1,049**
Net Book Value at 1 April 2019	**238**	**0**	**133**	**0**	**371**
Net Book Value at 31 March 2020	**183**	**0**	**95**	**0**	**278**
Asset financing:					
Owned	183	0	95	0	278
Net Book Value at 31 March 2020	**183**	**0**	**95**	**0**	**278**

Prior Year

	Buildings (excluding dwellings) £'000	Plant & Machinery £'000	Information Technology £'000	Furniture & Fittings £'000	Total £'000
Cost or valuation					
At 1 April 2018	447	344	251	69	1,111
Additions	136		100		236
At 31 March 2019	**583**	**344**	**351**	**69**	**1,347**
Depreciation					
At 1 April 2018	315	344	188	69	916
Provided during the year	30		30	0	60
At 31 March 2019	**345**	**344**	**218**	**69**	**976**
Net book value at 1 April 2018	**132**	**0**	**63**	**0**	**195**
Net book value at 31 March 2019	**238**	**0**	**133**	**0**	**371**
Asset financing:					
Owned	238	0	133	0	371
Net Book Value at 31 March 2019	**238**	**0**	**133**	**0**	**371**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Property, Plant and Equipment Disclosures

	2020 £'000	2019 £'000
Net book value of property, plant and equipment at 31 March		
Purchased	278	371
Total	**278**	**371**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Trade and Other Receivables

	2020 £'000	2019 £'000
Receivables due within one year		
NHS Scotland		
SGHSCD	17	19
Boards	141	144
Total NHS Scotland Receivables	**158**	**163**
VAT recoverable	28	27
Prepayments	253	122
Accrued income	29	69
Other receivables	243	359
Total Receivables due within one year	**711**	**740**
Total Receivables	**711**	**740**
WGA Classification		
NHS Scotland	141	144
Central Government Bodies	24	51
Balances with bodies external to Government	546	545
Total	**711**	**740**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Trade and Other Receivables, cont.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2020, receivables with a carrying value of £nil (2019: £nil) were past their due date but not impaired.

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: HIS does not hold any collateral as security.

	2020 £'000	2019 £'000
Counterparties with external credit ratings (A)	64	67
Existing customers with no defaults in the past	647	673
Total neither past due nor impaired	**711**	**740**

The carrying amount of short term receivables approximates their fair value.

Notes to the Financial Statements

For the Year Ended 31 March 2020

Cash and Cash Equivalents

	At 31/03/20 £'000	At 31/03/19 £'000
Government Banking Service account balance	754	620
Cash at bank and in hand	3	3
Total cash and cash equivalents – balance sheet	**757**	**623**
Total cash – cash flow statement	**757**	**623**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Trade and Other Payables

	2020 £'000	2019 £'000
Payables due within one year		
NHS Scotland		
Boards	1,003	521
Total NHS Scotland Payables	**1,003**	**521**
General Fund Payable	754	620
Trade Payables	392	0
Accruals	793	1,833
Deferred Income	394	356
Income tax and social security	515	467
Superannuation	438	318
Holiday Pay Accrual	313	259
Other Payables	78	65
Total Payables due within one year	**4,680**	**4,439**
Total Payables	**4,680**	**4,439**
WGA Classification		
NHS Scotland	1,003	521
Central Government Bodies	975	785
Whole of Government Bodies	50	5
Balances with bodies external to Government	2,652	3,128
Total	**4,680**	**4,439**

For the Year Ended 31 March 2020

Provisions

	Participation in CNORIS	Other	Total
	£'000	£'000	£'000
At 1 April 2019	35	259	294
Arising during the year		979	979
Reversed Utilised		(41)	(41)
At 31 March 2020	**35**	**1,197**	**1,232**

Analysis of expected timing of discounted flows to 31 March 2020

	£'000	£'000	£'000
Payable in one year	6	1,197	1,203
Payable between 2 -5 years	21	0	21
Payable between 6 -10 years	2	0	2
Thereafter	6	0	6
Total as at 31 March 2020	**35**	**1,197**	**1,232**

Provisions – (For the Year Ended 31 March 2019)

	Participation in CNORIS	Other	Total
	£'000	£'000	£'000
At 1 April 2018	35	218	254
Arising during the year	4	41	45
Utilised during the year	(2)	0	(2)
Reversed Utilised	(2)	0	(2)
At 31 March 2019	**35**	**259**	**294**

Analysis of expected timing of discounted flows to 31 March 2019

	£'000	£'000	£'000
Payable in one year	2	41	43
Payable between 2 -5 years	0	218	218
Thereafter	33	0	33
Total as at 31 March 2019	**35**	**259**	**294**

Provisions, cont.

Participation in CNORIS
HIS share of the total CNORIS liability of NHS Scotland

Further information on the scheme can be found at: http://www.clo.scot.nhs.uk/our-services/cnoris.aspx

Dilapidations
The dilapidations provision in respect of leased property in Glasgow was increased to £1,177 k in anticipation of the end of the lease on 8 March 2021. The calculation of the amount of the increase is based on professional advice received from a dilapidations and mechanical and electrical survey, an estimate of labour costs and professional fees and an estimate for land lord compensation based on the probability of his loss of income while the building is reinstated to its pre-lease state. Negotiations are taking place to renew the lease on these premises for 10 years and are making positive progress.

Other
A separate provision is in place for £20k to cover the potential liability of a pending employment tribunal. The estimate is based on advice from CLO.

During March a separate employment tribunal took place and the positive outcome was advised to us on 22 April 2020. This has led to the reversal of a provision of £41k with a contingent liability being recognised until the period for a potential appeal from the complainant has passed.

Notes to the Financial Statements

For the Year Ended 31 March 2020

Commitments under Leases

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

	2020	2019
Buildings	**£'000**	**£'000**
Not later than one year	707	723
Later than one year, not later than two years	364	699
Later than two years, not later than five years	1,095	1,067
Later than five years	1,516	1,855
Other		
Not later than one year	39	33
Later than one year, not later than two years	18	22
Later than two years, not later than five years	8	4
Later than five years	0	0
Amounts charged to Operating Costs in the year were:		
Buildings	727	727
Other	51	36
Total	**778**	**763**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Pension Costs

IAS 19 Multi-employer plans 148

(a) Healthcare Improvement Scotland participates in the NHS Pension Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employee's contributions.

(b) Healthcare Improvement Scotland 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 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 Healthcare Improvement Scotland 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 2019 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the NHS Pension Scheme (Scotland) is known and its impact fully assessed in relation to any additional costs to the scheme.

(v) Healthcare Improvement Scotland's level of participation in the scheme is 0.47% based on the proportion of employer contributions paid in 2018-19.

Pension Costs

IAS 19 Multi-employer plans 148

HIS participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying.

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 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

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 will continue to earn benefits in their current section. This may affect members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.
Further information is available on the Scottish Public Pensions Agency (SPPA) web site at *www.sppa.gov.uk.*

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.

Pension Costs

Contributions are taken from qualifying earnings, which are currently from £5,876 up to £45,000, but will be reviewed every year by the government. The initial employee contribution is 1% of qualifying earnings, with an employer contribution of 1%. This will increase in stages to meet levels set by government.

Date	Employee Contribution	Employer Contribution	Total Contribution
1st March 2013	1%	1%	2%
1st October 2018	3%	2%	5%
1st October 2019	5%	3%	8%

Pension members can chose 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 take money out of NEST at any time from age 55. 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.

	2019-20 £'000	**2018-19 £'000**
Pension cost charge for the year	3,283	2,145
Provisions / Liabilities / Pre-payments included in the Balance Sheet	438	319

Notes to the Financial Statements

For the Year Ended 31 March 2020

Financial Instruments

(A) Financial Instruments by Category

Financial Assets

	Loans and Receivables
At 31 March 2020	**£'000**
Assets per balance sheet	
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	272
Cash and cash equivalents	757
	1,029

	£'000
At 31 March 2019	
Assets per balance sheet	
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	428
Cash and cash equivalents	623
	1,051

Financial Instruments by Category

Financial Liabilities

	Liabilities at Fair Value through profit and loss	Other Financial Liabilities	Total
At 31 March 2020		**£'000**	**£'000**
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation		2,330	2,330
		2,330	**2,330**

		£'000	£'000
At 31 March 2019			
Liabilities per balance sheet			
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation		2,777	2,777
		2,777	**2,777**

Notes to the Financial Statements

For the Year Ended 31 March 2020

Financial Instruments, cont.

(B) Financial Risk Factors

Exposure to Risk

HIS's activities expose it to a variety of financial risks:

Credit risk - the possibility that other parties might fail to pay amounts due.

Liquidity risk - the possibility that HIS might not have funds available to meet its commitments to make payments.

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

Because of the largely non-trading nature of its activities and the way in which government departments are financed, HIS is not exposed to the degree of financial risk faced by business entities.

HIS provides written principles for overall risk management, as well as written policies covering corporate and clinical governance. The Executive Team consistently monitors and updates the action plan associated with the risk register making recommendations as necessary. The Audit and Risk Committee is updated on a regular basis on how the risks are being managed.

a) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted. Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by HIS.

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.

b) Liquidity risk

The Scottish Parliament makes provision for the use of resources by HIS for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial year. HIS is not therefore exposed to significant liquidity risks.

Notes to the Financial Statements

For the Year Ended 31 March 2020

Financial Instruments, cont.

Financial Risk factors, cont.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to contractual maturity date. The amounts disclosed in the table are contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At 31 March 2020	**Less than 1 year £'000**	**Between 1 and 2 years £'000**	**Between 2 and 5 years £'000**	**Over 5 years £'000**
Trade and other payables excluding statutory liabilities	2,330	0	0	0
Total	**2,330**	**0**	**0**	**0**
	£'000	**£'000**	**£'000**	**£'000**
At 31 March 2019				
Trade and other payables excluding statutory liabilities	2,777	0	0	0
Total	**2,777**	**0**	**0**	**0**

Market risk

HIS has no power 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 HIS in undertaking its activities.

Fair Value Estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. 2019-20 trade receivable impairment £27k (2018-19 £29k).
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.

Notes to the Financial Statements

For the Year Ended 31 March 2020

Related Party Transactions

HIS were previously awarded five grants from the Health Foundation with two of those grants continuing into 2019-20. Ms R Glassborow has declared their relationship to the Health Foundation in the organisation's Register of Interests. The grants are summarised below.

Grant Award	Period of Award	Value £	Received 2019-20 £	Outstanding £
Quality Rheumatology	October 2017 - November 2018	73,378	0	23,378
Qi Connect	March 2017 - February 2019	92,956	5,000	0
Total		**166,334**	**5,000**	**23,378**

Prior Year Ended 31 March 2019

Grant Award	Period of Award	Value £	Received 2018-19 £	Outstanding £
Quality Rheumatology	October 2017 - November 2018	73,378	0	23,378
Qi Connect	March 2017 - February 2019	92,956	29,316	5,000
Total		**166,334**	**29,316**	**28,378**

There were no other material transactions that took place with other related parties during the year.

D I R E C T I O N

The Healthcare Improvement Scotland Accounts Direction 2012

Made - - - - 13th June 2012

Coming into force on being made

The Scottish Ministers make the following Direction in exercise of the powers conferred by section 86(1) and (3) of, and paragraph 13 of Schedule 5A to, the National Health Service (Scotland) Act 1978[1] and all powers enabling them to do so.

Citation and commencement

1. This Direction is called the Healthcare Improvement Scotland Accounts Direction 2012 and comes into force immediately after being made.

Healthcare Improvement Scotland Annual Accounts

2. Healthcare Improvement Scotland must comply with this Direction when preparing statements of accounts in relation to all of its functions.

3. The statement of accounts for the financial year ended 31 March 2012, and subsequent years, must comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.

4. In addition, the accounts must also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

5. The accounts must be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

6. This direction must be reproduced as an appendix to the statement of accounts.

Revocation

7. For the avoidance of doubt, the direction given on 10th February 2006 relating to NHS QIS is revoked.

A member of staff of the Scottish Ministers

St Andrew's House
Edinburgh
13 June 2012

[1] 1978 c.29. Section 86(1) and (3) was amended by section 36 of the National Health Service and Community Care Act 1990 (c.19) and by schedule 17, paragraph 19 of the Public Services Reform (Scotland) Act 2010 (asp 8) ("the 2010 Act"). Paragraph 13 of Schedule 5A was added by schedule 16 of the 2010 Act.

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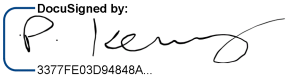
Pat Kenny Security Level: Email, Account Authentication (None) **Signature Provider Details:** Signature Type: DS Electronic **Electronic Record and Signature Disclosure:** Not Offered via DocuSign	DocuSigned by:  3377FE03D94848A... Signature Adoption: Drawn on Device Using IP Address: 86.4.211.169	Sent: 6/25/2020 11:53:23 AM Viewed: 6/25/2020 11:54:56 AM Signed: 6/25/2020 11:56:49 AM

In Person Signer Events	Signature	Timestamp

Editor Delivery Events	Status	Timestamp

Agent Delivery Events	Status	Timestamp

Intermediary Delivery Events	Status	Timestamp

Certified Delivery Events	Status	Timestamp

Carbon Copy Events	Status	Timestamp

Witness Events	Signature	Timestamp

Notary Events	Signature	Timestamp

Envelope Summary Events	Status	Timestamps
Envelope Sent	Hashed/Encrypted	6/25/2020 11:53:23 AM
Certified Delivered	Security Checked	6/25/2020 11:54:56 AM
Signing Complete	Security Checked	6/25/2020 11:56:49 AM
Completed	Security Checked	6/25/2020 11:56:49 AM

Payment Events	Status	Timestamps