



Annual Report and Accounts

For the year ended 31 March 2024

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Performance report

Section 1: Performance report

Foreword from our Chair and our Chief Executive

Health and social care in Scotland is facing exceptional demands. We have continued to support a system that is under substantial pressure. The legacy of COVID-19, combined with a tough financial environment and winter pressures means our health and social care system faces a wide range of complex problems. This year we published a new five-year strategy and set out four priorities:

- To better understand safety and quality in health and care and where improvement will have most impact.
- To use intelligence and evidence to guide the design, delivery and assurance of high-quality health and care services.
- To place the voices and rights of people and communities at the heart of improvements to the safety and quality of care.
- To speed up sustainable improvements in the safety and quality of Scotland's health and care services.

In the first year of our strategy, we put a relentless focus on the safety and quality of care – maximising our impact by deploying our skills and resources to best effect.

In the past year we have also put a major focus on bringing together our breadth of skills and expertise into a more cohesive approach to improvement.

We redistributed our leadership for improvement across our directorates, ensuring we retained the legacy of the knowledge and success of our ihub, whilst making improving care more central to everyone's objectives in Healthcare Improvement Scotland.

In the coming year there will be an even greater emphasis on supporting a safer NHS, through co-ordinating our efforts to maximise our impact. This will include us:

- strengthening the provision of flexible improvement support to individual NHS boards that may be under pressure
- providing national assessments and overviews of safety in the NHS in Scotland
- establishing a comprehensive approach to improving the quality of maternal health care, including inspections
- improving the governance of the management of care-quality concerns that are reported to us

At the heart of all of this are the people we are here to serve. So, an ever-important part of our work is meaningful engagement with the people of Scotland. Listening to their views on health and care helps us to better understand the health and social care services that are needed. Improving relationships between the public and services results in higher-quality, person-centred services that improve health and wellbeing. We recognise that the status quo is not tenable for many aspects of service provision: pressure across a system in demand and financial sustainability as well as workforce challenges, demographic changes, and medical advances mean we need to adapt our services and respond to new evidence about how best to deliver care. We make sure our support for improving and assuring the involvement of individuals and communities in the design and delivery of care keeps pace with these changes, particularly where such changes go beyond NHS board boundaries.

The safety challenges and financial constraints facing health and social care services will continue throughout the coming year and beyond. We will build on the successes and learning from this year to continue to support the system, the people who work tirelessly within in it and those who will benefit most from improved safety and quality of care: the people in Scotland.

Carole Wilkinson

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Carole Wilkinson
Chair

Robbie Pearson

.....
Robbie Pearson
Chief Executive

Performance overview

The purpose of the performance overview is to provide a summary of the organisation, its purpose, the outcomes it is aiming to achieve, its objectives, its performance against delivering those outcomes and/or objectives and both the impact and management of key risks.

Who we are and what we do

We are the national improvement agency for health and care in Scotland. We secure lasting, positive and sustainable improvements in safe, good-quality care across the whole health and care system. Our remit covers acute, primary, mental health and social care, so we are uniquely placed to identify the connections between those parts of the system and opportunities for system-wide working to deliver a relentless focus on the safe delivery of effective care.

We use our skills and knowledge to tackle the challenges faced in the health and care system. Our role is to be at the heart of national efforts to understand and improve the safety and quality of care. Working with partners, we embed quality management across health and care. Our support for the system is underpinned by statutory duties and powers, including:

- further improving the quality of health and care
- providing information to the public about the availability and quality of NHS services
- supporting and monitoring public involvement
- monitoring the quality of healthcare provided or secured by the health service
- responding to concerns and sharing intelligence
- evaluating and providing advice to the health service on the clinical and cost effectiveness of new medicines and new and existing health technologies

Our purpose and activities

Improving safety and the quality of care is at the heart of our work. We ensure that the people of Scotland can rely on, and trust, the services they are using.

We help create a health and care system where:

- people can access safe, effective, person-centred care when needed
- services are informed by the voices of people and communities, and based on evidence about what works
- those delivering care are empowered to continuously innovate and improve services



Our directorates

We made changes to our structure during the year, resulting in eight directorates:

- Chief Executive's Office
- Community Engagement and System Redesign
- Evidence and Digital
- Finance, Planning, Governance and Communications
- Medical and Safety
- Nursing and Systems Improvement
- People and Workplace
- Quality Assurance and Regulation

Summary of performance

In 2023, we published '[Leading quality health and care for Scotland: Our Strategy 2023-28](#).' The strategy sets out our aims and ambitions for the next five years, which are to:

1	Enable a better understanding of the safety and quality of health and care services and the high impact opportunities for improvement.
2	Assess and share intelligence and evidence which supports the design, delivery and assurance of high quality health and care service.
3	Enable the health and care system to place the voices and rights of people and communities at the heart of improvements to the safety and quality of care.
4	Deliver practical support that accelerates the delivery of sustainable improvements in the safety and quality of health and care services across Scotland.

The health and social care system has continued to face unprecedented challenges over the last year, and therefore it has been more important than ever that we ensure care continues to be safe, of high quality and effective, and that it delivers improved outcomes for people and communities.

2023 2024

The work we have carried out in the year has been to meet the priorities in our Strategy 2023-28. Our achievements include:

2



Launched 2 Scottish Patient Safety Programmes, Paediatric and Perinatal – supporting improved outcomes for women, birthing people, babies, children and young people in Scotland.

12



12 safe delivery of care inspections carried out. Our inspections support NHS boards to make improvements to patient safety.

1



1 Quality Framework for Community Engagement and Participation launched. It helps organisations understand how well they are engaging with local communities and where they can improve.

1



Published 1 Neonatal Mortality Review – the recommendations will influence the design and development of a number of safety and improvement work programmes.

1



Created 1 Healthcare Staffing Programme Hub with staffing tools in the lead up to the implementation of the Health and Care (Staffing) (Scotland) Act 2019.

87

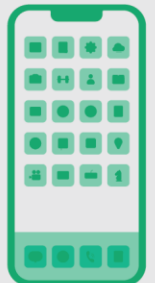


Scottish Medicines Consortium published 87 pieces of advice, ranging from cancer medicines to medicines for migraine and heart failure.

68



Received 68 requests for new toolkits to be published on the Right Decision Service.



The Right Decision Service transferred in November 2023.

158



158 registered Independent Healthcare services were inspected.

5



Published 5 standards and indicators, covering a range of areas including bowel screening, and Bairns' Hoose.

1,028



Our Citizens' Panel with 1,028 members, provided feedback on issues such as organ and tissue donation, the regulation of independent healthcare, attitudes towards vaccination after the pandemic and attitudes towards vaping and tobacco.

Key performance indicators

The metrics are quantifiable operational measures used to gauge the overall performance of our organisation and determine strategic, financial and operational achievements over time. KPIs have been developed under a number of headings, which align to our strategic plan and reflect our organisational priorities.

Strategic area	KPI	2023-24	2023-24
		Target	Actual
Safety and quality of health and care services	Inspections	50	51
	Independent Healthcare Inspections	190	158
	Death Certification Review Service - sample selected	12%	12%
	Healthcare Staffing Programme (no. of new tools)	6	4
Assess and share intelligence and evidence	Scottish Intercollegiate Guidelines Network guidelines published	7	7
	Scottish Medicines Consortium – % of new advice issued in target timescales	60%	14%
	Research & Information Service (no. of literature searches / appraisals / projects supported)	320	346
	Scottish Health Technologies Group reviews	12	12
	Standards and Indicators developed and published	15	17
Practical support for sustainable improvement	Improvement support programmes with Logic Model	90%	91%
	Learning events delivered	120	110
	Published improvement resources	82	54
Voices and right of people and communities	Service change (no. of health and care services monitored and advised)	50	59
	Engagement (no. of policy areas influenced by people's views)	10	8
	Equality assessment (initial screening completed)	100%	56%
Organising ourselves to deliver			
Staff experience	iMatter (employee engagement index score)	82	80
	Sickness absence (national target rate 4% or less)	4.0%	3.4%
	Mandatory training completed across organisation	95%	95%
Value for money	Recurring savings (£000k)	1,606	1,603
Communications	Communications (no. of media releases)	40	60
Digital	ICT Service Desk (calls resolved within agreed Service Level Agreement compliance thresholds)	80%	82%
One Team	Staff feel well / very well informed (% of respondents)	65%	27%

■ Behind target >5%
 ■ Within 5%
 ■ Ahead / on target

For KPIs which fell below their target by greater than 5% (noted in red in the table above), the variances are explained in further detail below:

Independent Healthcare Inspections were lower than targeted in 2023-24 due to lower services registered than originally predicted. 35 inspections were carried forward from 2022-23 due to a change in the risk assessment-based prioritisation of inspections and these have been considered as part of the 2024-25 inspection programme.

The number of new tools developed as part of the Healthcare Staffing Programme were below target by 2 due to delays in implementation across NHS boards. These have been carried forward to 2024-25 where we will work with NHS boards to implement.

Scottish Medicines Consortium advice published KPI ended the year at 14%, considerably lower than the target of 60% due to an increasing volume of new medicines and a number of vacancies within the team. The volume of new medicines continues to increase and we are reviewing our processes and methodology to maximise capacity in the service.

The number of published improvement resources and equality assessment KPIs both were below target due to recruitment challenges and reduced capacity of staffing. Reprioritising of our work in alignment with our strategy for 2024-25 is being undertaken to ensure programmes are adequately resourced.

The One Team KPI focusses on raising awareness and engagement with the One Team programme. Measurement was through staff surveys and showed good progress and achievement in the first half of the year. However, following feedback from staff at focus groups, One Team communications moved away from raising awareness of One Team as an ethos to embedding in business as usual and an emphasis on the benefits of One Team. Consequently, no further staff surveys on One Team recognition were issued which impacted the end of year KPI outturn.

Key risks and issues

The Board maintains an overview of the main issues that impact on our operating environment and the risks to the achievement of our organisational objectives. The most significant risks for the organisation during 2023–24 are detailed along with mitigations in the Performance analysis report and in the Governance statement, but are also summarised as follows:

- There is a risk in the context of wider system pressures that we are not attuned to the arising issues and that we fail to fulfil our commitment to support safe care, resulting in avoidable harm to patients.
- There is a risk to our information communications technology systems as a result of cybersecurity attack, which could impact our ability to deliver our work.
- There is a risk that increasing economic pressures will substantially increase the volume of service change seen across NHS Scotland. This may reduce the available time and priority given to meaningful public involvement and engagement in service change, resulting in failure of boards to meet their statutory responsibilities.

The most significant emerging risk as we move into 2024–25 is that we fail to identify risks to the safety and quality of care through our scrutiny and assurance activity, potentially resulting in patient harm and reputational damage. We are responding by ensuring we provide a flexible and agile response, improving cross-organisational-intelligence sharing with the aim of identifying areas of particular concern at the earliest opportunity.

Performance analysis

This section details how we have performed against our strategic objectives as set out in our operational plans and key indicators.

Financial performance and position

The Scottish Government Health Finance and Governance Directorate sets two budget limits and a cash target at an NHS board level on an annual basis. These limits are:

- Revenue Resource Limit (RRL) – a resource budget for ongoing operations split between core and non-core
- Capital Resource Limit (CRL) – a resource budget for net capital investment
- Cash Requirement – a financing requirement to fund the cash consequences of the ongoing operations and net capital investment

The performance against each of these limits at 31 March 2024 is set out in the table below:

	Limit as set by SGHFGD £000	Actual outturn £000	Variance (deficit)/surplus £000
Revenue Resource Limit – core	40,925	40,925	-
Revenue Resource Limit – non-core	818	818	-
Total Revenue Resource Limit	41,743	41,743	-
Capital Resource Limit – core	83	83	-
Capital Resource Limit – non-core	-	-	-
Total Capital Resource Limit	83	83	-
Cash requirement	41,743	41,229	514

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.

Healthcare Improvement Scotland's outturn is a balanced position (2022-23: underspend of £67k).

Accounting convention

The Annual Accounts and Notes have been prepared under the historical cost convention modified to reflect changes in the value of fixed assets and in accordance with the Government Financial Reporting Manual (FRM). The accounts have been prepared under a direction issued by Scottish Ministers, which is reproduced in the Accounts Direction section at the end. The statement of the accounting policies, which have been adopted by the organisation, is shown in Note 1.

Going concern basis

The financial statements are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. Baseline funding for the entity for financial year ending 31 March 2025 has been confirmed by Scottish Government and Healthcare Improvement Scotland will continue to carry out its current functions as agreed in the Annual Delivery Plan. Healthcare

Improvement Scotland is also not aware of any Scottish Government policy change that would result in Healthcare Improvement Scotland ceasing to exist in the foreseeable future. Therefore, these accounts have been prepared on a going concern basis.

Outstanding liabilities

Healthcare Improvement Scotland has recognised a dilapidation liability of £395k (2022-23: £414k) for leased premises. This provision is based on the outcome of dilapidation assessments and relates to occupied premises in Glasgow. Further information is in Note 11.

Legal obligations

CNORIS is the Clinical Negligence and Other Risk Indemnity Scheme on behalf of the NHS in Scotland. There are currently no ongoing CNORIS cases.

Healthcare Improvement Scotland participate in the NHSScotland Redress for Survivors (Historic Child Abuse in Care) (Scotland) Act 2021. There are currently no ongoing claims under this scheme.

There are no legal proceedings ongoing involving Healthcare Improvement Scotland. Alongside other Scottish NHS boards, Healthcare Improvement Scotland is participating in the Scottish COVID-19 Public Inquiry, but there are no current claims against Healthcare Improvement Scotland.

Complaints

During 2023-24 15 complaints were received:

2	were fully upheld	8	were not upheld
3	were partially upheld	2	were withdrawn

There were no cases being investigated by Scottish Public Services Ombudsman at year end.

Prior year adjustments

There were no prior year adjustments.

Significant changes in the statement of financial position

Non-current assets – the movement is due to depreciation and lease repayments decreasing the value of the plant, property and equipment and right of use assets at 31 March 2024. See Note 7 and Note 12 for further details.

Non-current liabilities – the decrease in trade and other payables is due to the reduction in net obligations under lease liabilities as the length of the current leases decrease. See Note 10 for further details.

Pension liabilities

The accounting policy note for pensions is provided in Note 1. The disclosure of the expenditure is shown within Note 14 and in the Remuneration report.

Events after the end of the reporting period

There are no events after the end of the reporting period to be disclosed.

Budget

A three-year financial plan was submitted to Scottish Government in March 2023. During the year we achieved a balanced position against budget, which included the achievement of the savings target.

Independent healthcare

We are responsible for regulating independent healthcare services by inspecting services to ensure that they comply with standards and regulations. Our team of inspectors inspect independent healthcare services regularly. We do this using announced and unannounced inspections. It includes independent hospitals, which includes hospices, private psychiatric hospitals and independent clinics. The financial results are shown below.

	2023-24	2022-23	2021-22	2020-21
Number of registered services	540	549	519	441
Number of services registered in year	53	71	98	52
Number of inspections completed	158	152	135	61
	£000	£000	£000	£000
Income	1,163	1,040	1,030	601
Release of reserves	352	-	-	-
Scottish Government Funding	565	360	150	394
Expenditure	(2,081)	(1,330)	(990)	(955)
Surplus / (Deficit)	(1)	70	190	40

The reserves for independent healthcare were accumulated from the surplus over previous financial years. The reserves were fully utilised in 2023-24.

At 31 March 2024 a provision of £600k (2022-23: nil) has been recognised in relation to possible claims from independent healthcare clinics operating from fixed premises. This was due to a change in the interpretation of the technical guidance on ventilation with respect to its application to the independent healthcare sector between the period July 2023 and March 2024.

Non-financial performance

Performance against annual delivery plan

Our Annual Delivery Plan for 2023-24 was agreed with Scottish Government at the start of the year and we have reported progress to this plan on a quarterly basis as shown below, which is in addition to our organisational KPIs.

	Green status	Amber status	Red status
Q1 update	51	13	0
Q2 update	52	11	0
Q3 update	46	16	0
Q4 update	50	12	0

Performance has continued to be measured at a programme level during the year, for example within hospital inspections, regulation of independent healthcare, or our Death Certification Review Service. These metrics have been disclosed in the various sections in this Performance analysis and details of the key performance indicators used at an organisation level can be found in the Performance report.

Payment policy

Healthcare Improvement Scotland is committed to working with the Scottish Government to support businesses in the current economic climate by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within ten working days of receipt, across all public bodies. During 2022-23, our accounts payable function was transferred to NHS National Services Scotland (NSS) under the national collaboration project. This move created stronger resilience in the function, process efficiencies and cost savings. The table below excludes disputed invoices:

	2023-24	2022-23	2021-22
Average credit days taken	11 days	10 days	4 days
% invoices (by value) paid within 30 days	99.2%	96.7%	99.5%
% invoices (by volume) paid within 30 days	93.4%	93.0%	99.7%
% invoices (by value) paid within 10 days	95.6%	76.6%	93.5%
% invoices (by volume) paid within 10 days	75.8%	73.8%	93.0%

Workforce, skills and location




We have experienced a range of service changes over the year. This has included organisational change within two Directorates, and the realignment of a range of service improvement, planning and safety functions across the organisation with the cessation of the ihub Directorate.

In December 2023, the revised financial allocation for the organisation was also announced and included an indication of a significant reduction in our additional allocation funding along with an increase in our annual savings target. To achieve this target, work has commenced to review what work will be stopped, paused or

consolidated and repurposed which again will impact on the wider workforce.

Given this, planning and information gathering has started to produce an updated Workforce Plan for Healthcare Improvement Scotland to reflect the structural and service changes that have already taken place, and to focus on the new arrangements for service delivery from both an organisational and Directorate perspective.

Work is also continuing in terms of our 'One Team' approach. One Team is the name of our organisational programme of work to ensure our structures, processes and cultures allow us to work collaboratively. We are also further developing and embedding the 'HIS Employee' concept, a workforce model that is aligned to the priorities across the organisation. This is to enable a flexible and agile approach to capacity and service delivery across the organisation whilst also ensuring that we will work within the financial and workforce framework that is in place.

	31 March 2023	31 March 2024
 <p>Workforce mix</p>	<p>Total headcount - 600 Payroll headcount - 563 Non-payroll headcount - 37</p>	<p>Total headcount - 612 Payroll headcount - 573 Non-payroll headcount - 39</p>
 <p>Sickness absence</p>	<p>25,643 hours or 3,419 days were lost due to sickness absence this year, which represents a rate of 2.5% of available capacity.</p> <p>56% of sickness has been due to long term conditions and the main reason given for absence is anxiety, stress or depression which accounts for 34% (8,714 hours or 1,161 days) of the reported absence lost.</p>	<p>36,756 hours or 4,900 days were lost due to sickness absence this year, which represents a rate of 3.5% of available capacity.</p> <p>68% of sickness has been due to long term conditions and the main reason given for absence is anxiety, stress or depression which accounts for 29.3% (10,757 hours or 1,434 days) of the reported absence lost.</p>
 <p>Staff changes</p>	<p>During the financial year, 100 people have left the organisation in total – representing an overall turnover rate of 18% YTD.</p> <p>109 people have joined the organisation in this period, representing a net increase of 9 to our overall workforce headcount (payroll and non-payroll) since April 2022.</p>	<p>During the financial year, 94 people have left the organisation in total – representing an overall turnover rate of 15.6% YTD.</p> <p>106 people have joined our organisation in this period, representing a net increase of 12 to our overall workforce headcount (payroll and non-payroll) since April 2023.</p>

Healthcare Improvement Scotland continues to have a proactive policy on the management of sickness absence and the average absence rate for 2023–24 was 3.5% (2022–23: 2.5%). This rate remains below the Scottish Government target of 4%.

Our workforce plan details areas of development that will ensure we have a flexible and agile workforce that supports our strategic vision and the changing needs of our organisation. The One Team approach is central to our immediate and medium-term transformational change ambition.

Our social responsibilities

Sustainability

All NHS boards are faced with the challenge of meeting the United Nations and Scottish Government’s climate change and sustainability targets and criteria by 2040. We are fully committed to delivering these national targets and are implementing new processes and procedures. Details of our activities are detailed below:

Collaboration

We continue to enhance our collaborative work on sustainability and climate change, with regular meetings with NHS Assure, Scottish Government colleagues and sustainability managers from the regions and national NHS boards to help develop and implement national sustainability plans while maintaining our statutory duty. We have a leadership role at national level and our sustainability champion chairs the national NHS boards sustainability groups with nine meetings during the year, attended with representatives from all eight national NHS boards. The purpose of these meetings is to provide a knowledge sharing platform and learning space with the aim of adopting a “Once for Scotland” approach to high level reporting and policies.

Other collaboration and networking include participation with:

- Scottish Government Sustainability and Climate Change Board
- Scottish Government Climate Change and Strategy Group
- Scottish Government Regional Sustainability Chairs Group
- National Environmental Sustainability Group meeting (22 NHS boards attend)
- National Boards Sustainability Group
- NHS National Resilience Forum
- NHS Assure groups working on – adaptation plans, risk assessment, active travel, transport, biodiversity and energy

Based on the extensive collaborative work we undertake, we were invited to deliver a presentation on the “Benefits of Collaboration” at the Climate Emergency Conference in May, which was attended by around 150 delegates from Scottish Government and the NHS.

We also hosted a national meeting to review and amend the categories within the National Sustainability Assessment Tool (NSAT) which resulted in a significant change to the tool and after discussion with Scottish Government the NSAT tool is now optional for NHS boards to use.

Communication

Organisation wide communication has been ongoing throughout the year to raise awareness on different aspects of sustainability that we can all be involved in, some of which included awareness of E-waste, the circular economy and climate awareness.

Policies and procedures

During the year we have been working on developing our processes, procedures, and policies to promote a consistent approach to our sustainability activities across the organisation these include:

- Travel - The development of our business travel policy and an active travel plan that includes a travel hierarchy advising staff on the most sustainable methods of travel.
- Biodiversity reporting - Representatives from Healthcare Improvement Scotland, alongside NHS Assure and Scottish Government, have been reviewing reporting requirements to ensure biodiversity is included in the annual climate emergency and sustainability report for all NHS boards.

Throughout the year we have completed and submitted the following reports:

- Delta House and Gyle Square flood risk assessments to NSS NHSScotland Environmental Sustainability Group; both sites were assessed using the SEPA flood risk assessment tool and show we have a 0.1% risk of flooding
- 2023 Healthcare Improvement Scotland Public Bodies Duties Report to Scottish Government in November 2023
- Healthcare Improvement Scotland Annual Climate Emergency and Sustainability report submitted in February 2024
- Healthcare Improvement Scotland Adaptation plan and Climate Change Risk Assessment; within the plan we have 23 controls in place to adapt to the changing environment caused by climate change

As well as responding to our national requirements we have been collaborating on other initiatives to support the delivery of our Net Zero Action plan, these include:

- Education and training - we are working in collaboration with NHS Assure and three other NHS boards to develop four national learning modules on climate change and sustainability which will be shared with all NHSScotland staff.
- Travel - we received the Cycling Friendly Employer Award for both our office sites in Edinburgh and Glasgow; the Cycle to Work Scheme and staff benefits are displayed on our staff intranet.
- Waste - we are undertaking reviews of product requirements to, where possible, move from single use products to re-usable; we will also be considering the potential development and inclusion of weighted and scored 'carbon footprint' assessment / calculation into in-scope procurements.
- Waste - We also aim to reduce the impact that our use of resources has on the environment through adopting circular economy principles, fostering a culture of stewardship, and working with other UK health services to maximise our contribution to reducing supply chain emissions.
- Waste - Facilities are engaging with contractors to repair faulty equipment, explore warranty options where possible and maintain an excellent planned preventative maintenance schedule to ensure services along with furniture and fittings are all in good working order.

- Waste - We will ensure all equipment being used for home working is returned to the office and is reused for others where practically possible to reduce purchasing additional equipment.
- Buildings - During 2023-24 we sub-let some of our space in our Glasgow office to another NHS board to ensure maximum occupancy efficiency, allowing the other NHS board to vacate their premises and in turn reducing water and electricity consumption.

Social responsibility

We continue to celebrate diversity within our workforce. Our staff equality networks led celebrations for Pride Month, Disability History Month and Black History Month. A range of our staff and external guests shared information and personal experiences through events and blogs, and we also participated in both Grampian and Edinburgh Pride marches. Towards the end of the year, we enjoyed hearing from staff with different religious and secular backgrounds about the varied ways they choose to spend and celebrate their winter break.

We have continued in our work on further embedding equality within our workplace culture. We participated in the NHSScotland pilot of Close the Gap's employer accreditation programme, Equally Safe At Work. We successfully completed the development level of accreditation in October 2023. A range of new and existing resources to support staff and managers to respond to gender-based violence and promote women's economic equality were promoted to staff. We also updated our commitment to flexible working within our job adverts.

We have continued to spread good practice around involving disabled people in the work of the organisation through our Community Engagement webinar series: [Events | HIS Engage](#). Some recent topics have included engaging with disabled people, engaging with children, young people and families and engaging with LGBT+ communities. Through our Community Engagement and System Redesign directorate we have worked with Scottish Government and other stakeholders to support the ongoing development of a Scottish Human Rights Bill. The Scottish Government has committed to delivering the Bill within this parliamentary session. It will ultimately drive greater accountability for public bodies, including NHSScotland, around delivering people's human rights.

We also presented the inaugural Jane Davies Award, in remembrance of one of our former staff members. Jane worked in the NHS in Scotland for more than 34 years. Her career spanned NHS Lanarkshire, the Scottish Government, NHS Education for Scotland and our former Community Engagement directorate, as she ensured the voices of people and communities were valued and heard in the healthcare system. The award was presented to Penny McManus, Assistant Practitioner, COPD Team, NHS Tayside. Penny's nomination showcased an example of the difference made by careful compassionate listening.

These activities also support our Anchors Strategic Plan for 2023-26, which outlines governance and partnership arrangements related to our anchor activities such as workforce and local procurement. While progress towards becoming an Anchor institution will look different for us compared to territorial NHS boards, we remain committed, through the delivery of our strategic priorities, to the Anchor principles, and that our work as a national NHS board will supplement the activity of territorial NHS boards. As a national NHS board our focus is on impact across Scotland. Given our unique position in the system, we see our greatest contributions as an Anchor institution being in the areas of procurement, employment, equalities, and community empowerment and involvement in service design.

Performance against strategic aims and ambitions

The health and social care system has continued to face unprecedented challenges over the last year, and therefore it has been more important than ever that we ensure care continues to be safe, high quality, effective and delivers improved outcomes for people and communities. This section considers in further detail the work we have carried out in the year to meet our priorities which were established in our Strategy 2023-28: Leading quality health and care for Scotland.

1

Enable a better understanding of the safety and quality of health and care services and the high impact opportunities for improvement.

In 2022-23, we wrote to NHS boards to highlight some serious concerns identified during our **Safe Delivery of Care inspections of acute hospitals**, to enable all NHS boards to review their systems and procedures in light of inspection findings. The issues raised in these letters remained a key areas of focus for our inspections during the year, as we carried out 12 safe delivery of care inspections and 11 reports were published. Some key areas of concern in relation to patient and staff safety and experience highlighted were; overcrowding in A&E, the use of non-standard areas for patients waiting for a dedicated bed, concerns for staff wellbeing, unsafe practices around medicines governance and the poor condition of healthcare buildings.

These inspections led to us implementing our escalation process in two NHS boards in line with our 'Healthcare Improvement Scotland and Scottish Government: operating framework'. We have shared the common themes and learning from our inspections publicly to support NHS boards to make improvements to patient safety. Our organisation's work was also highlighted in the [Auditor General's report, NHS in Scotland 2023](#), published in February 2024. It noted key patient safety concerns raised by us in our safe delivery of care inspections of acute hospitals.

Our work on **adverse events** continues to be recognised. During a [Scottish Parliament's portfolio questions session](#), we were commended on the adverse events framework we developed. It provides best practice for care providers to manage adverse events and maximise learning.

Our **responding to concerns** process allows NHS staff and other organisations to raise concerns relating to the safety and quality of patient care in confidence with Healthcare Improvement Scotland. During the year we reviewed ten concerns (2022-23: ten) and worked with NHS boards, other national agencies and organisations where appropriate to review. In May 2023, emergency department consultants at Queen Elizabeth University Hospital, Glasgow raised a range of concerns which they believe compromised their ability to provide safe, effective, and person-centred care. Upon investigation, these concerns were not adequately reviewed at Healthcare Improvement Scotland, and following complaints about our handling being upheld, we have commissioned an external review of our processes which is due in 2024-25. We are committed to improving the process to ensure immediate concerns regarding the safety and quality of health and care services are addressed and acted upon.

In January 2024, we published our [Neonatal Mortality Review](#). Maree Todd, MSP, Minister for Public Health, Women's Health and Sport commissioned us to take forward a review into an increase in neonatal mortality

in Scotland in 2021-22 which breached Public Health Scotland statistical control limits. The report identified various issues which have contributed to the increase and found variation in the quality and detail of local perinatal mortality reviews and significant adverse event reviews. In addition to sharing the learnings with relevant organisations across the UK, the recommendations will influence the design and development of a Perinatal (Maternity and Neonatal) Quality Management System, and inform the future work of the Scottish Patient Safety Programme Perinatal national improvement programme, National Hub for Reviewing and Learning from Deaths of Children and Young People, Adverse Events programme and the Maternity Voices Partnership.

Along with the Care Inspectorate, we have established the **National Hub** for reviewing and learning from the deaths of children and young people in Scotland. The National hub uses evidence to deliver change. It ultimately aims to help reduce preventable deaths and harm to children and young people. The hub published its first data overview report in March 2024, summarising data on child deaths and child death reviews in Scotland, providing five key recommendations alongside an information booklet on 'Supporting Families with the Child Death Review Process', presenting the findings to the Royal College of Paediatrics and Child Health and the Scottish Paediatric Society and hosting a learning event with third sector partners.

Our **Death Certification Review Service** is responsible for improving the quality and accuracy of Medical Certificates of Cause of Death (MCCDs), and public health information about causes of death in Scotland. The service reviews around 12% of all Medical Certificates of Cause of Death written by doctors for deaths not reportable to the Crown Office and Procurator Fiscal Service and has achieved 57.4% improvement in the percentage of MCCDs requiring amendment (data to 29/2/24 only). Last year, following the introduction of 'remote registration', which is the ability to register a death by telephone, the service collaborated with the National Records of Scotland and the Association of Registrars Scotland, to consider the impact of this change. Overall, the impact has been positive, however some recommendations for change were identified and are being implemented.

In the lead up to the commencement of the Health and Care (Staffing) (Scotland) Act 2019 from 1 April 2024, the **Healthcare Staffing Programme** focussed heavily on the provision of NHS board engagement and the development of educational resources and real-time staffing tools. The programme commenced the development of these tools with observation studies being undertaken in 2023 for preparations for our monitoring role and function coming into effect in 2024-25.

2

Assess and share intelligence and evidence which supports the design, delivery and assurance of high quality health and care service.

Our **Sharing Health and Care Intelligence Network** is a forum that enables a number of national agencies – including Healthcare Improvement Scotland – to share and consider intelligence about the safety and quality of care. Throughout 2023-24, there were some important developments to the approach for multiagency intelligence sharing, for example, an enhanced focus on emerging concerns about the safety and quality of health and social care. Specific topics that the network focused on during this time included maternity and neonatal services, mental health services, and the health and social care workforce. For each of these topics,

key pieces of intelligence were gathered from teams across Healthcare Improvement Scotland, including findings from inspections and important themes identified by national improvement programmes, before being brought together and shared with the network. The intelligence shared by all partner agencies in the network is a valuable source of information that can be used to help inform Healthcare Improvement Scotland's work.

Scottish Intercollegiate Guidelines Network (SIGN) aims to “make sense of evidence” by improving the quality of health and care outcomes, through the development and dissemination of national clinical guidelines containing recommendations for effective practice based on current evidence. We published seven SIGN guidelines this year, covering perinatal mental health conditions, cutaneous melanoma, care of deteriorating patients, assessment of COVID-19 in primary care and optimising glycaemic control in people with type 1 diabetes. SIGN was part of the first ever collaborative where all UK nations and Ireland came together to publish a joint guideline, ‘National Clinical Guideline for Stroke for the UK and Ireland’. Following its publication, our [Dementia Guideline featured in the HIS podcast series](#) with our webinar attended by 368 people, including health and social care professionals and people with lived experience, their families and carers.

The **Right Decision Service (RDS)** transferred to us from the Digital and Health Innovation Centre in November 2023. RDS is a “Once for Scotland” source of digital tools that enable people to make safe decisions quickly “on the go” that are based on validated evidence.

The RDS website and mobile app provide access to guidance, pathways, calculators and other decision supporting tools and allows evidence-based decision support to be embedded into the electronic care systems used in hospitals. More than 150 tools are already delivered through RDS. Since the transfer, 68 requests to create new toolkits have been made to us and will be developed over the coming year.

Our **Scottish Health Technologies Group (SHTG)** provides advice to NHSScotland on the use of new and existing health technologies likely to have significant implications for people's care. We published 13 pieces of advice this year and continue to be a key partner in the Accelerated National Innovation Adoption (ANIA) Pathway which focuses on fast-tracking the adoption of proven technological innovations across NHSScotland. Our publications in support of ANIA ranged from assessments of type 2 diabetes remission and prevention programmes, to an assessment of capsule sponge technologies for the detection of Barrett's oesophagus and early-stage oesophageal cancer. Our evidence review on the impact of introducing multidisciplinary team support in primary care found it to have a positive effect on outcomes for patients and may reduce their overall healthcare use. The Scottish Government is using our work to inform work on multidisciplinary team implementation.

The **Scottish Medicines Consortium (SMC)** provides independent advice on the clinical and cost-effectiveness of all new medicines for use in Scotland. During the year, 87 pieces of advice were published by SMC covering a range of therapeutic areas including various forms of cancer as well as medicines for patients with a variety of different conditions, for example, Parkinson's disease, asthma, migraine, cardiomyopathy and skin conditions. Patient participation remains a cornerstone of the SMC process and 69 patient group submissions were received in 2023-24. During the year, SMC also produced the ‘Forward Look’ tool and two briefing reports on priority areas to support NHS boards with their financial, service and implementation planning for the introduction of new medicines.

3

Enable the health and care system to place the voices and rights of people and communities at the heart of improvements to the safety and quality of care.

We enable peoples' voices to be at the heart of improvements in care by supporting others to improve their engagement practice; by directly engaging with people; and by assuring the engagement undertaken by NHS boards and Integration Joint Boards (IJBs).

To support engagement practice, we launched our [Quality Framework for Community Engagement and Participation](#). It supports organisations to improve their community engagement and demonstrate how they are meeting their statutory duties for public involvement. It provides a framework to assess ongoing engagement activities, engagement relating to service change and governance of engagement.

We continued our support of the “**What Matters To You?**” (WMTY) campaign this year. It aims to encourage and support meaningful conversations between people who provide health and social care, and the people, families and carers who receive it. Considered, kind care is a prerequisite for high quality, safe, effective and efficient services, and this is why WMTY conversations are central to our improvement and redesign work. We have focussed on sharing best practice in person-centred care and turning ideas into action through a number of events and the publication of case studies across the year. Highlights include a WMTY webinar in May 2023 which had over 200 participants from across Scotland, the UK and Europe; and the inaugural [WMTY national networking event](#) in January 2024 with the award of the first Jane Davies Award for Person-Centred Practice.

We are proud to be responsible for the NHSScotland **Volunteering Programme** and in 2023-24 we published its refreshed strategic vision, which supports and encourages continuous improvement in volunteering practice. We published a new resource ‘NHSScotland Volunteering – Exploring Best Practice’ which offers information, advice and practical support for the volunteer management process. We also published the [Experiences of NHSScotland Volunteers report](#). This aimed to take a consistent approach to gathering data on volunteer's experiences of volunteering within their NHS board, and to then use the data gathered to create local improvement plans.

In terms of directly engaging with people, our [Citizens' Panel](#), which has 1,028 members representing the population of Scotland, published reports covering organ and tissue donation, the regulation of independent healthcare, attitudes towards vaccination after the pandemic and attitudes towards vaping and tobacco. Findings from Citizen's Panel 11, published in May 2023, were included in the new Scottish Government [Tobacco and Vaping Framework Roadmap](#). In addition, we engage with people through our [Gathering Views](#) work to collate their opinions and experiences. In June 2023, we published a report combining Gathering Views and the Citizens' Panel on Principles of Access to General Practice and in August 2023, we published a further Gathering Views report on Waiting Times Guidance.

At a time of increased pressure across the NHS in Scotland, we have focused on our statutory duty to assure NHS boards meet their statutory duties on engagement and public involvement. We have improved the efficiency of our assurance processes and developed clearer guidance for NHS boards. We worked with NHS boards and Health and Social Care Partnerships (HSCPs) to develop and test a new process for **assuring engagement on service change** that does not meet the major threshold. This new process has been shared

with Scottish Government and it is anticipated it will be added to the Planning with People guidance in April 2024. We have also worked with Scottish Government on developing clarity on NHS boards' responsibilities for engagement on nationally determined service changes. We have actively engaged with NHS boards throughout the year to provide advice on their statutory duties on engagement.

4

Deliver practical support that accelerates the delivery of sustainable improvements in the safety and quality of health and care services across Scotland.

Our **Scottish Antimicrobial Prescribing Group (SAPG)** works with NHS boards to improve antibiotic use, improve patient outcomes, and minimise harm to individuals and to wider society. During the year, nine guidance and resources documents were updated, and four new documents were published, including a new [Outpatient parenteral antimicrobial therapy \(OPAT\) good practice prescribing guide](#), and [the Resources for the management of children with respiratory tract infections](#) which brings together information and tools to help prescribers make informed choices about when antibiotics would be recommended and when they are unlikely to benefit the patient.

During the year we published five **standards and indicators**, which recommend the levels of service performance that the public should expect from health services. These were standards for bowel screening, core screening standards, congenital heart disease and cataract surgery. In May 2023, jointly with the Care Inspectorate, we published standards for Bairns' Hoose – a new approach to providing holistic support to children who have been victims of abuse. Our draft standards for gender identity healthcare services for adults and young people were published for consultation in December 2023.

Hospital at Home continued to expand during the year, focussing on improving outcomes and patient experiences as well as reducing pressures on acute hospitals, by delivering targeted intervention in an individual's own home setting. 14,467 patients were managed by the service in the year (2022-23: 11,686) preventing hospital stays and relieving pressures on A&E and the Scottish Ambulance Service. The service now includes some of the most remote and rural areas of the country, with new services starting in NHS Dumfries & Galloway and NHS Shetland. The combined number of Hospital at Home beds in Scotland is now similar to a hospital the size of University Hospital Wishaw and larger than Raigmore Hospital in NHS Highland.

Our **Mental Health improvement programme** included working with pathfinder sites to react to system pressures and workforce challenges to improve outcomes for people experiencing their first episode of psychosis. From this work the durations of untreated psychosis have reduced, the readmission rate is lower and there are higher levels of engagement with services in pathfinder sites. The Scottish Patient Safety Programme for Mental Health focussed on reducing the incidence of restraint, improving observation practice and reducing episodes of exclusion. On mental health and substance use, we worked with six sites to develop pathways of care for people experiencing concurrent substance use and mental health issues, with two sites implementing interservice agreements and a further site testing a new model of care during the year.

In **Drugs and Alcohol**, we focused on the redesign of residential rehabilitation pathways to support recovery

and published a report about embedding lived and living experience in the commissioning of residential rehabilitation services. An independent evaluation noted our programme could be directly attributed to local areas developing or redesigning pathways to better target previously disadvantaged or underrepresented groups. We also supported the Medication Assisted Treatment (MAT) standards through hosting a national learning system including publishing resources on safe service delivery models and assessing the impact of MAT standards implementation on community pharmacy in Scotland.

During the year our **Primary Care Improvement Programme** supported over 100 primary care teams to improve access over a rapid seven-week programme. This work reduced GP workload and released GP time, utilising resources in the most effective way. We also supported 78 General Practices to embed serial prescriptions and reduce prescribing demands on GPs and continued to host the National Community Treatment and Care (CTAC) Network, with representation from all 14 territorial NHS boards, to network and add value to each other's work. **Focus on Frailty** [is an improvement and implementation programme](#) which aims to improve the experience of and access to person centred and coordinated health and social care for people aged over 65 who are living with frailty. Six teams comprising of NHS boards, HSCPs and GP practices are part of the Focus on Frailty programme. Across the six sites, they have improved their understanding of their frailty system, identified improvement priorities and are testing changes in practice. With NHS Grampian and Moray HSCP, the electronic frailty index is being used in primary care to identify people living with frailty who would benefit from a comprehensive review of their care. In NHS Lanarkshire, University Hospital Wishaw are testing the introduction of a frailty roving team to the emergency department.

Focus on Dementia is an improvement programme working with teams in health and social care partnerships. Our aim is to support teams to improve the experience of, and access to, person-centred, coordinated health and social care for people with dementia and their carers. The support includes a focus on meeting elements of new guidance and aspirations as laid out in the new Dementia SIGN guidelines (published November 2023), the local delivery plan standard for dementia, the standards of care for dementia, and the fourth national dementia strategy. We are currently supporting three teams, Dundee HSCP, Edinburgh HSCP, and NHS Lanarkshire. We also provide brief support to other teams. Forth Valley Health and Social Care Partnership where we helped teams in Falkirk and Stirling and Clackmannanshire to develop a driver diagram, measurement and action plan to improve personal planning in Post Diagnostic Support (PDS).

Risk profile of organisation

Our Strategic Risk Register contained 15 risks at the end of March 2024 (March 2023: 11). The register was reviewed throughout the year to ensure the right risks to the organisation were identified and managed properly. This will continue in line with best practice. The Board also reviewed the appetite to risk and its application, resulting in a more mature approach to risk appetite.

Below is an extract of the top risks (determined by the Board and the Executive Team) facing HIS during the year.

Risk	Mitigating actions
<p>There is a risk that inspections or other assurance activity fails to identify significant risks to the safety and quality of care, resulting in potential harm to patients and damage to the reputation of Healthcare Improvement Scotland.</p>	<p>The risk is mitigated by ensuring staff are appropriately qualified and trained and have sufficient experience to carry out their role. Quality assurance systems and associated standard operating processes promotes a consistent and robust approach and an escalation policy is in place. Risk assessments inform decisions on frequency and focus of inspections and other assurance activities are undertaken in response to intelligence on potential significant risks or concerns to patient safety.</p>
<p>There is a risk that our information communications technology systems could be disabled due to a cybersecurity attack resulting in staff being unable to deliver our work and causing reputational damage.</p>	<p>Controls that are in place include a suite of processes and applications which protect us across our networks and systems. We receive notifications and alerts from National Cyber Security Centre and NHS Cybersecurity Centre of Excellence regarding security exploits and vulnerabilities and act accordingly. Staff are trained on data protection, information security, cybersecurity and freedom of information before being allowed access to computers.</p>
<p>There is a risk that increasing pressures will substantially increase the volume of service change across the health and care sector. This may reduce capacity for meaningful public engagement in service change, resulting in failure of NHS boards and Healthcare Improvement Scotland to meet their statutory responsibilities due to the volume of service change activity.</p>	<p>The Scottish Health Council and its service change Sub-Committee continues to provide governance over the issues and we have regular discussions with Scottish Government to monitor the risks. Ongoing discussions with NHS boards and HSCPs to emphasise need for engagement and support continues to be available. Involvement in regional and national planning highlights the importance of engagement in planning decisions.</p>
<p>In the context of wider significant system pressures, there is a risk that our work is not attuned to these pressures and we fail to fulfil our commitments to support safe care in Scotland resulting in avoidable harm for patients and the public.</p>	<p>We have a range of touchpoints with the wider health and care systems, including representation on key leadership groups within the NHS - Chairs, Chief Execs, Medical and Nurse Directors and other functional lead groups. Safety intelligence is gathered in all these forums. We also have access to intelligence about safety through programme-specific forums, links to other national or UK groups and informal professional connections. We continue to play a leading role in the Sharing Intelligence Network of 16 national scrutiny and regulatory organisations.</p>

New strategic risks raised in the year were regarding the continuity of our web estate, effective partnership working and evidence to the UK and Scottish COVID-19 enquiries.

During the year, the unprecedented economic situation and wider system pressures were the largest risks affecting the achievement of our objectives. The biggest emerging risk was that our assurance activities fail to identify significant risks to the safety and quality of patient care resulting in potential harm to patients.

The governance structure of our risk management strategy is detailed in the Governance report.

Forward look

We recognise the exceptionally difficult choices that are facing the health and social care system at this time. Our strategy recognises these serious challenges and the needs of our stakeholders in meeting them. It also sets out how we will bring together knowledge and skills from across our organisation to target our resources where they will have most impact in reducing waste, variation and harm.

For 2024-25 we have had to make key decisions regarding our budget and work programme. Both our Annual Delivery Plan and three-year plan require our steadfast commitment to:

- retaining a key focus on the safety and quality of healthcare
- being responsive to changing pressures and risks in the system
- protecting our statutory functions
- ensuring our priorities are in line with the delivery of our strategy

We intend to apply this approach with a focus on the major national priorities of maternal healthcare, primary and community care, mental health, acute care, and clinical governance and the health system. This is grounded in a commitment to being flexible and responsive to tackle quality challenges faced by the system. We will remain at the heart of national efforts to understand and shape the quality of health and care, and with partners, to embed quality management across the provision of health and care.

Approval of the performance report

The Accountable Officer authorised these financial statements for issue on 25 June 2024.

Robbie Pearson

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Robbie Pearson

Chief Executive

25 June 2024

2

Accountability
report

Section 2: Accountability report

Corporate governance report

The Director's report

Date of issue

The Accountable Officer authorised these financial statements for issue on 25 June 2024.

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 Audit Scotland to undertake the audit of Healthcare Improvement Scotland for the five year period 2022-23 to 2026-27. 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 2023-24, Audit Scotland only undertook audit-related work for Healthcare Improvement Scotland.

Board membership

Under the terms of the Scottish Health Plan, the Board of Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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
C Wilkinson	Chair	10/10/2018
A Agarwal	Non-Executive Board Member	01/07/2022
J Brock	Non-Executive Board Member	01/04/2015 until 30/09/2023
K Charters	Non-Executive Board Member and Whistleblowing Champion	12/10/2020
S Dawson	Non-Executive Board Member, Vice Chair of the Board and Chair of the Scottish Health Council	01/03/2019
G Graham	Non-Executive Board Member	01/03/2019
N Hanssen	Non-Executive Board Member	01/08/2021
J Kilbee	Non-Executive Board Member	19/09/2022
N Maran	Non-Executive Board Member	02/10/2023
E McPhail	Non-Executive Board Member	05/10/2020

Individual	Board Post	Date of Appointment
D Moodie	Non-Executive Board Member and Chair of the Care Inspectorate	01/09/2022
M Rogers	Non-Executive Board Member	01/09/2022
D Service	Employee Director and Sustainability Champion	01/03/2011
R Tinlin	Non-Executive Board Member and Counter Fraud Champion	01/07/2022
R Pearson	Chief Executive	01/08/2016

Statement of Board members' responsibilities

Under the National Health Service (Scotland) Act 1978, Healthcare Improvement Scotland is required to prepare accounts in accordance with the directions of Scottish Ministers who require that those accounts give a true and fair view of the state of affairs of the organisation as at 31 March 2024 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 NHSScotland by Scottish Ministers;
- Make judgements and estimates that are reasonable and prudent;
- State where accounting standards as set out in the Government 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 Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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 Healthcare Improvement Scotland and hence taking reasonable steps for the prevention of fraud and other irregularities.

The Board members of Healthcare Improvement Scotland confirm they have discharged the above responsibilities during the financial year and in preparing the accounts.

Board member and senior manager interests

The [Register of Interests](#) is published on the Healthcare Improvement Scotland website and is considered on a quarterly basis by the Board. Details of any interests of Board members, senior managers and other senior staff in contracts or potential contracts with the Board as required by International Accounting Standard (IAS) 24 are disclosed in Note 16.

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 [Healthcare Improvement Scotland website](#).

Personal-data-related incidents reported to the Information Commissioner

We reported one incident during 2023-24 to the Information Commissioner Office. They responded that they were satisfied with our internal actions and no further action would be undertaken.

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 they ought reasonably to have taken as a Director to make themselves aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

Scottish Regulators Strategic Code of Practice

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

- user-focussed
- transparent and mutually supportive, yet independent
- intelligence-led and risk-based
- integrated and coordinated
- 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 Healthcare Improvement Scotland's 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 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, and this has informed the development of our Quality Assurance System. Our Quality Assurance System underpins all of our regulatory and quality assurance activity. The system is made up of the Quality Assurance Framework, which sets out the indicators of high quality healthcare, and standard operating procedures which brings consistency to all our work and supports us in achieving our principles and the aims of the strategic code.

Statement of the Accountable Officer's responsibilities

Under Section 15 of the Public Finance and Accountability (Scotland) Act, 2000, the Principal Accountable Officer of the Scottish Government has appointed me, the Chief Executive, as Accountable Officer of Healthcare Improvement Scotland.

The 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 Healthcare Improvement Scotland's disposal
- safeguarding the assets of Healthcare Improvement Scotland

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the Scottish Government, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures
- prepare the accounts on a going concern basis

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

I am responsible for ensuring proper records are maintained and that the accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as Accountable Officer as intimated in the Departmental Accountable Officers letter to me of the 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 ongoing 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 set out below was operational throughout 2023-24 up to and including the date of signing the annual accounts.

Risk management framework



All NHSScotland bodies are subject to the requirements of the Scottish Public Finance Manual (SPFM) and must operate a Risk Management Strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The Board maintains an overview of the main issues that impact on our operating environment and the risks to the achievement of our organisational objectives. They receive the Strategic Risk Register for

consideration at each of their meetings. Each Governance Committee receives the strategic risks and high/very high operational risks assigned to it. In addition, the Executive Team and the Audit and Risk Committee also review all strategic risks.

Healthcare Improvement Scotland has a Risk Management Strategy that underpins our corporate governance processes and that was updated in June 2023 to reflect a new approach to risk appetite. The strategy sets out processes to enable the identification, evaluation, and mitigation of risks. The organisation aims to manage risk to an acceptable level, in line with its risk appetite and tolerance.

The Risk Management Advisory Group, formed of representatives from across the organisation, met quarterly throughout 2023-24 to share best practice and to support the ongoing development of staff training and the review, update and implementation of the Risk Management Strategy.

Risk management

Healthcare Improvement Scotland has a risk management strategy that underpins our corporate governance processes. The strategy sets out processes to enable the identification, evaluation and mitigation of risks. The organisation aims to manage risk to an acceptable level, in line with its risk appetite. The risk appetite was reviewed in the early part of 2023 and formally approved by the Board in June 2023. The risk management advisory group, formed of representatives from across the organisation, met quarterly throughout 2023-24 to share best practice and to support the ongoing development of staff training and the review of the risk management strategy. Details on the risks facing the organisation can be found in the performance analysis report.

Governance framework of the Board

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

The governance framework is set out in the Code of Corporate Governance, which is in line with the Blueprint for Good Governance (2022) 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 up to 15 Non-Executive members and one executive member of the Board, the Chief Executive.

Formal Board meetings are held in both public and reserved sessions. Public meetings were held on 28 June 2023, 27 September 2023, 6 December 2023 and 27 March 2024. Reserved Board meetings were held on 27 September 2023 and 27 March 2024. Public Board meetings were open to the public to attend as either in-person meetings or virtual meetings. Public Board meetings were complemented by a series of Board seminars, development sessions and deep dives into key risks and strategic topics. Along with annual appraisals and a comprehensive induction package, these support the Board to deliver their role. The Board has established a number of Governance Committees to support it in its assurance role. Each Committee submits an annual report to the Board that specifies how it has met its remit during the year and sets out actions for the subsequent year. Progress against the actions is reviewed by the Board. The Chairs of the Governance Committees meet quarterly to ensure alignment of governance arrangements. Details of the Committees which were in operation throughout 2023-24 and their remits are set out below.

Committee	Principal function
Audit and Risk	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. Financial and information governance is assured by the committee.
Executive Remuneration	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.
Quality and Performance	Responsible for providing assurance to the Board in relation to progress against delivery of the organisational strategy. The Committee will assure the Board that the organisation is delivering to the highest quality and will monitor performance, including the appropriate provision of clinical and care expertise. Clinical and care governance is assured by this Committee.
Scottish Health Council	Responsible for oversight of the governance and assurance of the statutory duties of Healthcare Improvement Scotland as set out in the National Health Service (Scotland) Act 1978 as amended by the Public Service Reform (Scotland) Act 2010: <ol style="list-style-type: none"> 1. ensuring, supporting and monitoring NHS boards' compliance with the duty to involve the public; and 2. ensuring, supporting and monitoring NHS boards' compliance with the duty of equal opportunities (in relation to the provision of services and public involvement). Governance for engagement is assured by this committee.
Staff Governance	Holds the organisation to account in terms of meeting the requirements of the NHSScotland 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, and that any associated risks assigned to the Committee are managed.
Succession Planning	Improve the diversity of the membership of the Healthcare Improvement Scotland Board by: <ol style="list-style-type: none"> 1. leading the process for Non-Executive Board appointments to ensure it captures a more diverse applicant pool and providing advice and recommendations to the Board; 2. leading the review and evaluation of the skills, knowledge, diversity and expertise of current Non-Executive directors on an annual basis in line with the Blueprint for Good Governance; and 3. working with and influence the Scottish Government approach to Public Appointments.

Attendance at the Board and Committee meetings by non-executive directors during 2023-24 is set out below.

	Board meetings	Audit and Risk	Executive Remuneration	Quality and Performance	Scottish Health Council	Staff Governance	Succession Planning
A Agarwal	3/4	4/4	-	5/6	-	-	-
J Brock	1/2	-	-	2/2	-	-	-
K Charters	4/4	4/4	-	-	-	4/4	-
S Dawson	4/4	-	-	6/6	4/4	-	2/2
G Graham	4/4	4/4	-	6/6	-	-	-
N Hanssen	4/4	-	-	-	4/4	4/4	-
J Kilbee	4/4	2/2	-	-	-	3/4	2/2
N Maran	2/2	-	-	4/4	-	-	-
E McPhail	4/4	-	6/7	6/6	-	3/4	-
D Moodie	2/4	-	-	-	-	-	-
M Rogers	4/4	-	-	-	4/4	4/4	-
D Service	4/4	-	6/7	5/6	-	4/4	-
R Tinlin	4/4	4/4	7/7	-	-	-	-
C Wilkinson (Chair)	4/4	3/4	7/7	6/6	1/4	4/4	2/2

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. The Governance Committees of the Board undertake an annual review of their terms of reference when they are completing their annual reports.

The Board and Executive Team undertook the national self-assessment exercise against the [Blueprint for Good Governance](#) at the end of 2023 and formed a development plan with four improvement actions. These will be delivered during 2024-25 and reported regularly to the Board.

Strategic direction

Following publication of our Strategy 2023-28 we have undertaken a programme of internal engagement to encourage staff understanding, ownership and involvement in the context of a One Team approach to how we deliver our work. Our performance reporting has been aligned to the strategy and is reflected in relation to our KPIs, work programme and governance, and our Annual Review in November 2023 was structured around our strategic priorities. These have also underpinned the development of our 3-year plan and Annual Delivery Plan 2024-25 and we continue to develop how we will measure and report against progress with delivering these.

Review of performance, quality and best value

A performance report is provided quarterly to the relevant committees and the Board. The report includes an assessment of progress against our work programme objectives with a particular focus on delivery which is delayed and areas at risk. It also details progress against a number of Key Performance Indicators in relation to our operational delivery, and emerging/new work commissions.

In October 2023 we published our Performance Management Framework which describes the processes used and the tools available to support achievement against our strategy, Scottish Government priorities and our Annual Delivery Plan. The Framework includes the promotion of the efficient and effective use of staff and other resources in accordance with the principles of Best Value. During 2023-24 we have introduced Best Value assessments into the quarterly performance report, these also include an indication of Healthcare Improvement Scotland's contribution to the NHSScotland Value Based Health and Care Action Plan. A Best Value Annual Review will be submitted to the Quality and Performance Committee each year.

Stakeholder engagement

We engage with our stakeholders in a variety of ways to make sure our work meets their needs.

Our Chair and Chief Executive have met with key stakeholders and partners throughout the year, including regular meetings with other NHS boards, as well as meeting with the Care Inspectorate, and the Cabinet Secretary for NHS Recovery, Health and Social Care. Matters discussed include external strategic and policy developments which may impact the organisation, for example the National Care Service, safety in the health and care system, and independent healthcare.

Our Chief Executive and Chair met with Jenni Minto MSP, Minister for Public Health and Women's Health, to share further information about our work and our priorities including our focus on safety, supporting the system to improve and engaging with communities. Our Chair met with the Chair of the General Medical Council (GMC), Professor Dame Carrie MacEwen.

Our Community Engagement and System Redesign Directorate carries out public facing engagement through our Citizens' Panels and Gathering Views. These programmes of work enable us to gather meaningful feedback on our work, health and care in Scotland and from members of the public.

Regular meetings are held with our sponsor division in Scottish Government to discuss Ministerial priorities, issues and risks, both through formal, set points of engagement and more informal discussions, along with maintaining relationships across a range of Scottish Government policy areas, particularly regarding the commissioning of new work.

We were engaged throughout the legislative process for the Patient Safety Commissioner for Scotland Bill, which became an Act in November 2023. We responded to consultations and gave evidence to the Health, Social Care, and Sport Committee. We also participated in both the UK and Scottish COVID-19 public inquiries which got underway in 2023-24 and we are committed to supporting both, and we will have input in the final reports. We have Core Participant status for the Scottish Inquiry, and monitored the impact hearings that took place to assist with the direct interaction we expect to have during 2024-25.

While we do not have Core Participant status for the UK Inquiry, we responded to three direct requests for information under Rule 9 (Inquiries Rules 2006) of the Inquiries Act 2005 in respect of Module 3, which focusses on health care. This information was in the form of witness statements and supporting documentation which are due to be released to Core Participants in early 2024-25.

Internal control environment

An annual review of internal controls at Healthcare Improvement Scotland is undertaken in line with the assurance framework set out in the Scottish Public Finance Manual. During the year, two matters were identified from the review.

In May 2023, emergency department consultants at the Queen Elizabeth University Hospital, Glasgow raised a range of concerns which they believe compromised their ability to provide safe, effective, and person-centred care. Upon investigation, these concerns were not adequately reviewed at Healthcare Improvement Scotland, and following complaints about our handling being upheld, we have commissioned an external review of our processes.

During the year, a lapse in our processes and inadequate local governance resulted in a misinterpretation of the technical guidance on ventilation with respect to its application to aspects of the independent healthcare sector. Once identified a review of our guidance was initiated, processes were amended, and an internal review is underway on all our independent healthcare processes. Further details can be found in Note 11.

We are committed to improving our internal control environment at Healthcare Improvement Scotland to ensure the safety and quality of health and care services for the people of Scotland.

Financial control environment

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.

There is an established Complaints and Whistleblowing policy in place within Healthcare Improvement Scotland. Details of both are reported to the relevant Committees and Board, with a Board member appointed as Whistleblowing Champion. There were no concerns raised through the whistleblowing policy in 2023-24.

Healthcare Improvement Scotland works in partnership with Counter Fraud Services to proactively manage the risk of fraud. During the year, staff completed a mandatory training module and the Fraud Annual Action Plan which includes nine components for review, was successfully implemented. There were no reported material instances of fraud during the year (2022-23 fraud cases: nil).

Internal Audit

The 2023-24 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 is reported to each meeting of the Audit and Risk Committee by our Internal Audit Partner.

Internal Audit presented their Annual Report to the Audit and Risk Committee on 18 June 2024. In their opinion, Healthcare Improvement Scotland has a framework of controls in place that provides significant assurance, with minor improvement opportunities, regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

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 declarations of interests.

There are clear mechanisms in place to enable employee concerns to be dealt with quickly and effectively, either formally or informally. Given the ongoing transformational change which took place across the organisation during 2023-24, we continued to promote health and wellbeing arrangements to support staff and managers through the changes. This included dedicated interview skills sessions to support both managers and staff.

Our [staff survey, iMatter](#), was undertaken in 2023 and saw a response rate of 92% (2022: 91%). The organisation's response rate was the highest of all NHS boards across NHSScotland and was significantly higher than the average response rate across health and social care within NHSScotland (59%). Our organisational employee engagement index score decreased slightly from 82 in 2022 to 80 in 2023 which was still above the average employee engagement index score across health and social care within NHSScotland (77).



2022
Response rate



2023
Response rate



2022
Employee
engagement
index score



2023
Employee
engagement
index score

Our health and wellbeing group continued to meet during the year, to maintain a positive focus on health and wellbeing by continuing to provide access to a range of services and interventions for staff such as weekly meditation sessions and weekly wellbeing support sessions. Towards the end of 2023, we hosted an event by Andy's Man Club which is a men's suicide prevention charity which offers support groups for men's mental health.

In light of the economic pressures, we have continued to assess our recruitment expectations during 2023-24 and the Workforce Strategy Group continues to meet fortnightly in order to oversee recruitment activity. This includes redeployment across the organisation, ensuring that we prioritise our work to deliver high quality outcomes and focus on areas to deliver greatest benefits, including how skills and resources are utilised across the Directorates in line with current budget requirements. During 2023-24 we agreed to revise our approach to managing fixed term posts and commenced the development of a new framework to deliver a workforce model to support the workforce challenges we face by minimising our reliance on the use of fixed term contracts. This framework, which will be developed in partnership, will allow us to have greater scope to flexibly deploy and develop staff across the organisation as work priorities change.

Towards the end of 2023, we agreed to implement a new model for learning and development across Healthcare Improvement Scotland which signifies a shift in how we develop our workforce. In recognition of the level of change which has taken place across the organisation in 2023-24, this model will ensure that the direction of travel can be adjusted depending on emerging circumstances across the wider organisation to support a learning environment which supports the growth of a flexible and agile workforce.

Review of adequacy and effectiveness

As Accountable Officer, the Chief Executive is responsible for reviewing the adequacy and effectiveness of the system of internal control. Their 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 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 NHS National Services Scotland Digital and Security in the discharge of their services to support National IT Services on behalf of NHS boards
 - NHS National Services Scotland in the discharge of their services to operate payroll on behalf

- of several NHS 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 boards

For the year 2023-24, the Service Audit Reports in relation to the NSI financial ledger and payroll were unqualified. The IT Services audit contained a minor qualification due to third party access controls on a number of applications, operating systems and databases. These are being addressed by NHS National Services Scotland (NSS).

This year we participated in a Network and Information Systems Regulations security audit. The Scottish Government assigned audit reviewed cyber and physical resilience of network and information systems. All NHS boards in Scotland were required to achieve at least 60% compliance this year. To reach this target we have changed our internal processes so that ICT, Information Governance, Procurement, Facilities, and Resilience teams work closely together, and we have updated or created a significant number of policies and standard operating procedures to demonstrate our compliance with security measures. The audit report now states that HIS is a strongly performing NHS board and our compliance status had improved significantly from 49% in 2022-23 to 78% in 2023-24.

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.

3

Remuneration report

Section 3: Remuneration report

Determination of senior employee's remuneration

Senior employees' remuneration is determined by the Scottish Government. For senior staff on executive or senior managers' pay arrangements, pay and conditions are determined by ministerial direction and are mandatory. It is the responsibility of the Executive Remuneration Committee to ensure that the performance of staff in this cohort is formally assessed at the end of the performance year.

Details of the Executive Remuneration Committee's remit can be found in the Corporate Governance Report.

The Executive Remuneration Committee met on 4 June 2024 to appraise the performance of all executive and senior managers for the year 2023-24. They considered the performance review information against the objectives that had been set for 2023-24. On this basis, each post holder was assigned one of the five performance bands. There were eight executive managers included in this process.

NHS Circular PCS (ESM) 2023/3, issued on 21 September 2023 gave effect to the pay uplift for the Executive cohort from 1 April 2023. NHS Circular PCS (ESM) 2024/1 issued on the 9 February 2024 advised of the consolidated performance related pay uplift to be applied for this period.

Both circulars have been implemented for the relevant staff group within Healthcare Improvement Scotland.

Remuneration table for the year ended 31 March 2024 (audited information)

	Gross salary (Bands of £5,000)	Benefits in kind (£000)	Total earnings (Bands of £5,000)	Pension benefits (£000)	Total remuneration (Bands of £5,000)	Notes
Executive members:						
Chief Executive: R Pearson	135-140	-	135-140	-	135-140	
Non-Executive members: (Note 2)						
The Chair: C Wilkinson	25-30	-	25-30	-	25-30	(see Note 1 below)
Employee Director: D Service	60-65	-	60-65	0	60-65	Includes £55k in respect of non Board duties. Also see Note 3
J Brock	0-5	-	0-5	-	0-5	Appointment ended 30 September 2023. Annualised salary £5k-£10k
S Dawson	10-15	-	10-15	-	10-15	
G Graham	5-10	-	5-10	-	5-10	
E McPhail	5-10	-	5-10	-	5-10	
N Maran	0-5	-	0-5	-	0-5	Appointed 2 October 2023 Annualised salary £5k-£10k
K Charters	5-10	-	5-10	-	5-10	
N Hanssen	5-10	-	5-10	-	5-10	
A Agarwal	5-10	-	5-10	-	5-10	
R Tinlin	5-10	-	5-10	-	5-10	
M Rogers	5-10	-	5-10	-	5-10	

	Gross salary	Benefits in kind	Total earnings	Pension benefits	Total remuneration	Notes
	(Bands of £5,000)	(£000)	(Bands of £5,000)	(£000)	(Bands of £5,000)	
D Moodie	0-5	-	0-5	-	0-5	(see Note 1 below)
J Kilbee	5-10	-	5-10	-	5-10	
Sub total		-		-		
Other senior employees:						
Director of Nursing and Systems Improvement / Deputy Chief Executive: A Gow	110-115	-	110-115	3	115-120	
Director of Improvement: R Glassborow	45-50	-	45-50	0	45-50	Resigned 3 September 2023 Annual gross salary £105k-£110k. Also see note 3.
Director of Quality Assurance and Regulation: L Cleland	100-105	-	100-105	29	135-140	
Director of Workforce: S Canavan	95-100	-	95-100	17	115-120	
Director of Evidence and Digital: S Qureshi	100-105	-	100-105	45	140-145	
Medical Director and Director of Safety: S Watson	190-195	-	190-195	31	220-225	Includes £28k for services provided to NHS Lothian via a secondment agreement
Director of Finance, Planning & Governance: A Moodie	100-105	-	100-105	28	130-135	
Director of Community Engagement and Service Redesign: C Morrison	90-95	-	90-95	8	95-100	
Sub Total		-		161		
Grand Total		-		161		

Note 1 The Chair of Healthcare Improvement Scotland, C Wilkinson, and the Chair of the Care Inspectorate, D Moodie, are Non-Executive members of one another's Boards. In both cases no one received any remuneration from the Non-Executive appointment, with all payments being made on a quid pro quo basis by the Board they Chair.

Note 2 Non-Executive Members are paid on a daily rate and therefore it would not be appropriate to show full year equivalent figures.

Note 3 During the year, the movement in the value of the Pension Benefits for some Senior Employees was negative due to inflation. In these instances, the value has been expressed as zero.

Remuneration table (audited information) for the year ended 31 March 2023

	Gross salary	Benefits in kind	Total earnings	Pension benefits (see Note 2)	Total remuneration	Notes
	(Bands of £5,000)	(£000)	(Bands of £5,000)	(£000)	(Bands of £5,000)	
Executive members:						
Chief Executive: R Pearson	135-140	-	135-140	15	150-155	
Non-Executive members: (Note 4)						
The Chair: C Wilkinson	25-30	-	25-30	-	25-30	(see Note 1 below)
Z M Dunhill MBE	0-5	-	0-5	-	0-5	Term of appointment ended 31 August 2022
P Edie	0-5	-	0-5	-	0-5	Term of appointment ended 31 August 2022 (see note 1 below)
J Glennie OBE	0-5	-	0-5	-	0-5	Term of appointment ended 31 May 2022
D Service (Employee Director)	60-65	-	60-65	7	65-70	Includes £51k in respect of non-Board duties
J Brock	5-10	-	5-10	-	5-10	
S Dawson	10-15	-	10-15	-	10-15	
G Graham	5-10	-	5-10	-	5-10	
R Hotchkiss	5-10	-	5-10	-	5-10	Term of appointment ended 28 February 2023
C Lester	0-5	-	0-5	-	0-5	Term of appointment ended 16 September 2022
E McPhail	5-10	-	5-10	-	5-10	-
K Charters	5-10	-	5-10	-	5-10	-
N Hanssen	5-10	-	5-10	-	5-10	-
A Agarwal	5-10	-	5-10	-	5-10	Appointed 1 July 2022
R Tinlin	5-10	-	5-10	-	5-10	Appointed 1 July 2022
J Gibson	0-5	-	0-5	-	0-5	Appointed 1 September 2022. Resigned 5 January 2023
M Rogers	0-5	-	0-5	-	0-5	Appointed 1 September 2022
D Moodie	0-5	-	0-5	-	0-5	Appointed 1 September 2022 (see note 1 below)
J Kilbee	0-5	-	0-5	-	0-5	Appointed 19 September 2022
Sub total		-		22		
Other Senior Employees:						
Nurse Director / Deputy Chief Executive: A Gow	105-110	-	105-110	-	105-110	
Director of Improvement: R Glassborow	100-105	-	100-105	-	100-105	
Director of Quality Assurance: L Cleland	100-105	-	100-105	21	120-125	
Director of Workforce: S Canavan	90-95	-	90-95	-	90-95	
Director of Evidence:	90-95	-	90-95	-	90-95	

S Qureshi						
Medical Director: S Watson	180-185	-	180-185	26	205-210	Includes £25.3k for services provided to NHS Lothian via a secondment agreement
Director of Finance, Planning and Governance: A Moodie	95-100	-	95-100	19	115-120	
Director of Community Engagement: C Morrison	15-20	-	15-20	5	20-25	Appointed 23 January 2023, annual gross salary £85k-£90k
Director of Community Engagement: R Jays	N/A	N/A	N/A	N/A	N/A	Appointed 4 May 2021, end date 4 October 2022 (see note 3 below)
Sub Total		0		71		
Grand Total		0		108		

Note 1 The Chair of Healthcare Improvement Scotland, C Wilkinson, and the Chair of the Care Inspectorate, (P Edie until 31 August 2022 and D Moodie from 1 September 2022), are Non-Executive members of one another's Boards. In both cases no one received any remuneration from the Non-Executive appointment, with all payments being made on a quid pro quo basis by the Board they Chair.

Note 2 During the year, movement in the value of the Pension Benefits for some Senior Employees was negative due to high inflation in 2022-23. In these instances, the value has been expressed as zero.

Note 3 R Jays was seconded to this position from Scottish Government and the recharge for the year was £67k.

Note 4 Non-Executive members are paid on a daily rate and therefore it would not be appropriate to show full year equivalent figures.

Pension benefits (audited information) for the year ended 31 March 2024

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individuals have accrued as a consequence of their total membership of the scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement, which the individual has transferred to the NHS scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The real increase in the value of CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The opening figure is recalculated each year, based on the new market factors, therefore it does not agree to the closing balance in the previous year.

Pension values table (audited information) for the year ended 31 March 2024

	Total accrued pension at pension age	Total accrued lump sum at pension age	Real increase in pension at age	Real increase in lump sum at pension age	CETV at 31 March 2023	CETV at 31 March 2024	Real increase in CETV in year
	(Bands of £5000)	(Bands of £5000)	(Bands of £2,500)	(Bands of £2,500)	(£000)	(£000)	(£000)
Executive members:							
Chief Executive: R Pearson	55-60	70-75	(5)-(2.5)	(5)-(2.5)	1,000	1,022	(45)
Other senior employees:							
D Service (Employee Director)	25-30	20-25	0-2.5	(2.5)-0	405	442	3
Director of Nursing and Systems Improvement / Deputy Chief Executive: A Gow	50-55	140-145	0-2.5	(5)-(2.5)	1,109	1,206	8
Director of Improvement: R Glassborow	40-45	115-120	(2.5)-0	(7.5)-(5)	906	952	(20)
Director of Quality Assurance and Regulation: L Cleland	5-10	-	0-2.5	-	88	122	14
Director of Workforce: S Canavan	35-40	95-100	0-2.5	(2.5)-0	760	843	19
Director of Evidence and Digital: S Qureshi	30-35	80-85	2.5-5.0	0-2.5	651	756	48
Medical Director and Director of Safety: S Watson	55-60	155-160	2.5-5.0	(2.5)-0	1,141	1,272	32
Director of Finance, Planning and Governance: A Moodie	5-10	-	0-2.5	-	41	69	11
Director of Community Engagement and Service Redesign: C Morrison	10-15	35-40	0-2.5	(2.5)-0	269	301	1

Pension benefits (audited information) for the year ended 31 March 2023

	Total accrued pension at pension age	Total accrued lump sum at pension age	Real increase in pension at pension age	Real increase in lump sum at pension age	CETV at 31 March 2022*	CETV at 31 March 2023	Real increase in CETV in year
	(Bands of £5000)	(Bands of £5000)	(Bands of £2,500)	(Bands of £2,500)	(£000)	(£000)	(£000)
Executive members:							
Chief Executive: R Pearson	70-75	0	0-2.5	0	966	1,010	44
Other Senior Employees:							
D Service (Employee Director)	25-30	0	0-2.5	0	354	373	19
Nurse Director / Deputy Chief Executive: A Gow	60-65	0	(2.5)-0	0	910	923	13
Director of Improvement: R Glassborow	45-50	85-90	0-2.5	(2.5)-0	790	808	18
Director of Quality Assurance: L Cleland	5-10	0	0-2.5	0	51	75	24
Director of Workforce: S Canavan	35-40	70-75	0-2.5	(5.0)-(2.5)	670	679	9
Director of Evidence: S Qureshi	30-35	50-55	0-2.5	(5.0)-(2.5)	562	579	17
Medical Director: S Watson	65-70	125-130	2.5-5	(2.5)-0	1,073	1,133	60
Director of Finance, Planning and Governance: A Moodie	0-5	0	0-2.5	0	14	33	19
Director of Community Engagement: C Morrison	0-5	0	0-2.5	0	0	4	4

* R Jays was seconded to Director of Community Engagement from Scottish Government until 4 October 2022 and therefore received no pension benefits from Healthcare Improvement Scotland.

During the year, there were nil (2022-23: nil) Non-Executive Directors that were members of the pension scheme and therefore the value of accruing pension benefits was nil (2022-23: nil).

The real increase in CETV is less than the movement from opening to closing CETV due to inflation.

Fair pay disclosures (audited information)

	2023-24	2022-23
Range of staff remuneration	£15,000 - £20,000 to £195,000 to £200,000	£10,000 - £15,000 to £185,000 - £190,000
Highest earning director's total remuneration	£190,000 - £195,000	£180,000 - £185,000
Median (salary only)	£46,950	£43,526
Ratio	4.10	4.19
25th percentile (salary only)	£35,279	£32,765
Ratio	5.46	5.57
75th percentile (salary only)	£57,862	£53,544
Ratio	3.33	3.41

The highest earning director's remuneration has increased by 5.5% (2022–23: 9.0%) since last year, which is in line with pay increases. The average (median) workforce salary has increased by 8.6% (2022–23: increase of 6.3%) due to the pay awards delivered at a national level for NHSScotland. The median pay ratio is consistent with the pay, reward and progression policies for HIS employees taken as a whole.

4

Staff report

Section 4: Staff report

Changes to the roles of senior staff

Changes have taken place within the Executive Team cohort during the year. The Director of Improvement left the organisation and this presented an opportunity to embed improvement across Healthcare Improvement Scotland and review the directorate structures. By realigning improvement support, this created three new directorates, redesigning the responsibilities of the current Executive Team and the improvement teams and portfolios moved across as part of these changes to continue to deliver meaningful improvement in health and social care for people in Scotland.

Higher paid employees remuneration (audited information)

Clinical staff	2023-24	2022-23
£70,001 to £80,000	4	5
£80,001 to £90,000	5	4
£90,001 to £100,000	1	1
£100,001 to £110,000	2	3
£110,001 to £120,000	1	1
£150,001 to £160,000	1	0
£180,001 to £190,000	0	1
£190,001 to £200,000	1	1

Other staff non-clinical	2023-24	2022-23
£70,001 to £80,000	19	1
£80,001 to £90,000	5	2
£90,001 to £100,000	9	7
£100,001 to £110,000	3	2
£110,001 to £120,000	1	0
£130,001 to £140,000	1	1

The number of other staff non-clinical in 2023-24 have increased during the year due to the pay awards delivered at a national level for NHSScotland. Further details can be found in the Remuneration report.

Staff expenditure (audited information)

2022-23 Total		Executive Board members	Non- Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2023-24 Total
£000		£000	£000	£000	£000	£000	£000	£000
Staff costs								
24,336	Salaries and wages	982	202	24,894	-	-	(302)	25,776
2,790	Social security costs	125	10	2,774	-	-	-	2,909
4,786	NHS scheme employers' costs	170	13	4,980	-	-	-	5,163
2,553	Inward secondees	-	-	-	1,817	-	-	1,817
364	Agency staff	-	-	-	-	356	-	356
34,829		1,277	225	32,648	1,817	356	(302)	36,021
-	Compensation for loss of office or early retirement	-	-	-	-	-	-	-
34,829	TOTAL	1,277	225	32,648	1,817	356	(302)	36,021

Staff numbers (audited information)

2022-23 Average		Executive Board members	Non- Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2023-24 Average
Staff numbers								
551	Whole time equivalent (WTE)	1	1	531	16	4	(5)	548
-	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	-	-	-	-	-	-	-
31	Included in the total staff numbers above were disabled staff of:	-	-	-	-	-	-	36
-	Included in the total staff numbers above were Special Advisers of:	-	-	-	-	-	-	-

Reconciliation of staff costs to Note 3 employee expenditure

	£000
Total employee expenditure 2023-24 as above	36,021
Add employee income (outward secondees above) included in Note 4	302
Total employee expenditure disclosed in Note 3	36,323

Staff composition – payroll only (unaudited information)

	At 31 March 2024			At 31 March 2023		
	Male	Female	Total	Male	Female	Total
Executive directors	1	-	1	1	-	1
Non-Executive directors and employee director	4	8	12	7	11	18
Senior employees	14	38	52	8	20	28
Other	117	391	508	113	403	516
Total headcount	136	437	573	129	34	563

Sickness absence data (unaudited information)

	At 31 March 2024	At 31 March 2023
Sickness absence rate	3.5%	2.5%

Staff turnover – payroll only (unaudited information)

	At 31 March 2024	At 31 March 2023
Staff turnover	74	100
Headcount	573	563
Percentage staff turnover	12.9%	17.8%

Employment of disabled persons

As an equal opportunities employer, Healthcare Improvement Scotland welcomes applications for employment from individuals irrespective of sex, marital status, race, disability, age, sexual orientation, language, or social origin. During the year the following policies were in place:

- Giving full and fair consideration to applications for employment at Healthcare Improvement Scotland made by disabled persons, having a regard to their particular aptitudes and abilities
- Continuing the employment of, and for arranging appropriate training for, employees at Healthcare Improvement Scotland who have become disabled persons during the period when they were employed by Healthcare Improvement Scotland
- Training, career development and promotion of disabled persons employed at Healthcare Improvement Scotland

Staff Governance

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

We continued to consult and meet regularly with our Partnership Forum, which consists of Board members, management and staff side representatives. Issues discussed include service or terms and conditions issues. A review of the organisational change processes which took place during 2023-24 within the Quality Assurance and Community Engagement Directorates was undertaken by the One Team programme. This process had wide partnership engagement throughout the review process. The actions and recommendations from this review are being taken forward in partnership, including a short life working group to monitor and report on the agreed action plan. This will involve ongoing engagement and progress reporting to the One Team Programme Board, Partnership Forum and Staff Governance Committee.

Following the launch of the NHSScotland Workforce Policies – Supporting Worklife Balance on 1 November 2023, work was undertaken to assess current practice within Healthcare Improvement Scotland against the 11 refreshed policies. This work was undertaken in partnership and as part of the implementation of the policies, joint briefing sessions were delivered by Human Resources and Staff Side.

A proactive equality and diversity working group is in place to ensure that all policies and practices within Healthcare Improvement Scotland 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. Following participation in the NHSScotland pilot for the Equally Safe at Work, the organisation has received employer accreditation and recognition for this programme in 2023-24.

Health and safety

2023-24 has seen significant transparency and improvement on safety related compliance. 67% of colleagues have provided their desk screen equipment (DSE) assessment scores ensuring that 388/579 recorded colleagues have received all the suitable equipment they require.

There was a decrease in numbers returning their DSE assessment scores, colleagues were either satisfied from the previous assessment, not at work during this time, or left within the DSE capture period. There has also been a decrease in ergonomic risk revealing a better managed process. The DSE compliance scores show the successful management of display screen related ergonomic and equipment related matters and that they are being dealt with quickly and effectively providing us with confidence that we are delivering an efficient and effective service. The Facilities team continues to be the main contact for equipment and DSE assessor provisions going forward. Twice monthly meetings take place to discuss equipment provision, DSE review outcomes and share skills and knowledge.

In 2023-24, 95% of staff completed the Fire Safety Module, 76% of staff have completed the Health and Safety induction module and 75% of staff have completed the moving and handling online training module. Each of these modules require completion every 3 years.

There were no recorded incidents of LTI (lost time incident) and RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) during 2023-24. There have been some minor incidents experienced in this timeframe not involving lost time in the home and in hospital environments. Investigations have been carried out for each of these incidents and further corrective actions have been adopted or are due to be incorporated in coming months.

Portable Appliance Testing (PAT) of Healthcare Improvement Scotland's equipment was undertaken during 2023-24. This included all four floors within Delta House and the full Healthcare Improvement Scotland Suite on the 2nd floor of Gyle Square. In total 4727 electrical items were tested. 178 items from homeworkers were brought into Delta House and Gyle Square for testing with a high number of PAT testing (2274 items) being undertaken within the homes of our staff. There were 7 fails (0.14%) and these items were removed from service.

Recruitment

Healthcare Improvement Scotland continues to participate and be represented in a range of recruitment activity to ensure awareness of national developments and good practice. The Director of Workforce is currently the national Board representative on the NHSScotland National Recruitment Steering Group which oversees activity from all current regional arrangements. The organisation also continues to actively participate in the National Recruitment Operational Governance Group, the National Jobtrain Systems Governance Group, the eEmployee Support System Operational Leads Network and over 2023-24 are part of the national eRostering Collaboration Hub and associated sub-groups.

Exit packages (audited information)

There were no exit packages in 2023-24 and 2022-23.

Facility time – union (unaudited information)

	2023-24	2022-23
Number of employees who were relevant union officials during the relevant period	10.6	9.0
WTE equivalent employee number	1.2	1.1
Percentage of time:		
0%	2.0	1.0
1-50%	9.0	8.0
51-99%	-	-
100%	-	-
Total cost of facility time	£85,161	£71,159
Total pay bill	£34,230,832	£34,829,744
Percentage of the total pay bill spent on facility time	0.25%	0.20%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%	100%

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Parliamentary
accountability report

Section 5: Parliamentary accountability report

Losses and special payments

There was no redundancy payment during 2023-24 (2022-23: nil). No losses or special payments above £300k.

Remote contingent liabilities

There were no remote contingent liabilities recognised during 2023-24 (2022-23: nil).

Fees and charges

Independent healthcare (audited information)

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

The financial objective is to set fees at a level that achieve a breakeven position over time.

The table below summarises the outturn for the financial year 2023-24 and prior years and any remaining surplus has been carried forward to the financial year 2023-24. This information has been reviewed and is subject to the audit opinion.

Outturn	2023-24	2022-23	2021-22	2020-21
	£000	£000	£000	£000
Income	1,515	1,040	1,030	601
Scottish Government funding	565	360	150	394
Expenditure	(2,081)	(1,330)	(990)	(955)
Surplus/(deficit)	(1)	70	190	40

The position with regard to the registration of independent clinics at 31 March 2024 is shown below. Comparative information for the prior years is also provided.

Independent clinics	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021
Clinics registered	540	513	485	415
Applications being processed by the Inspectorate	54	33	38	62
Applications yet to commence	31	3	12	10
Services that may still require to be registered	135	120	95	39
Total	760	669	630	526

Robbie Pearson

Robbie Pearson 25 June 2024
Chief Executive

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Independent auditor's report

Section 6: Independent auditor's report to the members of Healthcare Improvement Scotland, the Auditor General for Scotland and the Scottish Parliament

Reporting on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Healthcare Improvement Scotland for the year ended 31 March 2024 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2023/24 Government Financial Reporting Manual (the 2023/24 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the board's affairs as at 31 March 2024 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2023/24 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

In preparing the financial statements, the Accountable Officer is responsible for assessing the 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 there is an intention to discontinue the board's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

- using my understanding of the health sector to identify that the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers are significant in the context of the board;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;
- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

A further description of the auditor's responsibilities for the audit of the financial statements is located on the

Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

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

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

Other information

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

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

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Claire Gardiner

.....
Claire Gardiner CPFA
Audit Director
4th Floor
102 West Port
Edinburgh
EH3 9DN

25 June 2024

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Financial statements

Section 7: Financial statements

Statement of comprehensive net expenditure

For the year ended 31 March 2024

	Note	2024 £000	2023 £000
Employee expenditure	3a	36,323	35,119
Other healthcare expenditure	3b	7,716	6,433
Gross expenditure for the year		44,039	41,552
Less: operating income	4	(2,296)	(1,473)
Comprehensive net expenditure		41,743	40,079

Statement of financial position

As at 31 March 2024	Note	2024 £000	2023 £000
Non-current assets			
Property, plant and equipment	7	1,510	1,729
Intangible assets	6	-	-
Right of use assets	13	3,715	4,323
Total non-current assets		5,225	6,052
Current assets			
Financial assets:			
Trade and other receivables	8	551	575
Cash and cash equivalents	9	1,107	1,333
Total current assets		1,658	1,908
Total assets		6,883	7,960
Current liabilities			
Provisions	11	(613)	(12)
Financial liabilities:			
Trade and other payables	10	(5,504)	(6,145)
Total current liabilities		(6,117)	(6,157)
Non-current assets less net current liabilities		(766)	1,803
Non-current liabilities			
Provisions	11	(433)	(448)
Trade and other payables	10	(3,267)	(3,916)
Total non-current liabilities		(3,700)	(4,364)
Assets less liabilities		(2,934)	(2,561)
Taxpayers' equity			
General fund	SoCTE	(2,934)	(2,561)
Total taxpayers' equity		(2,934)	(2,561)

The Notes to the accounts, numbered 1 to 16, form an integral part of the accounts.

The financial statements on pages 64-67 were approved by the Board on 25 June 2024 and signed on their behalf by for the year ended 31 March 2024.

AMoodie

.....
 Angela Moodie
 Director of Finance, Planning and Governance
 25 June 2024

Robbie Pearson

.....
 Robbie Pearson
 Chief Executive
 25 June 2024

Statement of cash flows

For the year ended 31 March 2024

	Note	2024 £000	2023 £000
Cash flow from operating activities			
Net expenditure	SoCTE	(41,743)	(40,079)
Adjustments for non-cash transactions	2b	833	846
Add back: interest payable recognised in net operating expenditure	2b	40	46
Movements in working capital	2c	159	220
Net cash outflow from operating activities		(40,711)	(38,967)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(91)	(114)
Proceeds of disposal of property, plant and equipment		0	19
Net cash outflow from investing		(91)	(95)
Cash flows from financing activities			
Funding		41,455	39,538
Movement in general fund working capital		(226)	612
IFRS 16 –cash lease payment		(613)	(433)
Interest element of leases		(40)	(46)
Net financing		40,576	39,671
Net increase/(decrease) in cash and cash equivalents in the period		(226)	609
Cash and cash equivalents at the beginning of the period		1,333	724
Cash and equivalents at the end of the period		1,107	1,333
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash in year		(226)	609
Net cash at 1 April	9	1,333	724
Net cash as at 31 March	9	1,107	1,333

Statement of changes in taxpayers' equity

For the year ended 31 March 2024	£000
Balance at 31 March 2023	(2,561)
Changes in taxpayers' equity for 2023-24	
Transfer of assets	(85)
Net operating cost for the year	(41,743)
Total recognised income and expense for 2023-24	(41,828)
Funding:	
Drawn down	41,229
Movement in general fund (creditor)/debtor	226
Balance at 31 March 2024	(2,934)

For the year ended 31 March 2023	£000
Balance at 31 March 2022	(2,020)
Changes in taxpayers' equity for 2022-23	
Net operating cost for the year	(40,079)
Total recognised income and expense for 2022-23	(40,079)
Funding:	
Drawn down	40,150
Movement in general fund (creditor)/debtor	(612)
Balance at 31 March 2023	(2,561)

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Notes to the financial statements

Section 8: Notes to the financial statements

Accounting policies for the year ended 31 March 2024

Note 1

1. Authority

In accordance with the accounts direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 appended, these financial statements have been prepared in accordance with the UK adopted international accounting standards, as interpreted and adapted by the 2023-24 Government Financial Reporting Manual (the 2023-24 FReM).

Standards, amendments, and interpretations effective in current year: There are no new standards, amendments, or interpretations effective in the year 2023-24.

Standards, amendments, and interpretations issued but not adopted this year: The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2023-24 financial year.

Standard	Current status
IFRS 17 Insurance Contracts	Effective for accounting periods beginning on or after 1 January 2021. However, this Standard is not yet adopted by the FReM. Expected adoption by the FReM from April 2025.

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 financial statements are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. Baseline funding for the entity for financial year ending 31 March 2025 has been confirmed by Scottish Government and Healthcare Improvement Scotland will continue to carry out its current functions as agreed in its latest annual delivery plan (ADP). Healthcare Improvement Scotland is also not aware of any Scottish Government policy change which would result in Healthcare Improvement Scotland ceasing to exist in the foreseeable future.

4. Accounting convention

The financial statements are prepared on a historical cost basis.

5. Funding

Most of the expenditure of Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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.

6. Expenditure

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

7. Property, plant and equipment

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

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

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, Healthcare Improvement Scotland
- 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:

- 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

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 Healthcare Improvement Scotland 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 it has been depreciated separately.

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

- 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
- Equipment is depreciated over the estimated life of the asset
- 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)	9 -15
Plant and machinery	1-5
Information technology	3-5
Furniture and fittings	3-5

8. Intangible assets

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, Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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 £5000 is incurred.

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.

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

9. Leases

Scope and classification

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

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

The following are excluded:

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

Initial recognition

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

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews.

For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market process or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

Lease expenditure

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

Estimates and judgements

Healthcare Improvement Scotland determines the amounts to be recognised as the right-of-use asset and lease liability for embedded leases based on the stand-alone price of the lease and non-lease component or components. This determination reflects prices for leases of the underlying asset, where these are observable; otherwise, it maximises the use of other observable data, including the fair values of similar assets, or prices of contracts for similar non-lease components. In some circumstances, where stand-alone prices are not readily observable, the entire contracts are treated as a lease as a practical expedient. The FReM requires right-of-use assets held under “peppercorn” leases to be measured.

10. 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 statement of comprehensive net expenditure are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

11. General fund receivables and payables

Where Healthcare Improvement Scotland 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 Scottish Government Health Finance and Governance Directorate. Where Healthcare Improvement Scotland 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 Scottish Government Health Finance and Governance Directorate.

12. 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.

13. Employee benefits

Short-term employee benefits

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

Pension costs

Healthcare Improvement Scotland 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. Healthcare Improvement Scotland 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 Healthcare Improvement Scotland'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.

14. 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 Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

Healthcare Improvement Scotland 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.

Healthcare Improvement Scotland also provides for its liability from participating in the scheme. The participation in CNORIS provision recognises the NHS board's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on information prepared by NHS boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in annual managed expenditure provision and is classified as non-core expenditure.

15. Related party transactions

Material related party transactions are disclosed in Note 16 in line with the requirements of IAS 24. Transactions with other NHS bodies for the commissioning of health care are summarised in Note 3b.

16. Value Added Tax

Most of the activities of Healthcare Improvement Scotland 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.

17. Provisions

Healthcare Improvement Scotland provides for legal or constructive obligations that are of uncertain timing or amount at the Statement of Financial Position 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.

18. Contingent liabilities

Contingent liabilities are:

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

19. 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.

20. Financial Instruments

Financial assets classification

Healthcare Improvement Scotland classifies its financial assets at fair value through profit or loss.

Impairment of financial assets

Provisions for impairment of financial assets are made based on expected credit losses. Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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 Healthcare Improvement Scotland 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.

Financial liabilities are recognised when Healthcare Improvement Scotland 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.

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 Healthcare Improvement Scotland.

Operating segments are unlikely to directly relate to the analysis of directorate 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.

22. Foreign exchange

The functional and presentational currencies of Healthcare Improvement Scotland 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

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

Healthcare Improvement Scotland makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Healthcare Improvement Scotland makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.

Critical judgements

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

Healthcare Improvement Scotland exercises judgement in applying these assumptions to closely match income with costs incurred.

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

Accruals relating to Healthcare Improvement Scotland operating activities are estimated based on existing contractual obligations and goods and services received during the financial year.

Significant estimates

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 Healthcare Improvement Scotland's unavoidable cost of meeting its obligations under the lease contracts. Key uncertainties are the estimates of amounts due, and Healthcare Improvement Scotland uses professional advisors as a source for these estimates.

There were no estimates, assumptions, and judgements during 2023-24 that gave rise to a significant risk.

Details of the provisions recognised can be found in Note 11.

2a. Summary of resource outturn

	Note	2024 £000	2023 £000
Summary of core revenue resource outturn			
Net expenditure	SoCNE	41,743	40,079
Total non-core expenditure		(818)	(856)
Total core expenditure		40,925	39,223
Core revenue resource limit		40,925	39,290
Saving against core revenue resource limit		-	67
Summary of non-core revenue resource outturn			
Depreciation/amortisation		224	238
Annually managed expenditure – creation / (release) of provisions		(14)	9
Right of Use (RoU) asset depreciation		608	608
Total non-core expenditure		818	856
Non-core revenue resource limit		818	865
Excess		0	9

Summary of resource outturn

	Resource £000	Expenditure £000	Excess £000
Core	40,925	40,925	-
Non-core	818	818	-
Total	41,743	41,743	-

2b. Adjustments for non-cash transactions

	Note	2024 £000	2023 £000
Expenditure not paid in cash			
Depreciation	7	225	237
Amortisation	6	-	-
Depreciation of Right of Use (RoU) assets	13	608	609
Total expenditure not paid in cash	SoCF	833	846
Interest payable – leases		40	46

2c. Movements in working capital

		2024		2023
	Note	Opening balances £000	Closing balances £000	£000
Trade and other receivables				
Due within one year	8	575	551	(30)
Net movement		-	24	(30)
Trade and other payables				
Due within one year	10	6,145	5,504	1,435
Due after more than one year	10	3,916	3,267	3,916
Less: General fund creditor included in above	10	(1,333)	(1,107)	(612)
Less: Lease creditors included in above	10	(4,498)	(3,885)	(4,498)
		4,230	3,779	
Net movement		-	(451)	241
Provisions				
Statement of financial position	11	460	1,046	9
Net movement		-	586	9
Net movement increase/(decrease) CFS		-	159	220

Operating expenses

3a. Employee expenditure

	Note	2024 £000	2023 £000
Medical and dental		2,426	4,374
Nursing		222	228
Other staff		33,675	30,517
Total	SoCNE	36,323	35,119

Pharmacist costs have been reclassified to other staff from medical and dental since the prior year. Further detail and analysis of employee costs can be found in the Remuneration report and the Staff report, forming part of the Accountability report.

3b. Other healthcare expenditure

	Note	2024 £000	2023 £000
Goods and services from other NHSScotland bodies		2,867	3,587
Goods and services from private providers		4,775	2,607
Goods and services from voluntary services		37	206
External auditors remuneration – statutory audit fee		37	33
Total	SoCNE	7,716	6,433

Goods and service from private providers include movements in provisions for the year. See Note 11 for further details.

Operating income

	Note	2024 £000	2023 £000
Scottish Government		147	192
NHSScotland bodies		487	207
NHS Non-Scottish bodies		11	-
Independent healthcare		1,515	970
Other		136	104
Total income	SoCNE	2,296	1,473

Segmental reporting - net operating cost

	2024 £000	2023 Restated £000
Directorates		
Chief Executive	494	440
Community Engagement & System Redesign	6,983	6,773
Evidence	8,563	6,981
Finance, Planning, Governance & Communications	2,664	2,543
IT & Digital	1,978	2,068
Medical & Safety	4,965	5,301
Nursing & Systems Improvement	6,339	6,138
One Team / Internal Improvement	366	372
People & Workforce	1,084	1,099
Property	1,315	1,365
Quality Assurance & Regulation	6,992	6,999
Total	41,743	40,079

Changes were made to our structure during the year, resulting in reclassification of spend for 2023. The directorates impacted were Community Engagement & System Redesign, Medical & Safety, Nursing & System Improvement, Finance, Planning, Governance & Communications and Chief Executive.

Intangible assets (non-current)

	Note	Software licences
		£000
Cost or valuation		
At 1 April 2023		412
Disposals		(14)
At 31 March 2024		398
Amortisation		
At 1 April 2023		412
Provided during the year		-
Disposals		(14)
At 31 March 2024		398
Net book value at 1 April 2023		-
Net book value at 31 March 2024	SoFP	-
Prior year		
Cost or valuation		
At 1 April 2022		412
Disposals		-
At 31 March 2023		412
Amortisation		
At 1 April 2022		412
Provided during the year		-
Disposals		-
At 31 March 2023		412
Net book value at 1 April 2022		-
Net book value at 31 March 2023	SoFP	-

Property, plant and equipment

	Buildings (excluding dwellings) £000	Plant and machinery £000	Information technology £000	Total £000
Cost or valuation				
At 1 April 2023	2,257	208	205	2,670
Additions – purchased	-	-	91	91
Disposals	(104)	-	(25)	(129)
At 31 March 2024	2,153	208	271	2,632
Depreciation				
At 1 April 2023	543	208	190	941
Provided during the year	211	-	14	225
Disposals	(19)	-	(25)	(44)
At 31 March 2024	735	208	179	1,122
Net book value at 1 April 2023	1,714	-	15	1,729
Net book value at 31 March 2024	1,418	-	92	1,510
Asset financing				
Owned	1,418	-	92	1,510
Net book value at 31 March 2024	1,418	-	92	1,510

Property, plant and equipment cont.

Prior year

	Buildings (excluding dwellings) £000	Plant and machinery £000	Information technology £000	Assets under construction £000	Total £000
Cost or valuation					
At 1 April 2022	2,174	208	256	-	2,638
Additions - purchased	-	-	10	104	114
Completed	104	-	-	(104)	-
Disposals	(21)	-	(61)	-	(82)
At 31 March 2023	2,257	208	205	-	2,670
Depreciation					
At 1 April 2022	332	208	227	-	767
Provided during the year	220	-	17	-	237
Disposals	(9)	-	(54)	-	(63)
At 31 March 2023	543	208	190	-	941
Net book value at 1 April 2022	1,842	-	29	-	1,871
Net book value at 31 March 2023	1,714	-	15	-	1,729
Asset financing					
Owned	1,714	-	15	-	1,729
Net book value at 31 March 2023	1,714	-	15	-	1,729

Trade and other receivables

	Note	2024 £000	2023 £000
Receivables due within one year			
NHSScotland			
SGHSCD		30	39
NHS boards		40	136
Total NHSScotland receivables		70	175
NHS non-Scottish Bodies		1	-
VAT recoverable		41	41
Prepayments		218	143
Accrued income		16	12
Other receivables		179	121
Other public sector bodies		26	83
Total receivables due within one year	SoFP	551	575
Total receivables	SoFP	551	575
WGA Classification			
NHS boards		40	136
Central government bodies		48	80
Whole of government bodies		-	82
Balances with NHS bodies in England & Wales		1	-
Balances with bodies external to government		462	277
Total		551	575

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2024, receivables with a carrying value of £0.2m (2022-23: £0.1m) were past their due date but not impaired.

Concentration of credit risk is due to independent healthcare customer base which has been impacted due to COVID-19 and the compounded impact of a number of services defaulting now for a number of years. Due to this, management have calculated the future credit risk provision of £158k (2022-23: £102k) is 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: Healthcare Improvement Scotland does not hold any collateral as security.

Trade and other receivables cont.

	2024	2023
	£000	£000
Counterparties with external credit ratings (A)	172	109
Existing customers with no defaults in the past	379	466
Total neither past due nor impaired	551	575

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

Cash and cash equivalents

Note 9

	Note	2024	2023
		£000	£000
Balance at 1 April		1,333	724
Net change in cash and cash equivalent balances	CFS	(226)	609
Balance at 31 March	SoFP	1,107	1,333
Overdrafts		-	-
Total cash – cash flow statement		1,107	1,333
The following balances at 31 March were held at:			
Government banking service		1,038	1,333
Commercial banks and cash in hand		69	-
Balance at 31 March		1,107	1,333

Trade and other payables

	Note	2024 £000	2023 £000
Payables due within one year NHSScotland			
Scottish Government Health Finance and Governance Directorate		11	-
NHS boards	SoFP	820	867
Total NHSScotland Payables		831	867
General fund payable		1,107	1,333
Trade payables		176	175
Accruals		693	673
Deferred income		167	108
Net obligations under leases	13b	618	612
Income tax and social security		737	760
Superannuation	14	663	611
Holiday pay accrual		306	425
Other public sector bodies		10	22
Other payables		196	559
Total payables due within one year	SoFP	5,504	6,145
Net obligations under leases due within 2 years	13b	625	618
Net obligations under leases due after 2 years but within 5 years	13b	1,911	1,889
Net obligations under leases due after 5 years	13b	731	1,379
Deferred Income		-	30
Total payables due after more than one year	SoFP	3,267	3,916
Total payables		8,771	10,061
		2024 £000	2023 £000
WGA classification			
NHS boards		820	867
Central government bodies		746	745
Whole of government bodies		674	611
Balances with NHS Bodies in England & Wales		-	22
Balances with bodies external to government		6,531	7,816
Total		8,771	10,061
Borrowings included above comprise:			
Leases		3,885	4,498
The carrying amount and fair value of non-current borrowings are as follows:			
Leases		3,267	3,886

Notes to the financial statements for the year ended 31 March 2024

Note 11

Provisions

	Note	Participation in CNORIS £000	Other £000	Total £000
At 1 April 2023		46	414	460
Arising during the year		16	600	616
Utilised during the year		(11)	-	(11)
Reversed unutilised		-	(19)	(19)
At 31 March 2024	2c	51	995	1,046

Analysis of expected timing of discounted flows to 31 March 2024:

	Note	Participation in CNORIS £000	Other £000	Total £000
Payable in one year	SoFP	13	600	613
Payable between 1- 5 years	SoFP	31	395	426
Payable between 5-10 years	SoFP	2	-	2
Thereafter	SoFP	5	-	5
Total as at 31 March 2024		51	995	1,046

Prior year

		Participation in CNORIS £000	Other £000	Total £000
At 1 April 2022		37	414	451
Arising during the year		16	-	16
Utilised during the year		(7)	-	(7)
At 31 March 2023		46	414	460

Analysis of expected timing of discounted flows to 31 March 2023:

	Note	Participation in CNORIS £000	Other £000	Total £000
Payable in one year	SoFP	12	-	12
Payable between 1- 5 years	SoFP	28	-	28
Payable between 5-10 years	SoFP	2	414	416
Thereafter	SoFP	4	-	4
Total as at 31 March 2023		46	414	460

Provisions cont.

Participation in CNORIS

Healthcare Improvement Scotland share of the total CNORIS liability of NHSScotland

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

Dilapidations

The dilapidations provision relates to a leased property in Glasgow (Delta House) and was £395k at 31 March 2024 (2022-23: £414k). Management reviewed this provision during the year considering inflation, market rates and recent completion of the refurbishment of Delta House and deemed the provision reasonable.

Regulation of independent healthcare

At 31 March 2024 a provision of £600k (2022-23: nil) has been recognised in relation to possible claims from independent healthcare clinics operating from fixed premises. This relates to interpretation of the technical guidance on ventilation with respect to its application to the independent healthcare sector between the period July 2023 and March 2024.

Capital commitments

Note 12

Healthcare Improvement Scotland has no capital commitments during the year (2022-23: nil).

Leases

13a) Leases assets	Buildings (excluding dwellings) £000	Total £000
Cost or valuation		
At 1 April 2023	4,931	4,931
At 31 March 2024	4,931	4,931
Depreciation		
At 1 April 2023	608	608
Provided during the year	608	608
At 31 March 2024	1,216	1,216
Net book value at 1 April 2023	4,323	4,323
Net book value at 31 March 2024	3,715	3,715

Healthcare Improvement Scotland's lease assets at 31 March 2024 are comprised of two material leases (2023 - two) regarding office accommodation; one at Delta House, West Nile Street, Glasgow (NBV at 31 March 2024 of £2.2m) and also at Gyle Square, Edinburgh (NBV at 31 March 2024 of £1.5m). The 4th floor of the Delta House office is sub-let to another NHS board, National Services Scotland.

Leases assets - prior year

Leases assets - prior year	Buildings (excluding dwellings) £000	Total £000
Cost or valuation		
At 1 April 2022	4,931	4,931
At 31 March 2023	4,931	4,931
Depreciation		
At 1 April 2022	-	-
Provided during the year	608	608
At 31 March 2023	608	608
Net book value at 1 April 2022	4,931	4,931
Net book value at 31 March 2023	4,323	4,323

Leases cont.

13b) Leases liabilities

	Buildings (excluding dwellings) £000	Total £000
Amounts falling due		
Not later than one year	618	618
Later than one year, not later than two	625	625
Later than two years, not later than five	1,911	1,911
Later than five years	731	731
Balance at 31 March 2024	3,885	3,885

Leases liabilities - prior year

	Buildings (excluding dwellings) £000	Total £000
Amounts falling due		
Not later than one year	612	612
Later than one year, not later than two	618	618
Later than two years, not later than five	1,889	1,889
Later than five years	1,379	1,379
Balance at 31 March 2023	4,498	4,498

	2024 £000	2023 £000
Amounts recognised in the statement of comprehensive net expenditure		
Depreciation	608	608
Interest expenses	40	45
Non recoverable VAT on lease payments	131	96
Total	779	749

	2024 £000	2023 £000
Amounts recognised in the statement of cashflow		
Interest expense	40	46
Repayments of principal leases	613	433
Total	653	479

Pension costs

IAS 19 – Employee benefits paragraph 148 – Multi-employer plans

(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 four-yearly funding valuation undertaken by the scheme actuary. The valuation carried out as at 31 March 2016 confirmed that an increase in the employer contribution rate from 14.9% to 20.9% was required from 1 April 2019 to 31 March 2023. The UK Government since confirmed that these employer rates would remain in place until 31 March 2024. In addition, member pension contributions over the period to 30 September 2023 have been paid within a range of 5.2% to 14.7% and have been anticipated to deliver a yield of 9.6%.

The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 October 2023 have been paid within a range of 5.7% to 13.7% and have been anticipated to deliver a yield of 9.8%.

- (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 2023 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, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.
- (v) Healthcare Improvement Scotland's level of participation in the scheme is 0.3% based on the proportion of employer contributions paid in 2023-24.

Pension costs cont.

Healthcare Improvement Scotland 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 contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations.

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. This continues until the member leaves the scheme or retires. In 2023-24 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age 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) website.

National Employment Savings Trust (NEST)

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment.

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), Healthcare Improvement Scotland used an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,270, but will be reviewed every year by the Government. The current employee contribution is 5% of qualifying earnings, with an employer contribution of 3%.

Pension costs cont.

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

NEST pension members can 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 that 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.

	2024	2023
	£000	£000
Pension cost charge for the year	5,164	4,786
Provisions/liabilities/prepayments included in the balance sheet	663	611

Financial instruments

a) Financial instruments by category - financial assets loans and receivables

At 31 March 2024	Note	2024 £000	2023 £000
Assets per balance sheet:			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	8	222	216
Cash and cash equivalents	9	1,107	1,333
		1,329	1,549

b) Financial instruments by category - financial liabilities

At 31 March 2024	Note	2024 £000	2023 £000
Liabilities per balance sheet:			
Trade and other payables excluding statutory liabilities (VAT, income tax & social security), deferred income and superannuation	10	2,488	3,187
Lease liabilities	13b	3,885	4,498
		6,373	7,685

c) Financial risk factors - exposure to risk

Healthcare Improvement Scotland'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 Healthcare Improvement Scotland 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, Healthcare Improvement Scotland is not exposed to the degree of financial risk faced by business entities.

Healthcare Improvement Scotland 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 are updated on a regular basis on how the risks are being managed.

(i) 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, considering 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 Healthcare Improvement Scotland.

Financial instruments, cont.

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.

Further details on our credit risk criteria can be found in Note 8.

(ii) Liquidity risk

The Scottish Parliament makes provision for the use of resources by Healthcare Improvement Scotland 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. Healthcare Improvement Scotland is not therefore exposed to significant liquidity risks.

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.

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2024				
Lease liabilities	654	654	1,961	753
Trade and other payables excluding statutory liabilities	2,488	-	-	-
Total	3,142	654	1,961	753
At 31 March 2023				
Lease liabilities	612	618	2,191	1,077
Trade and other payables excluding statutory liabilities	3,187	-	-	-
Total	3,799	618	2,191	1,077

(iii) Market risk

Healthcare Improvement Scotland 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 Healthcare Improvement Scotland in undertaking its activities.

d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. 2023-24 trade receivable impairment £158k (2022-23 £101k).

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.

Related party transactions

The Health Foundation

Healthcare Improvement Scotland made a contribution of £30,900 (2022-23: £29,000) during the year to The Health Foundation relating to the core connecting platform, system offer and activity programme.

Healthcare Improvement Scotland also received a grant of £75,000 (2022-23: £75,000) relating to the Quality Rheumatology award for the period January 2023 to December 2024. £60,000 was received during the year, with £15,000 outstanding at 31 March 2024. The grant was awarded under standard terms and conditions specified by The Health Foundation, mainly being that payment is contingent on defined deliverables and conditions which have all been during the year.

R Glassborow, Executive Director of Improvement until 3 September 2023 had declared her relationship to The Health Foundation as a member in the organisation's Register of Interests.

There were no other material transactions that took place with other related parties during the year. Healthcare Improvement Scotland is funded by and transacts with Scottish Government Health and Social Care Directorate who are the ultimate parent.

9

Accounts direction

Section 9: Accounts direction

for the year ended 31 March 2024

DIRECTIONS BY THE SCOTTISH MINISTERS

The Healthcare Improvement Scotland Accounts Direction 2012

The Scottish Ministers, in exercise of the powers conferred by their functions under section 86(1) and (3) of, and paragraph 13 of the National Health Service (Scotland) Act 1978¹, in relation to the functions in that section which apply to Healthcare Improvement Scotland by virtue of that Act as amended, and all other powers enabling them to do so, hereby DIRECT that:

Healthcare Improvement Scotland must:

1. Prepare a statement of accounts for each financial year in accordance with the accounting principles and disclosure requirements set out in the edition of the Government Financial Reporting Manual, which is applicable for the financial year for which the statement of accounts is prepared.
2. In preparing a statement of accounts in accordance with paragraph 1, Healthcare Improvement Scotland must use the Healthcare Improvement Scotland Annual Accounts template, which is applicable for the financial year for which the statement of accounts is prepared.
3. In preparing a statement of accounts in accordance with paragraph 1, Healthcare Improvement Scotland must adhere to any supplementary accounting requirements set out in the following documents which are applicable for the financial year for which the statement of accounts is prepared –
 - i. The NHSScotland Capital Accounting Manual
 - ii. The Manual for the Annual Report and Accounts of NHS boards and for Scottish Financial Returns
 - iii. The Scottish Public Finance Manual
4. A statement of accounts prepared by Healthcare Improvement Scotland in accordance with paragraphs 1, 2 and 3, must give a true and fair view of the income and expenditure and cash flows for that financial year, and of the state of affairs as at the end of the financial year.
5. Healthcare Improvement Scotland must attach these directions as an appendix to the statement of accounts which it prepares for each financial year.
6. In these Directions –
 - “financial year” has the same meaning as that given by Schedule 1 of the Interpretation Act 1978
 - “Government Financial Reporting Manual” means the technical accounting guide for the preparation of financial statements issued by HM Treasury
 - “Manual for the Annual Report and Accounts of NHS boards and for Scottish Financial Returns” means the guidance on preparing annual accounts issued to NHS boards by the Scottish Ministers
 - “NHS Act 1978” means the National Health Service (Scotland) Act 1978 (c. 29)
 - “NHSScotland Capital Accounting Manual” means the guidance on the application of accounting standards and practice to capital accounting transactions in the NHS issued by the Scottish Ministers

- “Healthcare Improvement Scotland” is the body established under s.10A of staff of the National Health Service (Scotland) Act 1978
 - “Healthcare Improvement Scotland Annual Accounts template” means the Excel spreadsheet issued to Healthcare Improvement Scotland by the Scottish Ministers as a template for their statement of accounts
 - “Scottish Public Finance Manual” means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers
7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.
 8. This Direction will come into force on the day after the day on which it is signed.
 9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978

Signed by the authority of the Scottish Ministers

A handwritten signature in black ink, appearing to be 'R. McColl', with a horizontal line underneath it.

Dated 22 March 2022

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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