Leading quality health and care for Scotland:

Annual Report and Accounts

For year ended 31 March 2023

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Published June 2023

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Performance report

Performance report

Foreword from our Chair and Chief Executive

The past year has seen us continue to adjust to meet rapidly changing priorities. In doing so, we have emphasised the need for us to be agile, responsive and relevant to the challenges facing the health and social care system.

In 2022–2023 we have continued to create a more integrated organisation, which allows us to respond in a flexible way by deploying the breadth of our skills and knowledge to help address the most pressing challenges. The focused multi-disciplinary support we have provided to NHS Ayrshire and Arran and NHS Forth Valley show our commitment to support local services as well as provide national leadership.

We have also continued to ensure we provide national support in key priority areas. With sustained pressures facing acute hospital services, we have supported the expansion of alternatives to staying in hospital. The Outpatient Parenteral Antimicrobial Therapy (OPAT) and the Hospital at Home programmes are making a positive impact in helping people to be safely cared for at home or in an outpatient setting and avoiding admission to hospital.

We have also made significant progress this year in developing our future strategy. At the heart of our strategy is our commitment to support delivery of safe and high quality health and social care for everyone that needs it. With a health and social care system under sustained pressure, it is all the more important that we have a relentless focus on safety.

> We also know that there is not one dimension to ensuring safe care: it includes leadership, organisational culture and staffing levels – and these are set out in our Quality Assurance Framework.

Safety is also about the fundamentals of direct patient care. In the past year, we published the revised infection prevention and control standards which reflects the significant role that we play in both setting and assuring the quality of care.

> With 582 staff, we are committed to being an exemplar employer. Our iMatter staff survey results continued to show excellent levels of staff engagement and we remain focused on ensuring the wellbeing of a committed workforce.

However, we have also needed to make some tough decisions during the year to ensure we achieved financial balance. This has required sensitive handling with our staff, difficult choices about our priorities and the continued careful stewardship of the relatively complex funding streams that come to Healthcare Improvement Scotland.

We know that the problems facing the NHS or social care do not have straightforward or one-dimensional answers. Yet we have a unique strategic advantage in Healthcare Improvement Scotland in the co-location of significant assets to improving the quality of health and social care. In recognising that, we are taking action to create a more cohesive and connected organisation – as 'One Team' – ensuring that we can quickly and flexibly deploy resources and employ a more unified approach to priority areas such as mental health or primary care. 'One Team' will be a major aspect of the means to us achieving the vision in our strategy.

In the coming year, we intend to take the first steps in implementing our strategy with a strong focus on using our strengths and resources to secure positive and sustainable change in the health and care system.

> Whilst the road ahead will be challenging, we are committed to ensuring that our efforts remain focused and impactful in helping to secure better health outcomes for the people of Scotland.

Carole Wilkinson

Carole Wilkinson
Chair

Robbie Pearson

Robbie Pearson
Chief Executive

Performance overview

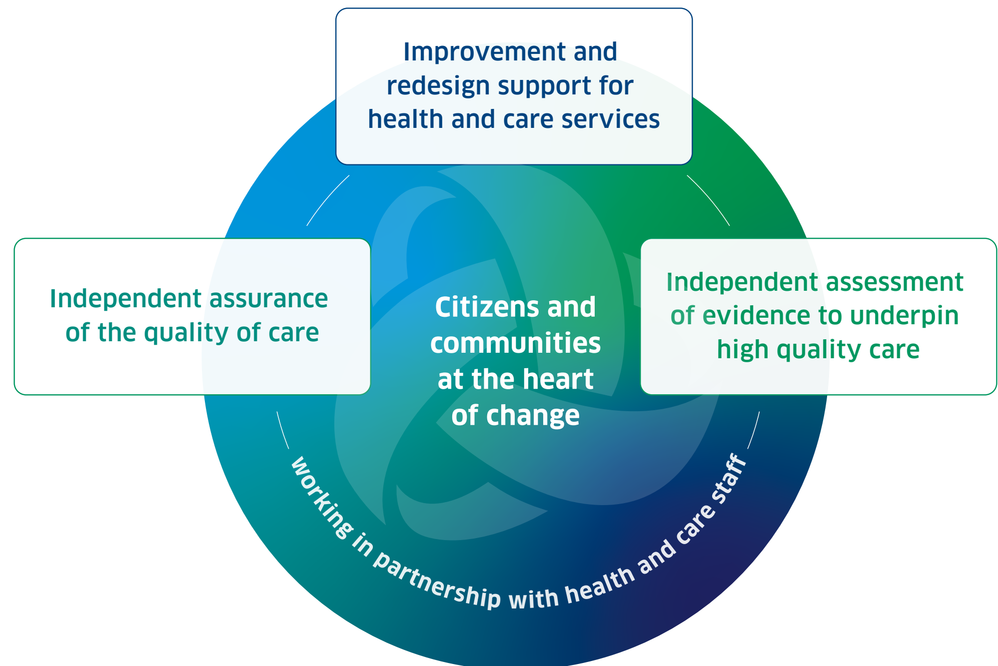
The purpose of the performance overview is to provide a summary of the organisation, its purpose, the outcomes it is aiming to achieve, its objectives, its performance against delivering those outcomes and/or objectives and both the impact of and management of key risks.

Who we are and what we do

We are the national improvement agency for health and care in Scotland. Our purpose is to secure lasting, positive and sustainable improvements 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 and opportunities created by system wide working and to collaborate with all boards and other national organisations to deliver a relentless focus on the safe delivery of effective care.

Our purpose

Our purpose is to drive the highest quality care for everyone in Scotland. We achieve this in the following ways:



Our vision

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

Our values

- care and compassion
- dignity and respect
- openness, honesty and responsibility
- quality and teamwork

Our contribution

Healthcare Improvement Scotland exists to lead improvement in the quality and safety of health and care for the people of Scotland using our skills and knowledge to tackle the quality challenges being faced. Our role is to be 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.

Our support for the system is underpinned by a number of 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, and
- evaluating and providing advice to the health service on the clinical and cost effectiveness of new medicines and new and existing health technologies

	People who use services, carers, and local communities		31 Health and Social Care Partnerships
NHS 21	21 NHS boards		Housing, volunteering, and third and independent sector organisations
	32 local authorities		International community
	Scottish Government and other organisations with Scotland-wide remits		National professional groups

Our directorates

Healthcare Improvement Scotland is structured into nine directorates:

- Chief Executive's Office
- Quality Assurance (QAD)
- Improvement Support (ihub)
- Evidence
- Community Engagement
- Medical
- Nursing, Midwifery and Allied Health Professionals (NMAHP)
- Finance, Planning and Governance
- People and Workplace

Summary of performance

The health and social care system faced unprecedented challenges over the last year, which are likely to remain for the foreseeable future. It has been more important than ever that we ensure care continues to be safe, effective and delivers improved outcomes for people and communities.

During 2022–2023 we continued to seek to match our resources to helping the health and care system recover from the impact of the pandemic and to improve care for people in Scotland. Work programmes were refocused in line with this. While this has undeniably had an impact on staff, as colleagues came to the end of contracts or were redeployed into other teams, we have developed a support network and systems for our staff to help build resilience. Our people and the knowledge and experience they have are our most valuable asset. We need to make sure we can attract, train, employ, retain and nurture them to deliver sustainable high quality services that achieve our strategic and operational priorities. The key to this has been collaboration, working together as "One Team" to apply our wealth of skills and knowledge to the problems facing health and social care.

The winter months are always demanding for health and social care services. The work undertaken by our Quality Assurance Directorate, specifically on the safe delivery of care inspections, was a key aspect to our winter response in 2022–2023. In November 2022 we wrote to the Chief Executives of all NHS boards across Scotland, highlighting key inspection findings to date, including areas of good practice despite challenging circumstances, as well as areas of serious concern in relation to the safety of patients and staff.

> The purpose of sharing this intelligence was to enable all NHS boards to review their systems and procedures, and to use the learning from our inspections to take a proactive approach in identifying risks to patient safety, rights and wellbeing.

Our Excellence in Care, Healthcare Staffing Programme and Scottish Patient Safety Programme supported NHS boards directly by focussing on emerging priorities in the areas of safe staffing, quality and planning for increasing capacity during system pressures. Our Hospital at Home programme saw an increase in uptake from seven to 21 services across Scotland and a 53% increase in patients managed by Hospital at Home services. It is estimated over 11,000 unscheduled care admissions have been prevented in 2022–2023 under the Hospital at Home programme.

Evidence and innovation sit at the heart of improvement, informing all our work. We continued to build on our reputation as a trusted source of evidence-based advice, publishing advice and guidance on new medicines, innovative uses of existing medicines and cutting edge technologies that have the potential to benefit patients while reducing waste and duplication of effort. Our Scottish Antimicrobial Prescribing Group work on Outpatient Parenteral Antibiotic Therapy to support NHS boards by preventing admissions to hospital and facilitating earlier discharges, was a key achievement during the year.

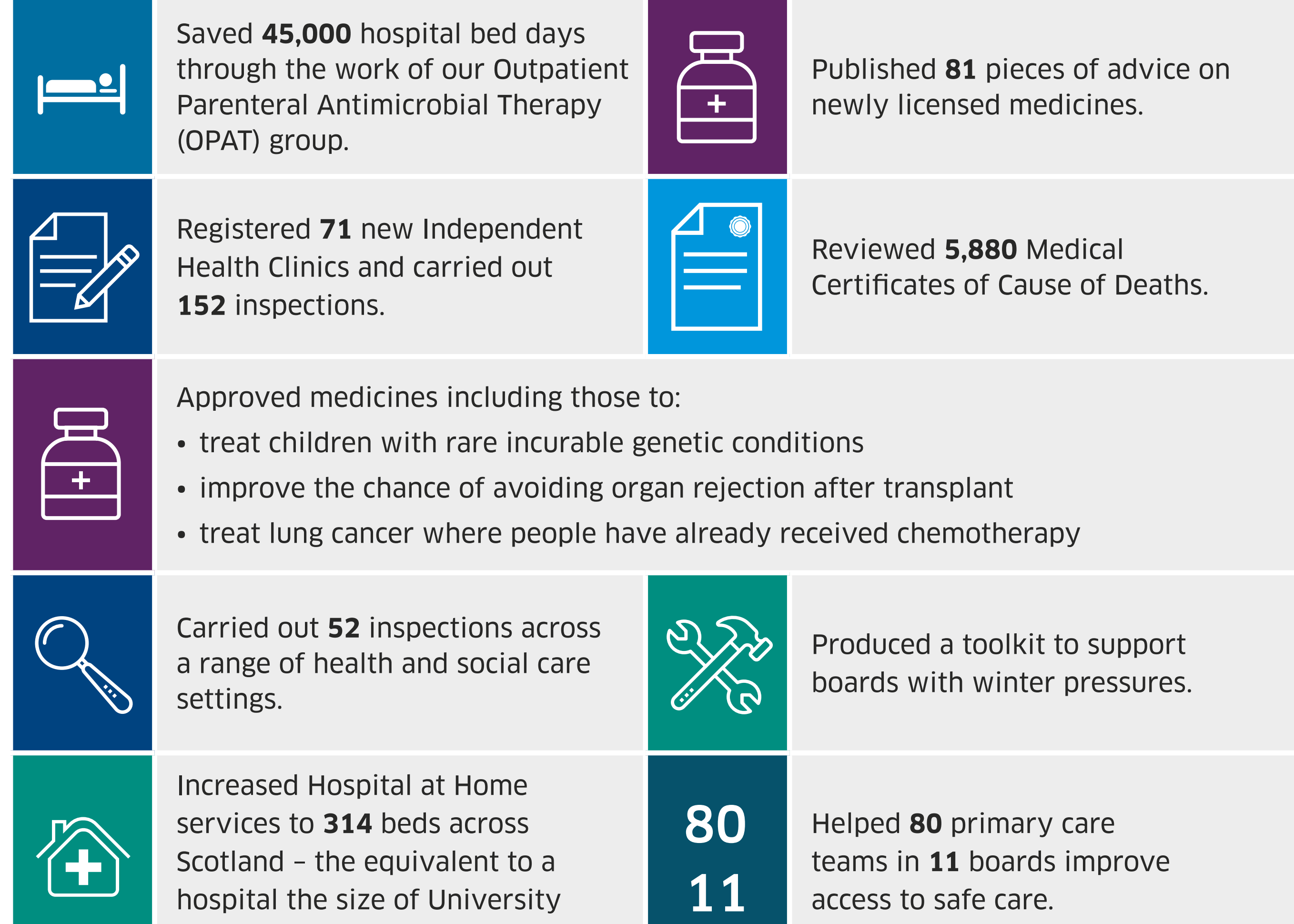
In addition, we worked closely with Scottish Government, the UK Health Security Agency, Public Health Scotland and frontline clinicians to create rapid response guidance on the antibiotic management of Group A Streptococcus infection in children due to the surge seen this winter.

The most crucial pieces of evidence in our work are the voices of people who use health and social care services in Scotland. Meaningful engagement ensures services can be developed which are person-centred, high quality, safe and improve outcomes for communities. The 3,000 responses to the consultation on our Bairns' Hoose Standards are testimony to this, and help make sure our health and social care system is fit for purpose. The work of our Community Engagement Directorate in providing the opportunities for everyone in Scotland to participate, particularly those in seldom heard groups, is crucial in informing our work and that of the wider NHS.

As part of Scotland's public sector, we also take our social and sustainable responsibilities seriously. We take great pride in the diversity of our workforce, and have worked hard to promote and embed equality in our workplace culture in order to support our staff.

More in-depth detail of our work during 2022–2023 can be found in the Performance Analysis section.

Our achievements at a glance



Published guidance for care home staff on dementia in those with learning disabilities.

Collaborated with colleagues at the National Institute for Health and Care Excellence (NICE) to assess medicines for treatment and prevention of COVID-19

Received over **3000** responses to the consultation on our Bairns' Hoose Standards.

Developed new infection prevention and control standards to reduce the risk of infections in health and care.

Key indicators for the priority outcomes

At the start of 2022–2023 we introduced a range of key performance indicators (KPIs) to enhance our performance management process. The indicators 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	2022–2023	
		Target	Actuals
Safe, timely, high quality care	Inspections	60	52
	Independent Healthcare inspections	187	152
	Death Certification randomly selected reviews	12.0%	11.3%
Evidence and intelligence underpin care	SIGN guidelines published	6	7
	Scottish Medicines Consortium advice published	96	79
	Research and Information Service projects supported	120	189
	Scottish Health Technologies Group reviews undertaken	10	16
	Standards and Indicators developed and published	21	12
Quality improvement	Complaints – closed/actioned within SLA	100%	97%
Voices of people and communities	Service changes monitored and/or advised on	48	54
	Policy areas influenced by people's views	8	7
	Equality assessment initial screening completed	60%	70%
Staff experience	iMatter – employee engagement index score	81	82
	Sickness absence	4.0%	2.5%
Value for Money	Baseline spend (£m)	32.8	32.8
	Recurring savings (£k)	24.0	384.0

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

Inspections were behind the original target during the year, as we amended our methodology and approach given the significant winter pressures experienced across the NHS. This approach was agreed in advance with our stakeholders.

Independent Healthcare inspections were lower than targeted in 2022–2023 due to lower services registered than originally predicted. 76 inspections were carried forward from 2021–2022 due to delays experienced during the pandemic, and we end the year with only seven to carry forward into 2023–2024.

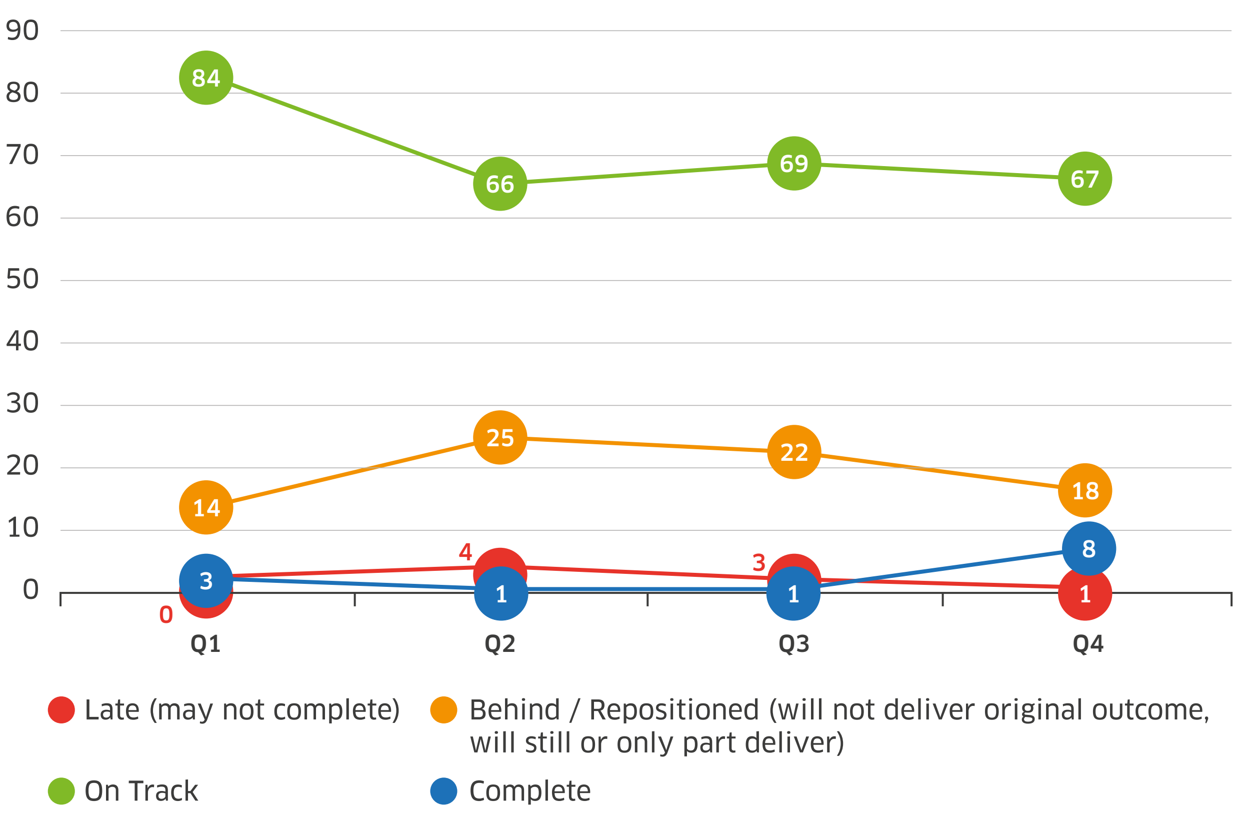
Scottish Medicines Consortium advice published KPI ended the year at 82% of target. This was lower than target due to an increasing volume of new medicines and a number of vacancies within the team.

Work programme

Our work programme details the initiatives and projects across the organisation which deliver against our annual delivery plan. We started the year with 98 initiatives in our work programme, managing a complex range of workstreams focused on improving health and social care, and ended the year with 86 initiatives.

During the year, 13 initiatives were completed, including projects covering Quality Assurance for Neurological Services, Reducing Harm Improving Care, Rethinking Unscheduled Care and New Models for Day Support for People with Learning Disabilities. At the end of the year 78% of our live projects were classed as 'on track' for delivery. Further details on key initiatives can be found in the Performance Analysis section.

Movement in project status last 12 months



RAG		Q1 22/23	Q2 22/23	Q3 22/23	Q4 22/23
Late (may not complete)		-	4	3	1
Behind/Repositioned (will not deliver original outcome, will still or only partly deliver)		14	25	22	18
On track		84	66	69	67
Complete		3	1	1	8
Carried forward – active projects		**98**	**95**	**94**	**86**

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 2022–2023 are detailed along with mitigations in the Performance Analysis Report, but are also summarised as follows:

- There is a risk that the unprecedented financial and workforce pressures across health and care systems will impact on our ability to implement our strategic objectives and deliver to a high standard across our planned work programmes, potentially in response to increased demand for support. We will continue to work closely with stakeholders to understand safety and quality challenges and how best to respond to these.
- There is a risk 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. This is exacerbated in the independent healthcare sector due to its increasing breadth, diversity and complexity.
- There are risks to our information communications technology systems as a result of cybersecurity attack, which could impact in not being able to deliver our work.

The most significant emerging risk as we move into 2023–2024 is the ability to deliver our existing programme of work, together with new commissions, in the context of financial constraints whilst trying to achieve a balanced budget. We will continue to work closely with our stakeholders to adapt as required in a rapidly changing set of circumstances.

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 a health 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 2023 is set out in the table below:

	Limit as set by SGHFGD £,000	Actual Outturn £,000	Variance (deficit)/surplus £,000
Revenue resource limit – core	39,290	39,223	67
Revenue resource limit – non-core	865	856	9
Total Revenue Resource Limit	40,155	40,079	76
Capital resource limit – core	114	95	19
Capital resource limit – non-core	-	-	-
Total Capital Resource Limit	114	95	19
Cash requirement	40,150	40,150	-

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.

	£,000
Core revenue resource variance in 2022–2023	67
Financial flexibility: funding provided by Scottish Government	(222)
Underlying (deficit)/surplus against core revenue resource limit	(155)
Percentage	0.39%

Healthcare Improvement Scotland's outturn is an underspend of £67k (2021–2022: underspend of £222k).

The underspend is within one percent flexibility afforded by the three-year financial planning and performance cycle.

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 Financial Reporting Manual. 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 at 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 2024 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 £414k (2021–2022: £414k) for leased premises. This provision is based on the outcome of dilapidation assessments and relates to occupied premises in Glasgow and Edinburgh. 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.

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

Complaints

Our team has improved staff understanding of how to respond to complaints using workshops and direct support. This has led to a rise in recording and reporting as staff confidence in handing complaints increases.

During 2022–2023:

26	26 complaints were received	12	12 were not upheld
3	Three were partially upheld	11	11 were fully upheld

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

Prior year adjustments

There was a prior year adjustment to the Remuneration Report due to the requirement to split the accrued pension and where applicable the lump sum.

Significant changes in the statement of financial position

Right of use assets – On 1 April 2022 relevant public sector organisations including Healthcare Improvement Scotland transitioned from International Accounting Standard 17 to International Financial Reporting Standard 16 (IFRS16) for leases. The transitional arrangements require public bodies to present the total cost of all qualifying leases as right of use asset in the current year from 1 April 2022 along with the depreciation and interest charges incurred during the financial year. The transition does not require a retrospective adjustment to the closing balances for 2021-22. Further information can be found in Note 12.

Current assets – the increase in cash equivalents between years is due to a higher balance at year end to cover the forthcoming payment of trade and other payables. See Note 10 for further details.

Current liabilities – the increase in trade and other payables is due to the corresponding increase in the general fund to reflect higher cash balances at year end and also net obligations under leases, in relation to the transition to IFRS16.

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 2022. During the year we achieved an underspend against this budget of £67k (0.3%), which included the achievement of the savings target.

Independent healthcare

Healthcare Improvement Scotland is responsible for regulating independent healthcare services. It incorporates independent hospitals, which includes hospices, private psychiatric hospitals and independent clinics. The financial results are shown below and the remaining surplus has been carried forward to the financial year 2023-24.

	2022-2023	2021-2022	2020-2021	2019-2020
Number of registered services	549	519	441	428
Number of services registered in year	71	98	52	89
Number of inspections completed	152	135	61	158
	£,000	£,000	£,000	£,000
Income	1,040	1,030	601	793
Scottish Government Funding	360	150	394	0
Expenditure	(1,330)	(990)	(955)	(810)
Surplus / (Deficit)	70	190	40	(17)

Non-financial performance

Performance against annual delivery plan

Healthcare Improvement Scotland's annual delivery plan for 2022–2023 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.

	Green status	Amber status	Red status
Q1 update	49	11	-
Q2 update	39	18	3
Q3 update	65	21	3
Q4 update	67	18	1

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

The board 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, across all public bodies. The table below excludes disputed invoices:

	2022-2023	2021-2022	2020-2021
Average credit days taken	10 days	4 days	4 days
% invoices (by value) paid within 30 days	96.7%	99.5%	99.6%
% invoices (by volume) paid within 30 days	93.0%	99.7%	99.3%
% invoices (by value) paid within 10 days	76.6%	93.5%	91.0%
% invoices (by volume) paid within 10 days	73.8%	93.0%	93.8%

From 1 August 2022, our accounts payable function was transferred to NHS National Services Scotland under the national collaboration project. This move created stronger resilience in the function, process efficiencies and cost savings, but has seen a decline in the payment policy metrics reported.

Workforce, skills and location

A three-year workforce plan was developed to review workforce needs for the period 2022–2025. This is aligned to our strategic priorities as well as the financial planning process. This plan also reflects the work detailed in the National Workforce Strategy for Health and Social Care. It specifically references the five 'pillars' of workforce planning and how we will plan, attract, train, employ, retain and nurture our workforce to deliver sustainable high quality services that achieve our strategic and operational priorities.

Over the last five years, we have seen a steady increase in overall headcount and whole time equivalent employees. This has resulted in an increasing workload financed from additional allocations to respond to growing demands to support key national priorities. We have seen a significant change in our financial arrangements during 2022–2023, notably in the timing and confirmation of additional allocations from the Scottish Government. This in turn has required closer scrutiny of all vacancies and recruitment and careful planning around the use of fixed term contracts and secondment arrangements.

As part of this work we established our "One Team" approach and the structure, governance and arrangements covered in the workforce plan will be a focus of planned activity in future. We need to focus on organisational stability within the changing financial landscape while continuing to support our workforce and ensure that they remain supported, motivated and contributing to achieving the outcomes of our organisation. Our workforce planning will focus on supporting the cultural and organisational changes needed to support our future ambitions within the context of the wider health and social care system.

Staff changes

During the financial year, **100** people have left the organisation in total – representing an overall turnover rate of **18%** YTD.

109 people have also joined our organisation in this period, representing a net increase of **9** to our overall workforce headcount (payroll and non-payroll) since April 2022.

The board continues to have a proactive policy on the management of sickness absence and the average absence rate for 2022–23 was 2.5% (2021–22: 2.9%). 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.

Student placements

We are a practice placement learning provider and demand for student placements is high. Two second year adult branch nursing students from Glasgow Caledonian University spent a two week placement with us, working with Healthcare Staffing Programme, ihub and learning about work across the organisation. Feedback from both students and supporting colleagues was extremely positive.

Our web estate

Work began in 2022 to redevelop our web estate. A web consultancy firm was commissioned to support the first phase of our website project. During this phase we:

- conducted stakeholder interviews
- evaluated our website technology
- analysed our website analytics
- led a web content and usability audit
- conducted user research
- reviewed previous discovery research

The result of this work has been two key outputs:

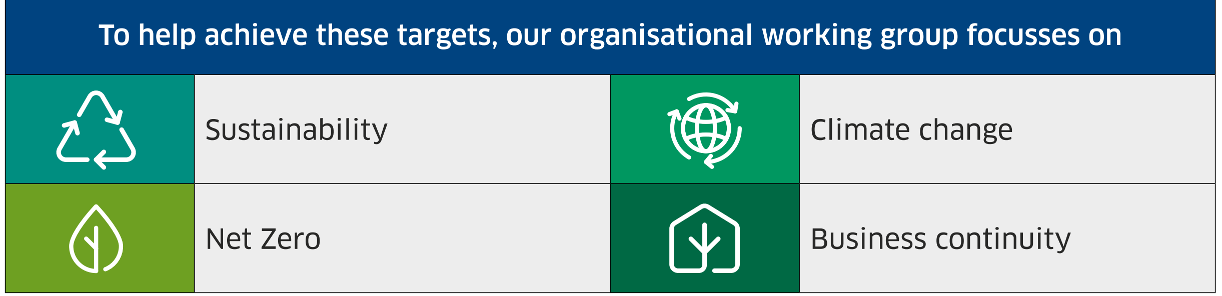
- a review of findings
- the development of a project roadmap

Outputs from this project are supporting the organisation to have a more inclusive approach to how we create and share our content. Inclusive content helps us reach our accessibility obligations and meet the needs of our users. The recommended next steps are under review by our Executive Team and board.

Our social responsibilities

Sustainability

Like all boards, we face the challenge of meeting all United Nations and Scottish Government climate change and sustainability targets and criteria by 2040. We are fully committed to delivering the national targets outlined in the Scottish Government's Climate Emergency and Sustainability Strategy 2022–2026. We have set ambitious environmental targets, aiming to reduce our carbon emissions by 15% by August 2023 and be net zero by 2040.



To help achieve these targets, our organisational working group focusses on	
Sustainability	Climate change
Net Zero	Business continuity

During 2022–2023, we:

- Submitted our first Public Bodies Duty, detailing commitment to sustainability and the climate emergency.
- Provided Scottish Government with our first Annual Climate Change and Sustainability report, which focusses on providing evidence against specific targets.
- Successfully retained our bronze level award and increased our overall score following the submission of our 2022 National Sustainability Assessment Tool.
- Continued to implement our Net Zero action plan, driving improvements in procurement processes and reductions in office waste, recycling, energy usage and transport.
- Established our Organisational Climate Change network. Focussing on sustainable care and sustainable communities, the network allows us to have a coordinated response to the Scottish Government Climate Change and Sustainability Strategy and includes a platform for staff to share good work.
- Submitted our first adaptation plan and climate change risk assessment to Scottish Government, allowing us to determine potential adjustments needed to combat the impacts of climate change.
- Became an affiliated member of the Institute of Environmental Management and Assessment, giving us improved access to environmental training, tools and techniques.

We are also supporting other health boards to become more sustainable. Our Resilience and Digital Solutions Lead chairs the new National Boards Sustainability Group. The group looks at:

- standardising active travel plans
- biodiversity reporting
- climate emergency and sustainability job descriptions
- reporting timelines, and
- training and learning opportunities

We developed an interactive climate change presentation for the group to raise awareness and provide an insight into the effects of climate change. The presentation covers what boards and their staff can do to help mitigate and combat some of the climate change effects, including adopting a circular economy where products are reused and recycled rather than scrapped.

Our ihub Directorate hosts an awareness raising climate change network, focussing on embedding the climate crisis as a central component of their work programme. The aim of the network is to upskill staff to support the design and delivery of environmentally and socially sustainable health and social care services.

Our Scottish Health Technologies Group (SHTG) have been looking at how to consider environmental impact in the health technology assessment (HTA) process. The team gathered the emerging evidence to support how HTA bodies might take a consistent approach to incorporating sustainability into their assessments.

Sustainable improvements

During the year we have implemented the following sustainable improvements:

- No longer have any medium to long-term lease vehicles, making us one of the first NHS boards to declare itself decarbonised on owned or long-term lease vehicles.
- Reviewed our supply chain removing products without green credentials from purchase orders.
- Reduced the amount of floor space in our Glasgow office to save on energy usage.
- We installed new Zip taps in our Glasgow office to reduce water consumption and remove the need for water coolers and kettles.
- Our Glasgow office is fitted with passive infrared motion sensors, reducing the amount of lighting required.
- Introduced a process to refill empty toner cartridges instead of disposing of them.

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 taken some important steps towards further embedding equality within our workplace culture. We joined the Equally Safe at Work NHSScotland pilot and are participating as part of the 'early adopters' group, taking actions around the workplace to improve women's safety and economic equality. We launched our Workplace Transgender Equality Policy and made improvements to our menopause policy alongside launching our staff menopause café. We've also created a suite of resources including an Inclusive Language Guide and refreshed equality impact assessment tools, and shared our experience engaging diverse communities.

It is important for us to identify and acknowledge excellence in promoting equality and diversity within Healthcare Improvement Scotland, and we once again ran our internal Margaret McAlees Award. Nominations included the excellent work of our Career Ready Employability Initiative, the commitment of our Care Home Inspection Team during the height of the pandemic and our Healthcare in Justice Team's approach to promoting rights, empowerment and active participation. The winner was the late Jane Davies, Head of Engagement Programmes in the Community Engagement Directorate, for her active commitment to improving outcomes for marginalised people, disempowered individuals and communities.

More on our equality and diversity work can be found in our latest equality mainstreaming update.

Collaborative working

One Team

One Team is our organisational programme of work that ensures our structures, processes and cultures allow us to work collaboratively. It aims to maximise our impact on the quality of health and care services, bringing us together to think and behave as one organisation.

One Team has three aims	
1	To make sure our organisation is fit for the future and that we continue to have the right people with the right skills and abilities to be able to adapt to new demands and deliver for people in Scotland.
2	To ensure we are relevant and focussed, concentrating our efforts on what we do well and where we can have most impact.
3	To help us be confident in determining our priorities – ensuring we add value and support improvement.

These are being achieved through four workstreams:

- Working environment, looking at where and how we work, minimising cost and aligning this with the wider NHSScotland estate strategy.
- Efficiency, looking at how we can reduce unnecessary costs, achieve best value and possibly generate income.
- Workforce, looking at job roles, skillsets and supporting workforce change.
- Redesign, creating an optimal operating model by making us more agile, resilient and effective and redesigning processes and structures.

Helping the huddle: working together to improve front line care

Following safe delivery of care inspections by our Quality Assurance Directorate we were commissioned to provide improvement support by two NHS boards. The support was provided in 12-week blocks by the Scottish Patient Safety Programme, Excellence in Care, Healthcare Staffing Programme, and Data Measurement and Business Intelligence teams. The teams worked in collaboration with NHS boards to provide time limited critical friend and improvement support focused on key areas of their improvement plans. These included:

- Hospital Huddles: supporting teams to understand their system and plan further development of the hospital huddle to improve communication and coordination of the safety of care and flow of patients.
- Fundamental Care: facilitating the development of a board level improvement plan for the delivery of fundamental care.
- Preparation for real time staffing: creating the conditions and building foundations to support the legislative requirements of the Health and Care (Staffing) (Scotland) Act 2019
- Workforce planning, workforce review and quality data to inform priority areas of improvement.
- Contingency beds: providing support to improve quality and safety relating to assessing risk and patient placement, when using contingency beds.
- Measurement for improvement: offering advice to the NHS board to develop their measurement plan alongside the use of quantitative data to measure/monitor the quality of care.

Joint working for early access to medicines

Our Scottish Medicines Consortium (SMC) team worked during the year with:

- the Medicines and Healthcare products Regulatory Agency (MHRA),
- the National Institute for Health and Care Excellence (NICE) and
- the All Wales Medicines Strategy Group in the Innovative Licensing and Access Pathway (ILAP).

During the year, SMC contributed to the UK-wide work to rapidly introduce effective medicines to treat COVID-19. The team provided 27 clinical briefings to the RAPID C-19 collaboration, as well as providing input on the Oversight Panel. As an extension of this work, SMC carried out its first collaborative health technology assessments with colleagues in NICE. The SMC Chair and a nominated SMC clinical expert took part in the multiple technology appraisal of therapeutics for COVID-19 and also the single technology appraisal for tixagevimab/cilgavimab medicines for the prevention of COVID-19.

Making a hoose a home

The publication of our Bairn's Hoose Draft Standards, a project spanning social work, police, justice and health, demonstrated the kind of ground-breaking, multi-agency work we undertake. Our Standards and Indicators team and the Care Inspectorate were jointly commissioned to develop standards for Bairns' Hoose (Scottish Barnahus). Bairns' Hoose, or Child's House, is a child-centred response for children who are victims or witnesses of serious crime and abuse and for those children under the age of criminal responsibility whose behaviour is suspected to cause or have caused harm. Over 3,000 responses were given to our draft standards consultation, published in summer 2022. The final standards, children's standards, consultation summary report, children's feedback report, engagement report and equality impact assessment was published in early 2023–2024.

Person-centred day service redesign

Our New Models for Learning Disability Day Support Collaborative worked with three health and social care partnerships to help redesign person-centred day services. The collaborative has:

- Created space for cross-organisation and sector team building and collaboration, including a focus on addressing inequalities, resulting in:
  - new opportunities within local provision, including more opportunities for people using mainstream community venues
  - the adoption of an inclusive and person-centred approach to support planning, improving transitions processes for young people leaving school
  - local teams working with other partnerships and national organisations
- Tested and applied service design methods to better understand the underlying issues affecting people and services, resulting in an improvement plan for learning disability services in Scotland.
- Involved national partners, providers and people who access services. This year:
  - people with lived experience presented at our events
  - 219 people with learning disabilities and their families/carers engaged with project teams to tell their stories
  - 14 health and social care partnerships presented and participated in events and engagement
  - a further 13 partner organisations who represent lived experience and provide services have worked with the collaborative, a total of 40 since 2020

Managing quality of care

Value Management is a method to effectively manage the quality of the care that is delivered. During 2022–2023, our Value Management Collaborative provided support to six NHS boards to introduce a value management approach in their work, focussing on:

- Quality improvement, coaching capacity and capability building within boards
- Knowledge and skills transfer to coaches and teams in relation to the approach

Building on the impact of the early stages of the collaborative (2020–2022). Our impacts included:

90%	Over 90% responding staff feel supported safe in their day to day work
20	20 Improvement coaches trained in the Value Management approach and retained within NHSScotland
61	61 Value Management teams using the method within NHSScotland across a variety of settings

Baseline review of healthcare provision within police custody

We worked jointly with HM Inspectorate of Constabulary in Scotland (HMICS) during 2022-23 to establish a benchmark of current healthcare provision for people detained within police custody centres across Scotland. The aim of the review was to help shape plans for future joint inspections of police custody centres, with Healthcare Improvement Scotland leading on the healthcare aspect. The importance of this joint work was underpinned by evidence that many of those brought into custody in Scotland tend to be vulnerable, have experienced trauma in their lives and often have health problems.

The review culminated in the publication of a report in January 2023: National baseline review of healthcare provision within police custody centres in Scotland. While the report identified areas of good practice, it highlighted wide variation across Scotland in people's access to healthcare while in police custody. A number of recommendations were included in the report, such as nationally agreed waiting time standards for the assessment and treatment of individuals detained, and the development of up-to-date guidance on the delivery of healthcare. The outcome of this review together with our joint inspections with HMICS will help ensure greater consistency of healthcare for people in police custody across the country.

Supporting the front line

Unannounced inspections at acute hospitals

Our Safe delivery of care inspection programme continued to be adapted in response to the changing operational environment and service pressures across health and care to minimise the impact on staff providing front line care and help services to identify and mitigate current risks. We carried out 10 safe delivery of care inspections this year to ensure compliance with national guidance and make recommendations for improvements.

These inspections led to Healthcare Improvement Scotland implementing our escalation process five times within three NHS boards. We have worked proactively to share the common themes and learning from our inspections in order to support NHS boards to make improvements, in the shared interest of promoting patient safety.

Health and social care inspections

The following table details the number of inspections carried out, both by our organisation and in partnership with other organisations.

Area	Number of inspections carried out
Includes acute hospitals, safe delivery of care inspections, prisons, adults protection partnerships and Ionising Radiation reviews. Excludes IHC.	52
Ionising Radiation (Medical Exposure) Regulations	9
Hospitals	10
Prisons	9
Police custody	2
Mental Health Healthcare Associated Infection	4
Joint Inspection of Adult Services	2
Joint Inspection of Children's Services	4
Adult Support Protection	12

Queen Elizabeth University Hospital independent assurance

The Scottish Government commissioned Healthcare Improvement Scotland to provide wider independent assurance of infection prevention and control measures at the Queen Elizabeth University Hospital campus, NHS Greater Glasgow and Clyde. This wider independent assurance focused on the systems and processes in place for infection prevention and control at the Queen Elizabeth University Hospital campus, implementation of these current at the time of the inspection. This was a large piece of work led by the hospital inspection team throughout 2022–2023, with the report published in November 2022.

NHS mental health unit inspections

In addition to our acute care inspections, we have introduced a new programme of infection prevention and control inspections of adult inpatient mental health units. The programme established in summer 2022 and commenced inspections in December 2022. In 2022–2023, the team completed four inspections. The work initially specifically considered infection, prevention and control but will explore potential expansion regarding the safety and quality of care in 2023–2024.

Systems under pressure toolkit

To help NHS boards respond to the challenges facing them, the Healthcare Staffing Programme, together with our Excellence in Care team, developed the Optimising Capacity in Health Systems Under Pressure Toolkit. The toolkit draws on learning from the COVID-19 pandemic and the setting up of the temporary NHS Louisa Jordan hospital. It is designed to help staff manage and respond effectively to change while continuing to focus on the safe delivery of care.

> I hope that this toolkit helps those who are working under pressure to increase capacity, to feel more confident in commissioning new beds and in providing care under pressure – reducing the feeling of being overwhelmed and in turn providing better care.
>
> Ann Gow, Director of Nursing, Midwifery and Allied Health Professionals, Healthcare Improvement Scotland

Healthcare staffing

In preparation of the Health and Care (Staffing) (Scotland) Act 2019, which comes into effect in April 2024, we have been helping boards prepare by:

- redeveloping existing staffing tools
- developing real time staffing resources to help health and care practitioners capture their staffing needs, escalate risks and support decision making

Due to the multi-disciplinary nature of the legislation, Healthcare Staffing Programme have increased stakeholder engagement with:

- allied health professionals
- pharmacists
- science leads
- clinicians

While this has been a challenge due to staffing levels and competing priorities, the launch of a targeted knowledge and skills framework, hosted by NHS Education for Scotland helped highlight what different staffing groups need to do in order to meet the obligations of the Act. Monitoring and governance will begin on 1 April 2024 with the first reports due on 1 April 2025.

Not just safe care, good quality care

While safe staffing is vital, our aim is that patients experience not just safe care but good quality care. As part of their remobilisation, Excellence in Care developed a framework to support staff to create the conditions where excellence and high quality care is delivered consistently across Scotland. A strategy outlining the implementation of the framework was published in June 2022. Excellence in Care continued to provide proactive and reactive support to boards to improve understanding of key measures of quality. This was used to inform local and national care reviews and improvement work.

> Excellence in Care is about the patient, their family and health care staff working together as a team.
>
> Gareth Bourhill, public representative on the programme board of Excellence in Care

Hospital at Home: reducing pressures on hospitals

The implementation of Hospital at Home is a key national priority, focussing on improving outcomes and patient experiences as well as reducing pressures on acute hospitals.

Our team supported an increase from seven to 21 services. With 314 beds across Scotland, Hospital at Home services are now the equivalent to the in-patient beds in a hospital the size of University Hospital Ayr. In the latter part of the reporting period, we received additional funding for further roll out.

Impact:		
	53%	53% increase in patients managed by Hospital at Home services compared to 2021–2022
	11,686	11,686 patients were looked after at home from April 2022 to March 2023
	63,952	From April 2022 to March 2023, provided an equivalent of 63,952 bed days

OPAT: providing an alternative to admissions

Outpatient Parenteral Antimicrobial Therapy (OPAT) services provide an alternative to hospital admission for people with infections that need treatment with intravenous or complex oral antimicrobials. The services allow people to be treated at home or in outpatient settings, reducing the need for hospital admissions or long stays. Our Scottish Antimicrobial Prescribing Group set up the Scotland-wide OPAT group in 2019 to help NHS boards share best practice and improve services. Figures published by the team in September 2022 show that between 17 January 2022 and 21 August 2022 on average 250 people per week have been treated by the OPAT service and more than 45,000 hospital admission bed days have been avoided in that period. Nine NHS boards currently use OPAT services and the programme is now being rolled out further with a view to linking into hospital electronic prescribing and medicines administration.

OPAT services		
	250	Between 17 January 2022 and 21 August 2022 on average **250** people per week have been treated by the OPAT service
	45,000	More than **45,000** hospital admission bed days have been avoided in that period
	9	**Nine** NHS boards currently use OPAT services

Setting the standards for health and social care settings

Our Infection Prevention and Control (IPC) standards were published in May 2022. The standards support organisations to quality assure their IPC practices and approaches, and underpin our inspections of the safety and cleanliness in acute and community hospitals. These standards are informed by current evidence, best practice and stakeholder recommendations and supersede our previous healthcare associated infections standards.

Planned care

Our Access Quality Improvement (Access QI) programme applies quality improvement methods to reduce waiting times for planned care.

During 2022-2023 the team reported on the following impact of its work:

↓30%	NHS Fife General Surgery to increase same day treatment/investigations, resulting in a **30%** reduction in patients requiring in-patient care.
↑90%	NHS Forth Valley Urology Service to reduce demand and release consultant capacity by transferring activity to Healthcare Assistance for Trial without Catheter (TWOC) pathway. This led to a **40%** reduction in inappropriate demand and **90%** increase in successful TWOC.
↓30%	NHS Forth Valley Gastroenterology Service to reduce the number of people waiting to be seen for Irritable Bowel Syndrome by **30%** through improved referral guidance and patient information.
↓70%	NHS Greater Glasgow and Clyde's Podiatry service to reduce the number of patients waiting more than four weeks for a first appointment by **70%** through use of remote consultation.

Dementia in learning disabilities

Our Focus on Dementia team worked with experts from the Care Inspectorate, Alzheimer Scotland, University of Stirling, Scottish Government and health and social care to develop guidance for professionals involved in supporting people with a learning disability and advancing dementia. The guidance also ensures support is in place for care home staff.

Homelessness, alcohol, drugs and access to services

Our Reducing Harm, Improving Care team supports the Scottish Government's mission to reduce drugs related deaths by working with homelessness, drug and alcohol services and the people who use them to:

- improve services
- develop integrated services
- provide greater choice and control

The team's final report, Understanding the integration of homelessness and drug and alcohol services, found that people with complex needs required a flexible system of care to help them with their needs. Several recommendations for change at strategic and operational level were recommended in order to support the government's aims.

Transformational redesign

Our Transformational Redesign team worked with North Lanarkshire Health and Social Care Partnership mental health and substance use services to provide more joined up care. They:

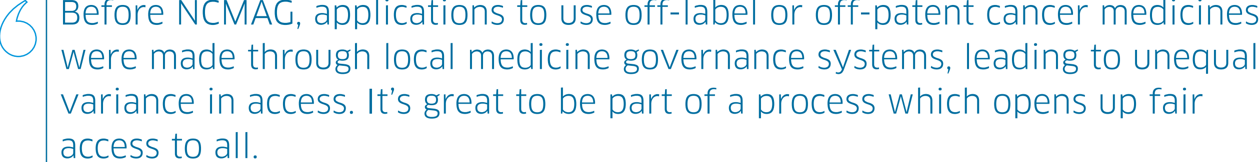
- developed a picture of existing services across public and third sector organisations
- identified the different ways those services have been designed, structured and delivered
- created a shared understanding and buy in on the need for change
- helped shape a shared vision of what is needed

This approach created an understanding between historically separate services, highlighting how they currently do things differently and what would need to be addressed for this to change and improve. Our team will now support North Lanarkshire to develop and implement a plan for redesigning services.

Evidence and innovation

New uses for cancer medicines

A report commissioned by the Scottish Government showed the work done by our National Cancer Medicines Advisory Group (NCMAG) during the COVID-19 pandemic programme achieved a high degree of satisfaction among health professionals and patients. This invaluable work to improve access to innovative cancer medicines for "off label" or "off patent" use, and therefore outside the remit of the SMC, has now been developed into a formal programme of work.



Heather Dalrymple, National Clinical Lead for Cancer Medicines, Healthcare Improvement Scotland

Innovations for impact

The health technology assessments carried out by our Scottish Health Technologies Group (SHTG) are embedded in the Accelerated National Innovation Adoption (ANIA) pathway. The pathway facilitates partnership between key organisations with complementary capabilities across NHSScotland and Scottish Government to identify, develop and deliver high impact innovations for deployment at scale, with the aims of benefitting patients and reducing spending and resources.

SHTG published advice on two digital innovations that have the potential to benefit both patients and the NHS.

- The closed loop or artificial pancreas system has the potential to transform the lives of those with type one diabetes, reducing the risk of cardiovascular disease and premature mortality.
- Store-and-forward tele-dermatology, where digital photographs of skin problems are sent to dermatologists for assessment, can help with the rapid diagnosis of skin cancer and the reduction of waiting times for dermatology services.

The team have now developed a framework for assessing digital technologies which will support future evidence requirements.

Evidence in action

Our Evidence Directorate introduced a service where requests can be made for bespoke evidence reviews. The introduction of the service saw an increase in referrals from medical and technology companies. This resulted in 39 referrals and 67% were carried out by the Evidence team.

Gender Identity Standards

One of the commissions received by our Evidence Directorate from Scottish Government was to develop national standards for gender identity services for adults and young people. The project is in the planning phase, with scope development already carried out. Our team worked collaboratively with the national gender identity reference group, third sector partners and NHS National Services Scotland, who are developing the trans healthcare pathways. The team also worked with stakeholders including people with lived experience, staff and practitioners from health and third sector.

Operational performance

Death Certification Review Service (DCRS)

DCRS is the review service that checks on the accuracy of a sample of Medical Certificates of Cause of Death (MCCD), the form issued when someone dies. The aim is to improve the quality and accuracy of MCCDs, improve public health information about causes of death in Scotland and improve clinical governance issues identified during the death certification review process.

The service works closely with Scottish Government, National Records of Scotland, Registrars, funeral directors and the Crown Office and Procurator Fiscal Service to ensure reviews do not adversely impact on families and provide the public with reassurance of a robust and effective death registration system in Scotland. Scrutiny of MCCDs gives us better public health data which can help identify where clinical and research resources need to focus. This aspect has become especially important in the COVID-19 pandemic.

The DCRS enquiry line provides doctors with an opportunity to discuss the MCCD before writing it, a service valued by the clinical community. With just over 200 calls each month, this service offers a pre-review discussion with the medical reviewer and assists in ensuring the cause of death is accurately recorded on the MCCD.

> If the deceased had other health conditions or a series of medical events leading up to their death, an accurate certificate can provide answers that can help people process what has happened.
>
> George Fernie, Senior Medical Reviewer at Healthcare Improvement Scotland

Responding to concerns

We have a duty to respond to concerns raised by NHSScotland staff under the Public Interest Disclosure Act or referred to us by another organisation about the safety and quality of patient care. We generally focus on concerns within the previous 12 month period and in the context of issues with the quality and safety of care currently being delivered rather than historical issues. During 2022–2023, we received:

- Five concerns from NHS staff (2021–2022: five).
- Five concerns referred from other organisations (2021–2022: sixteen).

All concerns have been managed using our standard processes, working with other national agencies and organisations where appropriate.

We have worked with other national agencies to:

- manage concerns raised using defined processes
- make sure the processes we use are fit for purpose
- produce information to support staff in responding to concerns, and
- develop joint working arrangements to support assessment.

Scottish Medicines Consortium (SMC)

SMC provides advice to NHSScotland about the value for patients of newly licensed medicines.

Year	Full submissions received	Abbreviated (standard) submissions received	Abbreviated (therapeutic class) submissions received	Total submissions received	Total advice published
2022-2023	64	2	15	81	81
2021-2022	76	7	18	101	81
2020-2021	46	7	10	63	60
2019-2020	65	9	-	74	73
2018-2019	56	17	-	73	65

The volume of submissions received in 2022–2023, combined with capacity issues arising from personnel changes and recruitment restrictions, has led to a backlog of work. To improve workflow, a streamlined process adopted during the COVID-19 pandemic, where certain medicines are assessed and accepted for use or restricted use by our New Drugs Committee has become business as usual.

To support NHS boards to prepare for the introduction of new medicines with significant service implications, our horizon scanning team gathers intelligence on new medicines in development. The pipeline of new medicines in development remains strong, with a continued focus on medicines for rare conditions and cancers. The annual horizon scanning report 'Forward Look' was published in October 2022.

Public protection

We support both the child protection and adult support and protection national implementation groups which help agencies benchmark their current position and make any improvements. Our Public Protection and Child Health Lead has contributed to the Scottish Government's NHS Public Protection Accountability and Assurance Framework. The framework helps NHS boards assess the adequacy and effectiveness of their public protection arrangements at both strategic and operational levels. The framework will help to:

- consistently promote a children's rights-based approach
- develop trauma-informed practice across the organisation
- have robust governance, accountability, assurance and reporting arrangements for public protection such as safer recruitment procedures, current public protection policies and guidance
- develop a public protection education and learning framework to inform and support staff to safeguard and protect children and adults

Clinical and care governance

Clinical and care governance is the structure, system and processes through which health and social care organisations are corporately accountable for providing assurance that the programmes they deliver have the right clinical and care input and impact. Within our organisation, this includes working with directors to ensure the right clinical and care expertise and capacity is in place to support the development of work and ensure it is evidence-based. This improves our immediate impact on the quality and outcomes of health and care in Scotland. It also enhances our credibility with our stakeholders and partners, amplifying the original benefits and our broader influence.

During 2022–2023, phases two and three of our clinical and care governance development programme delivered, including a revised operational guide, a revised Directorate Improvement Planning Tool, and a communications and engagement plan.

The voice of the public

Ensuring people's voices are heard in how health and care services are implemented and developed is an essential part of our work. Our Community Engagement Directorate provides opportunities for people to engage, as well as support this work. The Scottish Health Council, a Healthcare Improvement Scotland governance committee, has the statutory responsibility to oversee engagement activity in health and care services across Scotland.

Community Engagement includes the work of our Public Partners. It also provides assurance on meaningful engagement for NHS boards.

> I have benefitted greatly from my experience as a Public Partner with HIS. It has definitely helped to keep me mentally active and allowed me to work with some extremely able and talented people. I can only hope that I have contributed in some way to the work of HIS in its endeavours to ensure the best possible care for people throughout Scotland.
>
> David Dunkley, Public Partner

A key element of this work is our Citizens' Panel. From August to November 2022, 286 new members were recruited to the panel. This focused on ensuring the panel is inclusive and diverse, recruiting younger people, people living in more deprived areas and minority ethnic people. The resulting panel, of roughly 1,000 members, is broadly representative of Scotland's population. Citizens' Panel reports published in 2022–2023 covered the COVID-19 vaccination programme and community eye care. A report on digital health and care is currently in development.

Another part of our engagement work is through Gathering Views. This provides an in-depth perspective on a particular topic. In February 2023, we published a Gathering Views report on chronic pain, commissioned by Scottish Government to inform delivery of its Framework for Pain Management Service Delivery.

We also developed a new People's Experience Volunteer role. The aim of this is to give a diverse group of volunteers from all over Scotland the opportunity to influence our work through short surveys or interviews. This new team of volunteers will help us to gather rapid feedback on ongoing projects and enable us to make quick changes based on their advice.

> My passion for volunteering is a big part of my life and I'm always trying to find other opportunities to help.
>
> Sophie Ross, call handler with NHS24

National hub for reviewing and learning from the deaths of children and young people

The National Hub for Reviewing and Learning from the Deaths of Children and Young People (the National Hub) seeks to ensure the death of every child in Scotland is reviewed to an agreed minimum standard, and that learning is shared to help reduce preventable deaths. This is crucial in Scotland, which has a higher mortality rate for under-18s than most other Western European countries.

The National Hub also aims to improve the support offered to bereaved families and carers, as recommended in its June 2022 report; When a child dies: Learning from the experiences of bereaved families and carers.

> We found through our research that while the levels of support received by families varied considerably across Scotland, examples of excellent, compassionate care were also present. The report gave a voice to families and carers, and the important role that clear and consistent communication has when it comes to ensuring that families understand the review process and feel properly supported throughout.
>
> Dr Alison Rennie, the National Hub's clinical lead noted in October 2022

To help address those communication and support needs, the National Hub started work in 2022 on national information for bereaved families to guide them through the child death review process.

In 2022-2023, the National Hub also:

- continued its engagement with NHS boards and their aligned local authorities in implementing the national guidelines for child death reviews
- launched an online reporting portal to securely share national deaths data to build evidence and learning around the circumstances of deaths
- facilitated further shared learning through arranging events and hosting an online community of practice

Risk profile of organisation

Our Strategic Risk Register contained 11 risks at the end of March 2023 (12 at the end of March 2022). The register was reviewed throughout the year to ensure that 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.

Description of risk	Mitigating actions
Inspections or other assurance activity fails to identify significant risks to the safety and quality of care, resulting in potential harm to patients.	• Strategic review process to improve the quality and robustness of planning processes and programme delivery. • Targeted process improvement work, on priority areas e.g. hospital inspection. Strengthened clinical and care governance arrangements. • Updated Quality Assurance System, including the Quality Assurance Framework and Standard Operating Process, implemented across programmes.

Description of risk	Mitigating actions
We do not have the right people, in the right place, at the right time, at all levels of the organisation, to deliver our programme.	• Workforce Plan for 2022–2025 approved by the Board. • Detailed work on workforce planning, succession planning, areas of skills shortage and wider workforce market challenges. • Opportunities for improved cross-organisational working and capacity planning around generic posts being explored.
A cybersecurity attack could disable our Information Communications Technology systems resulting in staff being unable to deliver our work.	• All laptops upgraded to the latest Feature and Security release of the Windows 10 operating system. • Alerts are sent nationally whenever any suspicious activity takes place across NHSScotland or the public sector and Healthcare Improvement Scotland act on these. • Systems in place to protect against malware, ransomware, targeted attacks. • The ICT team monitor and receive alert from the firewall, servers, anti-virus and proxy server logs.
Unprecedented financial and workforce pressures across NHS boards resulting in further demands on our planned work programmes and on our ability to deliver to a high standard across our work.	• Addressing immediate issues and supporting Boards with bespoke work as required. • Sharing intelligence work on current demands and safety concerns written and circulated. • Influencing system wide stakeholders meetings to ensure safety is at forefront, whether that is financial or patient safety led. • Safety alert initiative to identify potential issues at an early stage.
A range of financial, clinical, policy, regulatory and operational risks impact on our ability to effectively regulate independent healthcare.	• Short life working group with Scottish Government to consider policy and financial considerations to enable effective and sustainable regulation of the independent healthcare sector in future. • Working on wider regulatory reform proposals to close known loop holes, informed by wider discussions are also taking place with clinical leaders at Scottish Government.

New risks in the year were regarding the impact that increasing financial and workforce pressures across NHS boards have on the quality and safety of patient care, resulting in further demands on our planned work programmes and on our ability to deliver.

During the year, whilst we were still emerging from the effects of COVID-19, the unprecedented economic situation and wider system pressures were the largest risks affecting the achievement of our objectives. The biggest emerging risk was the detrimental impact on aspects of health and social care, including patient safety.

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

Forward look

On 17 April 2023 we published our corporate strategy, which sets out our path for over the next five years as we seek to secure lasting, positive and sustainable improvements across the whole health and care system. With our broad remit, covering acute, primary, mental health and social care, we are uniquely placed to identify opportunities created by system wide working to collaborate with partner organisations to deliver a safe, effective, good quality care for people in Scotland. To do this, we will draw on our wide range of skills and experience to target our resources where they will have most impact in reducing waste, variation and harm. Above all, we are committed to supporting the recovery and renewal of our post pandemic health and social care system.

Approval of the performance report

The Accountable Officer authorised these financial statements for issue on 28 June 2023.

Robbie Pearson

Robbie Pearson
Chief Executive

28 June 2023

Accountability report

Accountability report

Corporate governance report

The Director's report

Date of issue

The Accountable Officer authorised these financial statements for issue on 28 June 2023.

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 2022–2023 to 2026–2027. 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 2022–2023, 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 are as shown in the following table.

Individual	Board Post	Date of Appointment
Ms C Wilkinson	Chair	10/10/2018
Dr Abhishek Agarwal	Non-Executive Board Member	01/07/2022
Ms J Brock	Non-Executive Board Member	01/04/2015
Mr K Charters	Non-Executive Board Member and Whistleblowing Champion	12/10/2020
Ms S Dawson	Non-Executive Board Member, Chair of the Scottish Health Council and Vice Chair	01/03/2019 Vice Chair appointment from 01/06/2022
Dr Z M Dunhill MBE	Non-Executive Board Member	01/06/2014 until 31/05/2022

Individual	Board post	Date of Appointment
Mr P Edie	Non-Executive Board Member	15/04/2013 until 31/08/2022
Prof J Gibson	Non-Executive Board Member	01/09/2022 until 05/01/2023
Mr J Glennie OBE	Non-Executive Board Member and Vice Chair	01/06/2014 until 31/05/2022
Ms G Graham	Non-Executive Board Member	01/03/2019
Ms N Hanssen	Non-Executive Board Member	01/08/2021
Ms R Hotchkiss	Non-Executive Board Member	01/03/2019 until 28/02/2023
Ms J Kilbee	Non-Executive Board Member	19/09/2022
Ms C Lester	Non-Executive Board Member	01/04/2019 until 16/09/2022
Ms E McPhail	Non-Executive Board Member and Counter Fraud Champion until 30/6/2022	05/10/2020
Mr D Moodie	Non-Executive Board Member and Chair of the Care Inspectorate	01/09/2022
Ms M Rogers	Non-Executive Board Member	01/09/2022
Mr D Service	Employee Director and Sustainability Champion	01/03/2011
Mr R Tinlin	Non-Executive Board Member and Counter Fraud Champion from 1/7/2022	01/07/2022
Mr 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 2023 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 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 members' and senior managers' interests

The register of interests is published on the Healthcare Improvement Scotland website and is considered on an annual basis by the Board. Details of any interests of board members, senior managers and other senior staff in contracts or potential contractors with the Board as required by 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

There were no occasions where a personal-data-related incident was reported to the Information Commissioner during the year 2022–2023 (2021–2022: Nil).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the organisation's auditors are unaware, and each director has taken all the steps that they ought reasonably to have taken as a director to make themself 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-focused
- transparent and mutually supportive, yet independent
- intelligence-led and risk-based
- integrated and co-ordinated
- improvement-focused

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

We ensure that our regulatory work is intelligence-led through links with the work of 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. The Quality Assurance System is being rolled out and will underpin 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 bring consistency to all our work and support us in achieving our principles and the aims of the strategic code.

Statement of the accountable officers' responsibilities

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

The designation carries with it, responsibility for:

- the property and regularity of financial transactions under my control
- the economical, efficient and effective use of resources places at the Boards' disposal
- safeguarding the assets of the Board

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

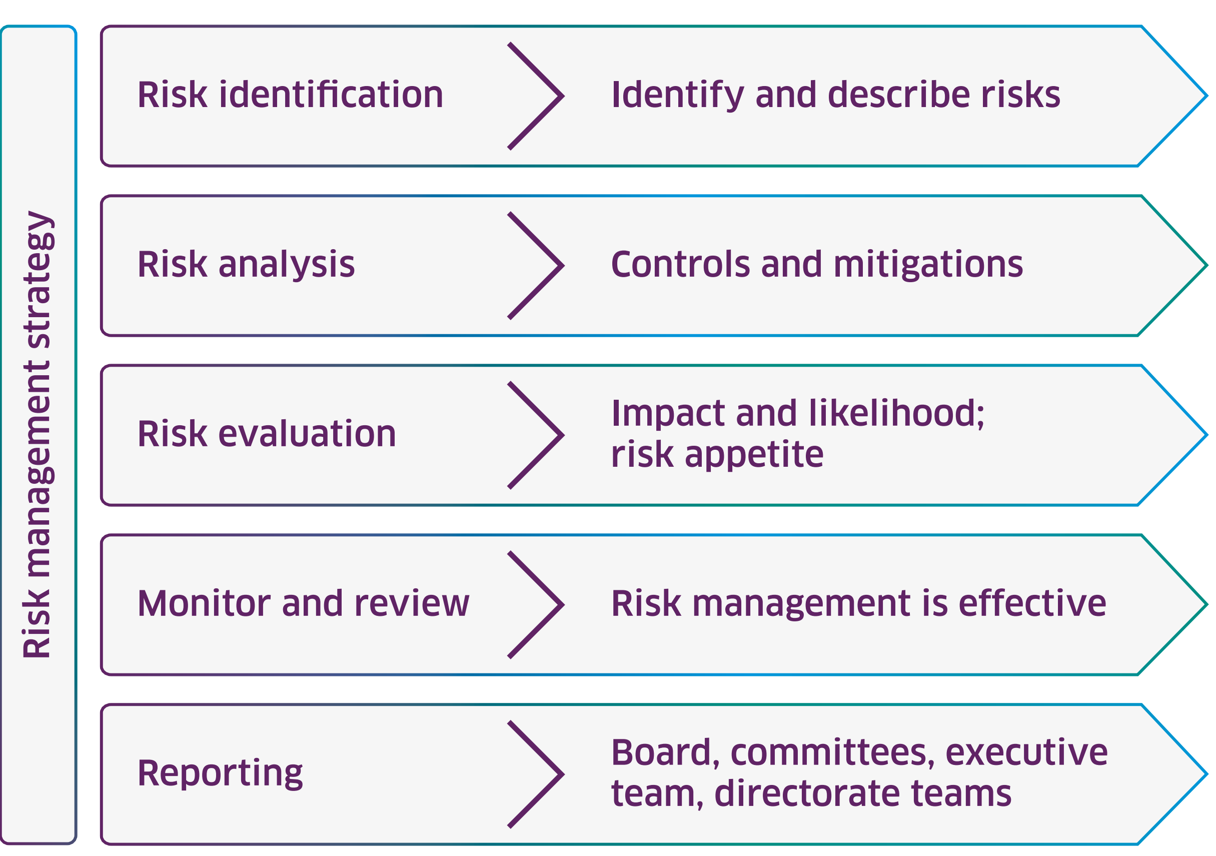
Scope of responsibility

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 2022–2023 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 our organisational objectives. They receive the strategic risk register for consideration at each of its 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.

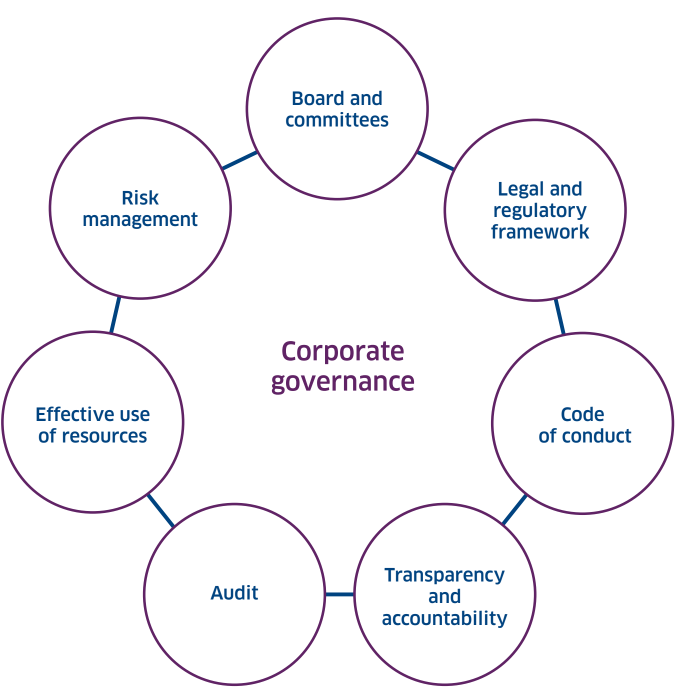
Healthcare Improvement Scotland has a risk management strategy that underpins our corporate governance processes. The strategy sets out processes to enable the identification, evaluation and mitigation of risks. The organisation aims to manage risk to an acceptable level, in line with its risk appetite. The risk appetite was reviewed in the latter part of 2022–2023.

The risk management advisory group, formed of representatives from across the organisation, met quarterly throughout 2022–2023 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 the 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 board members and one executive member of the board, the Chief Executive.



Board meetings are held in both public and private session. Public meetings were held on 29 June 2022, 28 September 2022, 7 December 2022 and 29 March 2023. The board is supported in its assurance role by a number of governance committees. Each committee submits an annual report to the board that specifies whether or not it has met its remit during the year and describes the outcomes from the committee during the year, including improvement actions for the subsequent year. Progress against the actions is reviewed by the board.

Key aspects of the organisation's governance are assured by our committees:

- financial and information governance by the audit and risk committee
- Staff governance by the staff governance committee
- clinical and care governance by the quality and performance committee
- governance for engagement by the Scottish Health Council

In Healthcare Improvement Scotland, we interpret clinical and care governance to be the provision of assurance that clinical and care governance arrangements are in place in all programmes of our work to support the delivery of safe, effective and person-centred health and social care services to improve outcomes for the people of Scotland. The chairs of the governance committees meet quarterly to ensure alignment of governance arrangements.

The details of the committees and their membership during 2022–2023 are set out in the table below:

Committee	Principal function	Committee membership
Audit and risk committee	To assist the board to deliver its responsibilities for the issues of risk, control and governance and associated assurance through a process of constructive challenge.	Mr J Glennie OBE (Chair until 31/5/22) Ms G Graham (Chair appointed 1/6/22, Vice Chair until 31/5/22) Mr K Charters (Vice Chair from 1/7/22) Dr Abhishek Agarwal (from 1/7/22) Prof John Gibson (1/9/22 until 5/1/23) Ms N Hanssen (until 1/7/22) Ms C Lester (until 16/9/22) Ms E McPhail (until 1/7/22) Mr R Tinlin (from 1/7/22)

Committee	Principal function	Committee membership
Executive remuneration committee	To assist the board in discharging its responsibilities for staff employed on executive and senior management terms and conditions and remuneration arrangements ('executive cohort') and to maintain the highest possible standards of corporate governance in this area. In addition, the committee takes an overview of the wider executive team, some of whom are employed on 'Agenda for Change' terms and conditions and remuneration arrangements.	Ms R Hotchkiss (Chair until 28/2/23) Mr R Tinlin (from 1/7/22, appointed Chair from 1/3/23) Mr D Service (Vice Chair) Mr J Glennie OBE (until 31/5/22) Ms E McPhail (from 1/7/22) Ms C Wilkinson
Quality and performance committee	Responsible for providing assurance to the board in relation to progress against delivery of the organisational strategy: Making Care Better (2017–2022). The committee will assure the board that the organisation is delivering to the highest quality, including the appropriate provision of clinical and care expertise.	Dr Z M Dunhill MBE (Chair, until 31/5/22) Ms E McPhail (Chair, appointed 1/6/22) Ms J Brock (Vice Chair until 31/3/23) Mr K Charters (until 1/7/22) Ms S Dawson Prof John Gibson (1/9/22 until 5/1/23) Ms G Graham Mr D Service Dr Abhishek Agarwal (co-opted member until 30/6/22, non-executive member from 1/7/22)

Committee	Principal function	Committee membership
Scottish Health Council committee	Responsible for oversight of the governance and assurance of the statutory duties of the Scottish Health Council as set out in the National Health Service (Scotland) Act 1978 as amended by the Public Service Reform (Scotland) Act 2010: 1. ensuring, supporting and monitoring NHS boards' compliance with the duty to involve the public 2. ensuring, supporting and monitoring NHS boards compliance with the duty of equal opportunities (in relation to the provision of services and public involvement)	Ms S Dawson (Chair)* Mr J Glennie OBE (Vice Chair until 31/5/22)* Ms N Hanssen (Vice Chair from 1/7/22)* Ms C Lester (until 16/9/22)* Ms M Rogers (from 1/9/22)* Ms A Cox MBE Ms E Cuthbertson Mr D Bertin Mr J Mallan Ms E Cooper Dr S Bradstreet *Healthcare Improvement Scotland board member
Staff governance committee	Holds the organisation to account in terms of meeting the requirements of the Staff Governance Standard. More specifically, the role of the committee is to support and maintain a culture where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the organisation and is built upon partnership and collaboration. Finally, the committee ensures that robust arrangements to implement the standard are in place and monitored, and that any associated risks assigned to the committee are managed.	Mr D Service (Chair) Ms R Hotchkiss (Vice Chair until 31/3/23) Mr K Charters Ms N Hanssen Ms J Kilbee (from 19/9/22) Ms E McPhail Ms M Rogers (from 1/9/22)
Succession planning committee	Improve the diversity of the membership of the Healthcare Improvement Scotland board by: 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 3. working with and influence the Scottish Government approach to Public Appointments	Ms C Wilkinson (Chair) Ms S Dawson (Vice Chair) Ms R Hotchkiss (until 28/2/23) Ms J Kilbee (from 19/9/22)

Despite the ongoing COVID-19 pandemic in 2022–2023 Healthcare Improvement Scotland continued to ensure good governance was adhered to, with little adjustment to our governance processes required. We continued to undertake formal reviews of the COVID-19 situation to ensure we were prioritising our resources to best support the service. Committees and the board met virtually or in-person and appropriate governance and scrutiny were maintained. Public board meetings were open to the public to attend as either in-person meetings or virtual meetings.

Attendance at the board and committee meetings by non-executive directors during 2022–2023 is set out below.

	Board meetings	Audit and risk	Executive remuneration	Quality and performance	Scottish Health Council	Staff governance	Succession planning
Dr Abhishek Agarwal*	3/3	3/3	-	4/4	-	-	-
Ms J Brock	4/4	-	-	4/4	-	-	-
Mr K Charters	4/4	3/3	-	1/1	-	4/4	-
Ms S Dawson	4/4	-	-	4/4	4/4	-	3/3
Dr Z M Dunhill MBE	1/1	-	-	1/1	-	-	-
Mr P Edie	1/1	-	-	-	-	-	-
Prof J Gibson	2/2	1/2	-	1/1	-	-	-
Mr J Glennie OBE	1/1	1/1	1/1	-	1/1	-	-
Ms G Graham	4/4	4/4	-	4/4	-	-	-
Ms N Hanssen	4/4	1/1	-	-	2/3	4/4	-
Ms R Hotchkiss	3/3	-	4/5	-	-	3/3	2/2
Ms J Kilbee	3/3	-	-	-	-	2/2	2/2
Ms C Lester	1/1	2/2	-	-	1/1	-	-
Ms E McPhail	4/4	0/1	-	4/4	-	4/4	-
Mr D Moodie	3/3	-	-	-	-	-	-
Ms M Rogers	3/3	-	-	-	3/3	2/2	-
Mr D Service	4/4	-	6/6	4/4	-	4/4	-
Mr R Tinlin	2/3	3/3	4/4	-	-	-	-
Ms C Wilkinson (Chair)	4/4	4/4 attendance	6/6	3/4 attendance	-	4/4 attendance	3/3

*Dr Abhishek Agarwal was a co-opted member of the quality and performance committee from 18 August 2021 until 30 June 2022 and then a non-executive member from 1 July 2022.

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 second edition of the Blueprint for Good Governance was published on 23 December 2022 and shared with the Board. A national launch event will be held on 26 April 2023 and the Board will undertake a self-assessment against the blueprint at a development session later in 2023 once the national self-assessment materials are available.

Strategic direction

We have continued to develop our new Strategy for 2023–2028. Over the course of the year we were required to undertake a more considered review of the initial draft strategy, to take into account the changing pressures in health and social care and ensure it would meet organisational and system needs in the medium to longer term. This resulted in the final draft which was approved by the Board in March 2023.

While the strategy is purposefully high-level, it provides a clear indication of our priorities to staff and stakeholders and will guide our decision making in the coming years. While HIS' purpose, vision and contribution are not likely to change significantly over this time, the priorities related directly to the current challenges faced in health and social care and the areas in which HIS can make a distinct and impactful contribution.

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 objectives, finance and workforce data, horizon scanning and strategic risks, with specific reference to HIS' response to system pressures, particularly over the winter months.

As part of this report we have also introduced a number of Key Performance Indicators, details of which are provided in the Performance Overview. The indicators are operational measures used to gauge the overall performance of our organisation and determine strategic, financial and operational achievements over time.

Following approval of the new strategy, further details on its implementation and operational delivery will be taken forward through our annual and medium-term planning processes and performance reporting mechanisms, in discussion with the Quality and Performance Committee. The Committee is responsible for assuring the board that the organisation is delivering to the highest quality and best value.

In accordance with the principles of best value, the board aims to foster a culture of continuous improvement. As part of this, executive directors and senior managers are encouraged to review, identify and improve the efficient and effective use of resources as set out in the Scottish Public Finance Manual.

Stakeholder engagement

We engage with our stakeholders in a variety of ways to ensure that our work meets their needs based on ongoing feedback. In relation to the development of our strategy, as a result of system pressures, external stakeholder engagement activity was initially focused on 'business as usual' opportunities. From April 2022 onwards we undertook more bespoke engagement (for example with national professional groups and Scottish Government) as well as a broader consultation exercise with staff and external stakeholders. We also had the support of the expertise and established networks of HIS: Community Engagement in undertaking public facing engagement, which enabled us to gather meaningful feedback on our strategy from citizens and service user groups.

The Chair and Chief Executive have met with key stakeholders and partners throughout the year, particularly in relation to external strategic and policy developments which may impact the organisation, for example, in relation to the National Care Service and the Independent Review of Inspection, Scrutiny and Regulation.

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. In November 2022 a refreshed Operating Framework setting out the terms within which we work together was published.

We have provided written and oral evidence to the Scottish Parliament's Health and Sport Committee in relation to the National Care Service and the Patient Safety Commissioner for Scotland Bill.

As an organisation we have also prepared for participating fully in both the UK and Scottish COVID-19 Inquiries, with support and guidance from the NHSScotland Central Legal Office. Healthcare Improvement Scotland was identified as a Core Participant for the Scottish Inquiry in December 2022.

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 2022–2023.

Healthcare Improvement Scotland works in partnership with Counter Fraud Services to proactively manage the risk of fraud. During the year Healthcare Improvement Scotland adopted the new NHSScotland Counter Fraud Standards and participated in the biennial National Fraud Initiative data matching exercise. Policies are in place to deter bribery, corruption and collusion with external parties. Awareness sessions for staff relating to deterring and detecting fraud take place and are led by the Counter Fraud Service. There were no material incidents of fraud, or data security breaches, during the year (2021–2022 fraud cases: nil).

Internal audit

The 2022–2023 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.

Internal audit presented their annual report to the audit and risk committee meeting on 20 June 2023. In their opinion, Healthcare Improvement Scotland has a framework of controls in place that provides reasonable assurance, with some improvement required, 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. Our health and wellbeing group continues to meet and we continue to maintain a positive focus on health and wellbeing by continuing to provide access to a range of services and interventions for staff. Towards the end of 2022 and early 2023 we ran additional events to extend support for financial wellbeing such as Saving Energy at Home sessions, Money Matters sessions and sessions with the Credit Union. Given the continued period of transformational change ahead for HIS, we will continue to focus on staff health and wellbeing support and arrangements.

During 2022, the iMatter process was undertaken across NHSScotland. Once again, Healthcare Improvement Scotland staff engagement was significant, having the highest staff response rate amongst the National Boards (non-patient facing). The action planning process has been undertaken and, following some learning from the revised national arrangements for the survey that was run, work is underway to plan the process for the 2023 survey.

In light of the financial pressures facing HIS, we have continued to assess our recruitment expectations during 2022–2023 and have reconstituted the vacancy group to become the Workforce Strategy Group. This group meets fortnightly in order to oversee recruitment activity, including 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.

The continued vision for the way we work at HIS is that work is what we do, not where we do it. Following a test of change period from April to September 2022 where our offices reopened and staff were asked to work in a hybrid way, our current ways of working became our future approach to how we work. This approach balances both organisational requirements and individuals' own preferences to work at both home and in the office, ensuring that we continue to work in an efficient and successful manner, giving staff confidence that we remain committed to supporting them whilst meeting the organisational needs.

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 NHSScotland boards
    - NHS National Services Scotland in the discharge of their services to operate payroll on behalf of a number of NHS Scotland Health Boards
    - NHS Ayrshire and Arran in the discharge of their services to operate the National Single Instance (NSI) financial ledger services on behalf of NHSScotland boards

For the year 2022–2023, the Service Audit Reports in relation to the NSI financial ledger, IT services and payroll were unqualified.

In January 2023, NHS Ayrshire and Arran carried out a planned upgrade to the national finance system. Following the upgrade, all NHSScotland boards experienced performance issues with the system, which resulted in the loss of electronic invoice and statement images for a period of three weeks and a delay to the internal financial reporting cycle for January 2023. To ensure suppliers continued to be paid timeously, in line with our business continuity plan, we implemented alternative ways of working until performance improved and the electronic images were available in the system. NSS auditors have tested supplier invoices and are satisfied that there was no impact on financial controls during this time.

During 2022–2023, Healthcare Improvement Scotland participated in an Information Commissioner's Office audit. The audit looked at our compliance with data protection legislation with a focus on areas for improvement. We received an overall assurance rating of reasonable, with 18 recommended actions, the majority in areas where the assurance level was already high or reasonable. The four high priority rated actions related to specialised mandatory training for specific roles, assurance of compliance with data protection impact assessment (DPIA) procedures and management of associated risks. We have addressed these through specialised training to specific professional groups and the introduction of continued monitoring processes for DPIAs. Implementing the other actions has been incorporated into the information governance work plan for 2023–2024.

We also participated in a Security of Network and Information Systems Regulations audit. The audit reviewed cyber and physical resilience of network and information systems. The audit found that our compliance status had improved slightly from 48% in 2021–2022 to 49% in 2022–2023. It was recommended that we aim to achieve 60% of the recommended actions during 2023–2024. To reach this target we have changed our internal processes, including proactively pinpointing and cross-referencing evidence throughout the year. Implementing the actions has been incorporated into the Digital Service Group work plan for 2023–2024.

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

Risk management

All NHSScotland bodies are subject to the requirements of the SPFM and must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The 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 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 review all strategic risks.

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 latter part of 2022–2023.

The risk management advisory group, formed of representatives from across the organisation, met quarterly throughout 2022–2023 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.

Remuneration report

Remuneration Report

Determination of Senior Employees' 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 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 Remuneration Committee's remit can be found in the Governance Report.

The Executive Remuneration Committee met on 6 June 2023 to appraise the performance of all executive and senior managers for the year 2022–2023. They considered the performance review information against the objectives that had been set for 2022–2023. On this basis, each post holder was assigned one of the five performance bands. There were nine executive managers included in this process.

NHS Circular PCS (ESM) 202 2023/1, issued on 25 January 2023 gave effect to the pay uplift for the Executive cohort from 1 April 2022. NHS Circular PCS (ESM) 2023/2 issued on the 1 February 2023 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 2023 (audited information)

	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: Mr R Pearson	135-140	-	135-140	15	150-155	-
Non executive members:						(note 4)
The Chair: Ms C Wilkinson	25-30	-	25-30	-	25-30	(see note 1 below)
Dr Z M Dunhill MBE	0-5	-	0-5	-	0-5	Term of appointment ended 31 May 2022
Mr P Edie	0-5	-	0-5	-	0-5	Term of appointment ended 31 August 2022 (see note 1 below)
Mr J Glennie OBE	0-5	-	0-5	-	0-5	Term of appointment ended 31 May 2022
Mr D Service (Employee Director)	60-65	-	60-65	7	65-70	Includes £51.0K in respect of non-board duties

continued	Gross Salary (Bands of £5,000)	Benefits in Kind (£,000)	Total Earnings (Bands of £5,000)	Pension Benefits (see note 2) (£,000)	Total Remunera tion (Bands of £5,000)	Notes
Ms J Brock	5-10	-	5-10	-	5-10	-
Ms S Dawson	10-15	-	10-15	-	10-15	-
Ms G Graham	5-10	-	5-10	-	5-10	-
Ms R Hotchkiss	5-10	-	5-10	-	5-10	Term of appointment ended 28 February 2023
Ms C Lester	0-5	-	0 - 5	-	0-5	Term of appointment ended 16 September 2022
Ms E McPhail	5-10	-	5-10	-	5-10	-
Mr K Charters	5-10	-	5-10	-	5-10	-
Ms N Hanssen	5-10	-	5-10	-	5-10	-
Dr A Agarwal	5-10	-	5-10	-	5-10	Appointed 1 July 2022
Mr R Tinlin	5-10	-	5-10	-	5-10	Appointed 1 July 2022
Mr J Gibson	0-5	-	0-5	-	0-5	Appointed 1 September 2022. Resigned 5 January 2023
Ms M Rogers	0-5	-	0-5	-	0-5	Appointed 1 September 2022
Mr D Moodie	0-5	-	0-5	-	0-5	Appointed 1 September 2022 (see note 1 below)
Ms J Kilbee	0-5	-	0-5	-	0-5	Appointed 19 September 2022
Sub total	-	0	-	22	-	-
Other senior employees:						
Nurse Director: Ms A Gow	105-110	-	105-110	-	105-110	-
Director of Improvement: Ms R Glassborow	100-105	-	100-105	-	100-105	-

continued	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)	
Director of Quality Assurance: Ms L Cleland	100-105	-	100-105	21	120-125	-
Director of Workforce: Ms S Canavan	90-95	-	90-95	-	90-95	-
Director of Evidence: Dr S Qureshi	90-95	-	90-95	-	90-95	-
Medical Director: Dr 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: Ms A Moodie	95-100	-	95-100	19	115-120	-
Director of Community Engagement: Ms C Morrison	15-20	-	15-20	5	20-25	Appointed 23 January 2023, annual gross salary £85k-90k
Director of Community Engagement: Ms 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, Ms C Wilkinson, and the Chair of the Care Inspectorate, (Mr P Edie until 31 August 2022 and Mr 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, the movement in the value of the Pension Benefits for some Senior Employees was negative due to high inflation in 2022–2023. In these instances, the value has been expressed as zero.

Note 3 Ms 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.

Remuneration table (audited information) for the year ended 31 March 2022

	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: Mr R Pearson	125-130	-	125-130	67	195-200	-
Non executive members:						
The Chair: Ms C Wilkinson	25-30	-	25-30	-	25-30	(see note 1 below)
Dr Z M Dunhill MBE	5-10	-	5-10	-	5-10	Term of appointment ended 31 May 2022
Mr P Edie	0-5	-	0-5	-	0-5	(see note 1 below)
Mr J Glennie OBE	5-10	-	5-10	-	5-10	Term of appointment ended 31 May 2022
Mr D Service (Employee Director)	55-60	-	55-60	10	65-70	Includes £47.9K in respect of non-board duties
Ms J Brock	5-10	-	5-10	-	5-10	-
Ms S Dawson	10-15	-	10-15	-	10-15	-
Ms G Graham	5-10	-	5-10	-	5-10	-
Ms R Hotchkiss	5-10	-	5-10	-	5-10	-
Ms C Lester	5-10	-	5-10	-	5-10	-
Ms E McPhail	5-10	-	5-10	-	5-10	-
Mr K Charters	5-10	-	5-10	-	5-10	-
Ms N Hanssen	0-5	-	0-5	-	0-5	Appointed 1 August 2021
Sub total	-	0	-	10	-	-
Other Senior Employees:						
Nurse Director: Ms A Gow	100-105	0.2	100-105	50	150-155	Benefit in kind for lease car of £0.2k which ceased on 5 August 2021
Director of Improvement: Ms R Glassborow	95-100	-	95-100	24	120-125	-

continued	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
Interim Director of Quality Assurance: Ms S McDougall	70-75	-	70-75	15	85-90	Left office on 2 May 2021
Director of Community Engagement: Ms L Cleland	90-95	-	90-95	25	115-120	Seconded from Director of Community Engagement on 2 May 2021 to Director of Quality Assurance
Director of Workforce: Ms S Canavan	85-90	-	85-90	37	120-125	-
Director of Evidence: Dr S Qureshi	85-90	2.6	85-90	34	120-125	Benefit in kind for lease car of £2.6k
Medical Director: Dr S Watson	165-170	-	165-170	45	210-215	Includes £25.3k for services provided to NHS Lothian via a Secondment Agreement
Director of Community Engagement: Ms R Jays	N/A	N/A	N/A	N/A	N/A	Appointed 4 May 2021, end date 4 October 2022 (see note 2 below)
Director of Finance, Planning and Governance: Ms A Moodie	70-75	-	70-75	18	85-90	Appointed 21 June 2021, annual gross salary £90k-95k
Sub Total	-	2.8	-	248	-	-
Grand Total	**-**	**2.8**	**-**	**325**	**-**	**-**

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

Note 2 Ms R Jays was seconded to this position from Scottish Government and the recharge for the year was £112k.

Pension benefits (audited information) for the year ended 31 March 2022

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 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 £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(£,000)	(£,000)	(£,000)
Executive members:							
Chief Executive: Mr R Pearson	70-75	0	0-2.5	0	966	1,010	44
Other senior employees:							
Mr D Service (Employee Director)	25-30	0	0-2.5	0	354	373	19
Nurse Director: Ms A Gow	60-65	0	(2.5)-0	0	910	923	13

continued	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 £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(£,000)	(£,000)	(£,000)
Director of Improvement: Ms R Glassborow	45-50	85-90	0-2.5	(2.5)-0	790	808	18
Director of Quality Assurance: Ms L Cleland	5-10	0	0-2.5	0	51	75	24
Director of Workforce: Ms S Canavan	35-40	70-75	0-2.5	(5.0)-(2.5)	670	679	9
Director of Evidence: Dr S Qureshi	30-35	50-55	0-2.5	(5.0)-(2.5)	562	579	17
Medical Director: Dr S Watson	65-70	125-130	2.5-5	(2.5)-0	1,073	1,133	60
Director of Finance, Planning and Governance: Ms A Moodie	0-5	0	0-2.5	0	14	33	19
Director of Community Engagement: Ms C Morrison	0-5	0	0-2.5	0	0	4	4

Pension benefits (audited information) for the year ended 31 March 2022

	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 2021*	CETV at 31 March 2022	Real increase in CETV in year
	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(£,000)	(£,000)	(£,000)
Executive members:							
Chief Executive: Mr R Pearson	60–65	0–5	2.5–5	2.5–5	816	878	62

continued	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 2021*	CETV at 31 March 2022	Real increase in CETV in year
	(Bands of £5,000)	(Bands of £5,000)	(Bands of £2,500)	(Bands of £2,500)	(£,000)	(£,000)	(£,000)
Other Senior Employees:							
Mr D Service (Employee Director)	20-25	0-5	0-2.5	0-2.5	306	322	16
Nurse Director: Ms A Gow	55-60	0-5	2.5-5	0-2.5	767	827	60
Director of Improvement: Ms R Glassborow**	40-45	80-85	0-2.5	0-2.5	680	718	38
Interim Director of Quality Assurance: Ms S McDougall	15-20	0-5	0-2.5	0-2.5	175	192	17
Director of Community Engagement: Ms L Cleland	0-5	0-5	0-2.5	0-2.5	33	54	21
Director of Workforce: Ms S Canavan**	30-35	65-70	0-2.5	0-2.5	563	608	45
Director of Evidence: Dr S Qureshi**	25-30	50-55	0-2.5	0-2.5	468	510	42
Medical Director: Dr S Watson**	55-60	115-120	2.5-5	2.5-5	916	974	58
Interim Director of Community Engagement: Ms R Jays*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Director of Finance, Planning and Governance: Ms A Moodie	0-5	0-5	0-2.5	0-2.5	0	13	13

*Ms R Jays was seconded to this position from Scottish Government until 4 October 2022 and therefore received no pension benefits from Healthcare Improvement Scotland.

**The total accrued pension at pension age benefits have been restated for 2021–2022 to remove the lump sum element.

During the year, there were nil (2021–2022: nil) Non Executive Directors that were members of the pension scheme and therefore the value of accruing pension benefits was nil (2021–2022: nil).

Fair pay disclosures (audited information)

	2022–2023	2021–2022
Range of staff remuneration	£10,000 - £15,000 to £185,000 - £190,000	£20,000 - £25,000 to £165,000 - £170,000
Highest earning director's total remuneration	£180,000 - £185,000	£165,000 - £170,000
Median (salary only)	£43,526	£40,872
Ratio	4.19	4.10
25th percentile (salary only)	£32,765	£27,851
Ratio	5.57	6.01
75th percentile (salary only)	£53,544	£54,482
Ratio	3.41	3.07

The highest earning director's remuneration has increased by 9.0% (2021–2022: 4.0%) since last year, which is in line with pay increases. The average (median) workforce salary has increased by 6.3% (2021–2022: decrease of 2.2%) due to a relative increase in lower paid staff, net of pay awards delivered at a national level for NHSScotland. The reduction in the 75th percentile is due to the reduction in higher paid secondees in the year. The median pay ratio is consistent with the pay, reward and progression policies for HIS employees taken as a whole.

Staff report

Staff report

Changes to the roles of senior staff

Changes have taken place within the executive team cohort during the year. The Director of Quality Assurance had been filled on an interim basis and the role was appointed to on 13 May 2022. The Director of Community Engagement had previously been filled via a secondment arrangement and this role was appointed to on a permanent basis on 23 January 2023.

Higher paid employees remuneration (audited information)

Clinical staff	2022–2023	2021–2022
£70,001 to £80,000	5	4
£80,001 to £90,000	4	1
£90,001 to £100,000	1	5
£100,001 to £110,000	3	2
£110,001 to £120,000	1	0
£130,001 to £140,000	0	1
£160,001 to £170,000	1	1
£180,001 to £190,000	1	0

Other staff non-clinical	2022–2023	2021–2022
£70,001 to £80,000	1	5
£80,001 to £90,000	2	4
£90,001 to £100,000	7	4
£100,001 to £110,000	2	0
£120,001 to £130,000	0	1
£130,001 to £140,000	1	0

Staff expenditure (audited information)

2021-22 Total		Executive board members	Non-executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2022-23 Total
£,000		£,000	£,000	£,000	£,000	£,000	£,000	£,000
Staff costs								
20,378	Salaries and wages	138	135	24,353	-	-	(290)	24,336
2,228	Social security costs	19	4	2,767	-	-	-	2,790
3,993	NHS scheme employers' costs	16	-	4,770	-	-	-	4,786
2,192	Inward secondees	-	-	-	2,553	-	-	2,553
506	Agency staff	-	-	-	-	364	-	364
29,297		173	139	31,890	2,553	364	(290)	34,829
-	Compensation for loss of office or early retirement	-	-	-	-	-	-	-
29,297	**TOTAL**	**173**	**139**	**31,890**	**2,553**	**364**	**(290)**	**34,829**

Staff numbers (audited information)

2021-22 Average		Executive board members	Non-executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2022-23 Total
Staff numbers								
494	Whole time equivalent (WTE)	1	1	520	29	5	(5)	551
-	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of: (unaudited)	-	-	-	-	-	-	-
31	Included in the total staff numbers above were disabled staff of: (unaudited)	-	-	-	-	-	-	31
-	Included in the total staff numbers above were Special Advisers of: (unaudited)	-	-	-	-	-	-	-

Reconciliation of staff costs to Note 3 employee expenditure

	£,000
Total employee expenditure 2022-23 as above	34,829
Add employee income (outward secondees above) included in Note 4	290
Total employee expenditure disclosed in Note 3	**35,119**

Staff composition (unaudited information)

	At 31 March 2023			At 31 March 2022		
	Male	Female	Total	Male	Female	Total
Executive directors	1	-	1	1	-	1
Non-executive directors and employee director	5	8	13	3	9	12
Senior employees	8	20	28	10	17	27
Other	108	395	503	107	397	504
Total Headcount	**122**	**423**	**545**	**121**	**423**	**544**

Sickness absence data (unaudited information)

	At 31 March 2023	At 31 March 2022
Sickness absence rate	2.5%	2.9%

Staff turnover (unaudited information)

	At 31 March 2023	At 31 March 2022
Staff turnover	100	53
Headcount	545	544
Percentage staff turnover	18.35%	9.74%

Staff turnover has increased during the year due to some delays in funding confirmation, which resulted in a change to our fixed term contractual arrangements.

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 polices were in place:

- Giving full and fair consideration to applications for employment by the board made by disabled persons, having a regard to their particular aptitudes and abilities.

- Continuing the employment of, and for arranging appropriate training for, employees of the board who have become disabled persons during the period when they were employed by the board.
- Training, career development and promotion of disabled persons employed by the board.

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, on various organisational issues throughout the year, including service or terms and condition issues. We conducted a significant process of partnership and wider staff engagement with regard to our test of change period for our ways of working, most particularly in relation to the approach to implementation of any revised terms and conditions of service.

During the year, engagement has commenced for proposals for transformational change processes across some directorates and we would anticipate the need for formal organisational change consultation taking place, particularly within the Quality Assurance and Community Engagement directorates during 2023–2024. This will also involve ongoing engagement and discussions with the executive team, Partnership Forum and the One Team redesign workstream.

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.

Health and safety

2022–2023 has seen significant transparency and improvement on safety related compliance. 86% of colleagues have provided their desk screen equipment (DSE) assessment scores ensuring that 531 recorded colleagues have received all the suitable equipment they require. As well as seeing an increase in numbers returning their DSE assessment scores, 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.

Training has continued to develop and real time data is reported on a monthly basis to directors for onward monitoring through the directorates. The three health and safety related courses on fire safety awareness, DSE agile and manual handling have shown significant completion. 70% of staff have completed the DSE agile module, 66% have completed the manual handling awareness module and 71% of our workforce have completed the fire safety awareness module which was launched in April 2022. The health and safety committee continue to monitor the compliance of the modules, working closely with the health and safety advisor to ensure continued confidence of maintaining safety awareness across HIS. Health and safety committee representatives from each directorate regularly communicate health and safety messages and updates via directorate meetings based on the health and safety performance report.

There were no recorded incidents of LTI (lost time incident) and RIDDOR (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations) during 2022–2023. 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.

During 2022–2023 we rolled out the first phase of fire warden and first aider training provided by the Red Cross and NHS National Shared Services. This has provided workplace reassurance that our colleagues who are working or visiting our offices are covered for first aid emergency help and being provided with crucial information in the event of an evacuation.

An accident, incident, near miss and adverse event reporting and investigation policy has been agreed during 2022–2023.

Recruitment

Having stepped back previously from the East Region Recruitment Service, 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 and the National Jobtrain Systems Governance Group and also the eEmployee Support System Operational Leads Network.

Staff engagement

Our staff survey, iMatter, was undertaken in 2022 and saw a response rate of 91% (2021: 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 (55%). Our organisational employee engagement index score also increased from 81 in 2021 to 82 in 2022.

iMatter outcomes: Healthcare Improvement Scotland

2021
Response rate

2022
Response rate

2021
Employee engagement index score

2022
Employee engagement index score

Exit packages (audited information)

There were no exit packages in 2022–2023 and 2021–2022.

Facility time – union (unaudited information)

	2022-2023	2021-2022
Number of employees who were relevant union officials during the relevant period	9.0	7.0
WTE equivalent employee number	1.1	0.6
Percentage of time:		
0%	1.0	-
1-50%	8.0	7.0
51-99%	-	-
100%	-	-
Total cost of facility time	£71,159	£36,577
Total pay bill	£34,829,744	£29,295,807
Percentage of the total pay bill spent on facility time	0.20%	0.12%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%	100%

Parliamentary accountability report

Parliamentary accountability report

Losses and special payments

There was no redundancy payment during 2022–2023 (2021–22: nil). No losses or special payments above £300k.

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 2022–2023 and prior years and any remaining surplus has been carried forward to the financial year 2023–2024. This information has been reviewed and is subject to the audit opinion.

OUTTURN	2022–2023	2021–2022	2020–2021	2019–2020
	£,000	£,000	£,000	£,000
Income	1,040	1,030	601	793
Scottish Government funding (COVID-19)	360	150	394	-
Expenditure	(1,330)	(990)	(955)	(810)
Surplus/(deficit)	**70**	**190**	**40**	**(17)**

The position with regard to the registration of independent clinics at 31 March 2023 is shown below. Comparative information for the prior years is also provided.

Independent clinics	As at 31 March 2023	As at 31 March 2022	As at 31 March 2021	As at 31 March 2020
Clinics registered	513	485	415	404
Applications being processed by the Inspectorate	33	38	62	30
Applications yet to commence	3	12	10	7
Services that may still require to be registered	120	95	39	29
Total	**669**	**630**	**526**	**470**

Robbie Pearson

Robbie Pearson
Chief Executive

Date: 28 June 2023

Independent auditor’s report

Independent auditor's report

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 2023 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 Financial Reporting Manual (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 2023 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 2022/23 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 risk 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 Officers' 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 the 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 the 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 CPFA
Audit Director
Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN

28 June 2023

Financial statements

Financial statements

Statement of comprehensive net expenditure

For the year ended 31 March 2023

	Note	2023 £,000	2022 £,000
Employee expenditure	3a	35,119	29,773
Other healthcare expenditure	3b	6,433	6,156
Gross expenditure for the year		**41,552**	**35,929**
Less: operating income	4	(1,473)	(1,392)
Comprehensive net expenditure		**40,079**	**34,537**

Statement of financial position

As at 31 March 2023

	Note	2023 £,000	2022 £,000
Non-current assets			
Property, plant and equipment	7	1,729	1,871
Intangible assets	6	-	-
Right of use assets	**12**	**4,323**	**-**
Total non-current assets		**6,052**	**1,871**
Current assets			
Financial assets:			
Trade and other receivables	8	575	546
Cash and cash equivalents	9	1,333	724
Total current assets		**1,908**	**1,270**
Total assets		**7,960**	**3,141**
Current liabilities			
Provisions	11	(12)	(9)
Financial liabilities:			
Trade and other payables	10	(6,145)	(4,710)
Total current liabilities		**(6,157)**	**(4,719)**
Non-current assets less net current liabilities		**1,803**	**(1,578)**
Non-current liabilities			
Provisions	11	(448)	(442)
Trade and other payables	**10**	**(3,916)**	**-**
Total non-current liabilities		**(4,364)**	**(442)**
Assets less liabilities		**(2,561)**	**(2,020)**
Taxpayers' equity			
General fund	SoCTE	(2,561)	(2,020)
Total taxpayers' equity		**(2,561)**	**(2,020)**

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

The financial statements on pages 76–81 were approved by the Board on 28 June 2023 and signed on their behalf by for the year ended 31 March 2023.

AMoodie

Angela Moodie
Director of Finance, Planning and Governance

Robbie Pearson

Robbie Pearson
Chief Executive

Statement of cash flows

For the year ended 31 March 2023

	Note	2023 £,000	2022 £,000
Cash flow from operating activities			
Net expenditure	SoCTE	(40,079)	(34,537)
Adjustments for non-cash transactions	2b	846	162
Add back: interest payable recognised in net operating expenditure	2b	46	-
Movements in working capital	2c	220	361
Net cash outflow from operating activities		**(38,967)**	**(34,014)**
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(114)	(1,597)
Proceeds of disposal of property, plant and equipment		19	10
Net cash outflow from investing		**(95)**	**(1,587)**
Cash flows from financing activities			
Funding		39,538	35,601
Movement in general fund working capital		612	368
IFRS 16 – 2022–2023 cash lease payment		(433)	-
Interest element of leases		(46)	-
Net financing		**39,671**	**35,969**
Net (increase/decrease) in cash and cash equivalents in the period		609	368
Cash and cash equivalents at the beginning of the period		724	356
Cash and equivalents at the end of the period		**1,333**	**724**
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash in year		609	(368)
Net cash at 1 April	9	724	356
Net cash as at 31 March	9	**1,333**	**724**

Statement of changes in taxpayers' equity

For the year ended 31 March 2023

	General Fund £'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)**

Statement of Changes in taxpayers' equity

For the year ended 31 March 2022

Balance at 31 March 2021	**(3,084)**
Changes in taxpayers' equity for 2021–2022	
Net operating cost for the year	(34,537)
Total recognised income and expense for 2021–2022	**(34,537)**
Funding:	
Drawn down	35,969
Movement in general fund (creditor)/debtor	(368)
Balance at 31 March 2022	**(2,020)**

Notes to the financial statements

Notes to the financial statements

Accounting policies for the year ended 31 March 2023

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 2022–2023 Government Financial Reporting Manual (the 2022–2023 FReM).

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

IFRS16 is the new standard which has been issued and adopted for the year 2022–2023. This is set out in the leases section of the accounting policies.

Standards, amendments and interpretations issued but not adopted this year

At the date of authorisation of these financial statements, Healthcare Improvement Scotland has not applied the following new and revised International Financial Reporting Standards that have been issued but are not yet effective:

- IFRS 14: Regulatory Deferral Accounts. ffective for accounting periods starting on or after 1 January 2016. This is not applicable to NHSScotland bodies.
- 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.

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

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 2024 has been confirmed by Scottish Government and Healthcare Improvement Scotland will continue to carry out its current functions as agreed in its latest annual operating plan (AOP). 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.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

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.

7.1 Recognition

Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, 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

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

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

7.2 Measurement

Valuation

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

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 or not it has been depreciated separately.

7.3 Depreciation

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

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

8. Intangible assets

8.1 Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the 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 £5,000 is incurred.

8.2 Measurement

Valuation

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

8.3 Amortisation

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

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

Amortisation is charged on a straight line basis.

Accounting policies for the year ended 31 March 2023

NOTE 1, cont.

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.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to 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.

Transitional arrangements

The following determinations have been made:

- To adopt IFRS 16 retrospectively, without restatement of comparative balances. Consequently, the Statement of Comprehensive Net Expenditure and the statement of financial position for 2021–2022 reflect the requirements of IAS 17
- Contracts previously classified as leases or services contracts under IAS 17 and IFRC 4 have not been reassessed. New contracts entered into from 1 April 2022 have been classified using the IFRS 16 criteria

For leases previously treated as operating leases:

- To measure the liability at the present value of the remaining payments, discounted by the discount rate issued by HM Treasury
- To measure the asset at an amount equal to the liability, adjusted for any prepayment or accrual balances previously recognised for the lease
- To exclude leases whose term ends within twelve months of first adoption
- To use hindsight in assessing remaining lease terms
- For leases previously identified as onerous and provided for, to use the practical expedient of adjusting the right-of-use asset by the amount of that provision

The 2023–2024 FReM has been amended to require reporting entities to record indexation linked payments in PPP liabilities in accordance with IFRS 16 from 2023–2024. The 2022–2023 FReM has not been amended to clarify that this specific aspect of IFRS 16 has been deferred until 2023–2024 and therefore does not apply in 2022–2023. Where entities have in the past applied the principles of IAS 17 to account for the impact of changes in the relevant indices (e.g. CPI or RPI) in respect of on-balance sheet PPP/PFI contracts with index-linked payments, the application of IFRS 16 requirements is deferred to 1 April 2023.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

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.

Accounting for leases under IAS 17 (2021–2022)

Operating leases

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

Leases of land and buildings

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

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

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.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

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

13.1 Short-term employee benefits

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

13.2 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. The board is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 ‘Employee Benefits’. As a result, the amount charged to the statement of comprehensive net expenditure represents the NHS board’s employer contributions payable to the scheme in respect of the year.

The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer.

The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

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.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

17. Provisions

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

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, or

Present obligations – arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

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

20.1. 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 on the basis of expected credit losses. The board recognises a loss allowance for expected credit losses on financial assets and this is recognised in the statement of comprehensive net expenditure and by reducing the carrying amount of the asset in the statement of financial position.

Recognition and Measurement

Financial assets are recognised when 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.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

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.

Accounting policies for the year ended 31 March 2023 NOTE 1, cont.

The board makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The board makes judgements in applying accounting policies. 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 assumption in order 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 on the basis of 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 the Board'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 2022–2023 that gave rise to a significant risk.

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

Notes to the financial statements for the year ended 31 March 2023 NOTE 2

2a. Summary of resource outturn

	Note	2023 £,000	2022 £,000
Summary of core revenue resource outturn			
Net expenditure	SoCNE	40,079	34,537
Total non-core expenditure		(856)	(114)
Total core expenditure		**39,223**	**34,423**
Core revenue resource limit		39,290	34,705
Saving against core revenue resource limit		**67**	**282**
Summary of non-core revenue resource outturn			
Depreciation/amortisation		238	162
Annually managed expenditure – creation of provisions		9	(48)
Right of Use (RoU) asset depreciation		608	-
Total non-core expenditure		856	114
Non-core revenue resource limit		865	54
Excess		**9**	**(60)**

Summary of resource outturn	Resource £,000	Expenditure £,000	Saving £,000
Core	39,290	39,223	67
Non-core	865	856	9
Total	**40,155**	**40,079**	**76**

Notes to the financial statements for the year ended 31 March 2023 — NOTE 2, cont.

2b. Adjustments for non-cash transactions

	Note	2023 £,000	2022 £,000
Expenditure not paid in cash			
Depreciation	7	237	134
Amortisation	6	-	28
Depreciation of Right of Use (RoU) assets	12	609	-
Total expenditure not paid in cash	**SoCF**	**846**	**162**
Interest payable – leases		**46**	**-**

2c. Movements in working capital

	Note	2023 Opening balances £,000	2023 Closing balances £,000	2022 £,000
Trade and other receivables				
Due within one year	8	545	575	-
Net movement		**-**	**(30)**	**(104)**
Trade and other payables				
Due within one year	10	4,710	6,145	881
Due after more than one year	10	-	3,916	-
Less: General fund creditor included in above	10	(721)	(1,333)	(368)
Less: Lease creditors included in above	10	-	(4,498)	-
		3,989	4,230	-
Net movement		**-**	**241**	**513**
Provisions				
Statement of financial position	11	451	460	451
Net movement		**-**	**9**	**(48)**
Net movement increase/(decrease) CFS		**-**	**220**	**361**

Notes to the financial statements for the year ended 31 March 2023 NOTE 3

Operating expenses

3a. Employee expenditure

	Note	2023 £,000	2022 £,000
Medical and dental		4,374	3,839
Nursing		228	137
Other staff		30,517	25,797
Total	**SoCNE**	**35,119**	**29,773**

Further detail and analysis of employee costs can be found in the remuneration and staff report, forming part of the accountability report.

3b. Other healthcare expenditure

	Note	2023 £,000	2022 £,000
Goods and services from other NHSScotland bodies		3,587	3,411
Goods and services from private providers		2,607	2,626
Goods and services from voluntary services		206	93
External auditor's remuneration – statutory audit fee		33	26
Total	**SoCNE**	**6,433**	**6,156**

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

Notes to the financial statements for the year ended 31 March 2023

NOTE 4

Operating income

	Note	2023 £,000	2022 £,000
Scottish Government		192	196
NHSScotland bodies		207	328
Independent healthcare		970	840
Other		104	28
Total income	**SoCNE**	**1,473**	**1,392**

NOTE 5

Segmental reporting

Net operating cost

Directorates	2023 £,000	2022 £,000
Chief Executive's Directorate	1,275	971
Office of Medical Director	1,674	1,301
Office of NMAHP Director	2,373	1,575
Finance, Planning and Governance	1,226	1,126
Property	1,366	1,094
Corporate Provisions	481	260
ihub	11,350	9,953
Evidence Directorate	6,981	6,648
Quality Assurance Directorate	6,999	5,799
Community Engagement	2,815	2,577
People and Workforce	1,099	1,123
Internal Improvement	372	424
IT and Digital	2,068	1,686
Total	**40,079**	**34,537**

Notes to the financial statements for the year ended 31 March 2023 NOTE 6

Intangible assets (non-current)

	Note	Software licences £,000	Information technology software £,000	Total £,000
Cost or valuation				
At 1 April 2022		**412**	**-**	**412**
Disposals		-	-	-
At 31 March 2023		**412**	**-**	**412**
Amortisation				
At 1 April 2022		**412**	**-**	**412**
Provided during the year		-	-	-
Disposals		-	-	-
At 31 March 2023		**412**	**-**	**412**
Net book value at 1 April 2022		**-**	**-**	**-**
Net book value at 31 March 2023		**-**	**-**	**-**

Prior year				
Cost or valuation				
At 1 April 2021		412	-	412
Disposals		-	-	-
At 31 March 2022		**412**	**-**	**412**
Amortisation				
At 1 April 2021		383	-	383
Provided during the year		29	-	29
Disposals		-	-	-
At 31 March 2022		**412**	**-**	**412**
Net book value at 1 April 2021		**29**	**-**	**29**
Net book value at 31 March 2022	**SoFP**	**-**	**-**	**-**

Notes to the financial statements for the year ended 31 March 2023 NOTE 7

Property, plant and equipment

	Buildings (excluding dwellings) £,000	Plant and machinery £,000	Information technology £,000	Furniture and fittings £,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
Transferred	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**

Notes to the financial statements for the year ended 31 March 2023 NOTE 7, cont.

Property, plant and equipment

Prior year	Buildings (excluding dwellings) £,000	Plant and machinery £,000	Information technology £,000	Furniture and fittings £,000	Assets under construction £,000	Total £,000
Cost or valuation						
At 1 April 2021	314	283	256	-	288	1,141
Additions - purchased	-	-	-	-	1,597	1,597
Transferred	1,885	-	-	-	(1,885)	-
Disposals	(25)	(75)	-	-	-	(100)
At 31 March 2022	**2,174**	**208**	**256**	**-**	**-**	**2,638**
Depreciation						
At 1 April 2021	246	283	194	-	-	723
Provided during the year	101	-	33	-	-	134
Disposals	(15)	(75)	-	-	-	(90)
At 31 March 2022	**332**	**208**	**227**	**-**	**-**	**767**
Net book value at 1 April 2021	**68**	**-**	**62**	**-**	**288**	**418**
Net book value at 31 March 2022	**1,842**	**-**	**29**	**-**	**-**	**1,871**
Asset financing:						
Owned	1,842	-	29	-	-	1,871
Net book value at 31 March 2022	**1,842**	**-**	**29**	**-**	**-**	**1,871**

Notes to the financial statements for the year ended 31 March 2023 — NOTE 8

Trade and other receivables

	Note	2023 £,000	2022 £,000
Receivables due within one year			
NHSScotland			
SGHSCD		39	-
NHS boards		136	86
Total NHSScotland receivables		**175**	**86**
VAT recoverable		41	145
Prepayments		143	228
Accrued income		12	102
Other receivables		121	(15)
Other public sector bodies		83	-
Total receivables due within one year	**SoFP**	**575**	**546**
Total receivables	**SoFP**	**575**	**546**
WGA Classification			
NHSScotland boards		136	86
Central government bodies		80	-
Whole of government bodies		82	-
Balances with bodies external to government		277	460
Total		**575**	**546**

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2023, receivables with a carrying value of £0.1m (2021–2022: £nil) 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 £102k (2021–2022: £52k) is required in excess of the normal provision for doubtful receivables.

Notes to the financial statements for the year ended 31 March 2023

NOTE 8, cont.

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.

	2023 £,000	2022 £,000
Counterparties with external credit ratings (A)	109	49
Existing customers with no defaults in the past	466	497
Total neither past due nor impaired	**575**	**546**

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

NOTE 9

Cash and cash equivalents

	Note	At 31/03/23 £,000	At 31/03/22 £,000
Balance at 1 April		724	356
Net change in cash and cash equivalent balances	CFS	609	368
Balance at 31 March	**SoFP**	**1,333**	**724**
Overdrafts		-	-
Total cash – cash flow statement		**1,333**	**724**
The following balances at 31 March were held at:			
Government banking service		1,333	721
Commercial banks and cash in hand		-	3
Balance at 31 March		**1,333**	**724**

Notes to the financial statements for the year ended 31 March 2023

NOTE 10

Trade and other payables

	Note	2023 £,000	2022 £,000
Payables due within one year			
NHSScotland			
Scottish Government Health Finance and Governance Directorate		-	20
NHS boards	SoFP	867	402
Total NHSScotland Payables		**867**	**422**
General fund payable		1,333	721
Trade payables		175	537
Accruals		673	1049
Deferred income		108	104
Net obligations under leases	12b	612	-
Income tax and social security		760	614
Superannuation		611	519
Holiday pay accrual		425	381
Other public sector bodies		22	-
Other payables		559	363
Total payables due within one year	**SoFP**	**6,145**	**4,710**
Net obligations under leases due within 2 years	12b	618	-
Net obligations under leases due after 2 years but within 5 years	12b	1,889	-
Net obligations under leases due after 5 years	12b	1,379	-
Deferred Income	12b	30	-
Total payables due after more than one year	**SoFP**	**3,916**	**-**
Total payables		**10,061**	**4,710**

Notes to the financial statements for the year ended 31 March 2023 NOTE 10, cont.

Trade and other payables, cont.

	2023 £,000	2022 £,000
WGA classification		
NHSScotland boards	867	402
Central government bodies	745	20
Whole of government bodies	611	-
Balances with NHS Bodies in England & Wales	22	-
Balances with bodies external to government	7,816	4,288
Total	**10,061**	**4,710**
Borrowings included above comprise:		
Leases	**4,498**	**-**
The carrying amount and fair value of non-current borrowings are as follows:		
Leases	**3,886**	**-**

Notes to the financial statements for the year ended 31 March 2023 NOTE 11

Provisions – for the year ended 31 March 2023

	Note	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)
Reversed utilised		-	-	-
At 31 March 2023	**2b**	**46**	**414**	**460**

Analysis of expected timing of discounted flows to 31 March 2023

		£,000	£,000	£,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 – for the year ended 31 March 2022

	Participation in CNORIS £,000	Other £,000	Total £,000
At 1 April 2021	35	464	499
Arising during the year	4	-	4
Utilised during the year	(2)	-	(2)
Reversed utilised	-	(50)	(50)
At 31 March 2022	**37**	**414**	**451**

Notes to the financial statements for the year ended 31 March 2023 NOTE 11, cont.

Provisions, cont.

Analysis of expected timing of discounted flows to 31 March 2022

	Note	£,000	£,000	£,000
Payable in one year	SoFP	9	-	9
Payable between 1-5 years	SoFP	22	-	22
Payable between 5-10 years	SoFP	2	414	416
Thereafter	SoFP	4	-	4
Total as at 31 March 2022		**37**	**414**	**451**

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 has remained unchanged for the year at 414k (2021–2022: £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.

Notes to the financial statements for the year ended 31 March 2023 — NOTE 12

Leases

12a) Leases assets

	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**

12b) Leases liabilities

	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**

Notes to the financial statements for the year ended 31 March 2023 NOTE 12, cont.

Amounts recognised in the statement of comprehensive net expenditure

Depreciation	608
Interest expenses	45
Non recoverable VAT on lease payments	96
Total	**749**

Amounts recognised in the statement of cash flows

Interest expenses	46
Repayments of principal leases	433
Total	**479**

12c) Commitments under

Operating leases

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

	2022 £,000	2021 £,000
Buildings		
Not later than one year	575	573
Later than one year, not later than two years	750	588
Later than two years, not later than five years	2,355	2,353
Later than five years	2,449	3,633
Other		
Not later than one year	9	23
Later than one year, not later than two years	4	7
Later than two years, not later than five years	11	1
Later than five years	-	-
Amounts charged to operating costs in the year were:		
Buildings	528	719
Other	10	34
Total	**538**	**753**

Notes to the financial statements for the year ended 31 March 2023

NOTE 12, cont.

The above commitments under leases reflects leases on an International Accounting Standard 17 (IAS 17) basis and is based on the accounts published for the year ending 31 March 2022.

Transition to IFRS 16 leases

On 1 April 2022 all relevant public sector organisations including Healthcare Improvement Scotland transitioned from International Accounting Standard 17 (IAS 17) to International Financial Reporting Standard 16 (IFRS 16) for leases. The transitional arrangements as set out in the HM Treasury Financial Reporting Manual (FReM) require public bodies to present the total cost of all qualifying leases as right of use asset in the current year from 1 April 2022 along with the depreciation and interest charges incurred during the financial year. The transition does not require a retrospective adjustment to the closing balances for 2021–2022. Further detail for the disclosures under IFRS 16 in 2022–2023 and IAS 17 for the 2021–2022 can be found in Note 12.

NOTE 13

Capital commitments

The Board have the following capital commitments which have not been provided for in the financial statements:

Contracted	**2023 £,000**	**2022 £,000**
Delta House refurbishment	-	579

Notes to the financial statements for the year ended 31 March 2023 NOTE 14

Pension costs

I.A.S. 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 funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an employer contribution rate from 1 April 2019 of 20.9% of pensionable pay and an anticipated yield of 9.6% employees contributions.

(b) Healthcare Improvement Scotland has no liability for other employers' obligations to the multi-employer scheme.

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

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

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

(iii) The employer contribution rate for the period from 1 April 2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay. Expected contributions for 2022–2023 is £5,255k.

(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 2021–2022.

Notes to the financial statements for the year ended 31 March 2023 NOTE 14, cont.

IAS 19 Multi-employer plans

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.

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 2017–2018 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), the board utilised 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 £50,000, but will be reviewed every year by the Government. The current employee contribution is 5% of qualifying earnings, with an employer contribution of 1%.

Notes to the financial statements for the year ended 31 March 2023

NOTE 14, cont.

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

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

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

NEST is run by NEST Corporation, a trustee body 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.

	2023 £,000	2022 £,000
Pension cost charge for the year	4,786	3,993
Provisions/liabilities/prepayments included in the balance sheet	611	519

Notes to the financial statements for the year ended 31 March 2023 NOTE 15

Financial instruments

a) Financial instruments by category

Financial assets

	Note	Loans and receivables £'000
At 31 March 2023		
Assets per balance sheet		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	8	216
Cash and cash equivalents	9	1,333
		1,549
At 31 March 2022		
Assets per balance sheet		
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	8	87
Cash and cash equivalents	9	724
		811

Financial liabilities

	Note	Other Financial liabilities £'000
At 31 March 2023		
Liabilities per balance sheet		
Lease liabilities	12	4,498
Trade and other payables excluding statutory liabilities (VAT and income tax and social security), deferred income and superannuation	10	3,187
		7,685

Notes to the financial statements for the year ended 31 March 2023 NOTE 15, cont.

Financial instruments, cont.

Financial liabilities, cont.

	Note	Other financial liabilities £,000
At 31 March 2022		
Liabilities per balance sheet		
Trade and other payables excluding statutory liabilities (VAT and income tax and social security) and superannuation	10	3,051
		3,051

b) 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 is updated on a regular basis on how the risks are being managed.

Notes to the financial statements for the year ended 31 March 2023 NOTE 15, cont.

Financial instruments, cont.

(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, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by Healthcare Improvement Scotland.

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 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**
At 31 March 2022				
Trade and other payables excluding statutory liabilities	3,051	-	-	-
Total	**3,051**	**-**	**-**	**-**

Notes to the financial statements for the year ended 31 March 2023 NOTE 15, cont.

Financial instruments, cont.

(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.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. 2022–2023 trade receivable impairment £101k (2021–2022 £52k).

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current HM Treasury interest rate that is available for similar financial instruments.

NOTE 16

Related party transactions

The Health Foundation

Healthcare Improvement Scotland made a contribution of £29,000 (2021–2022: £18,500) 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 (2021–2022: £19,366) relating to the Quality Rheumatology award for the period January 2022 to December 2023. £60,000 was received during the year, with £15,000 outstanding at 31 March 2023. 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.

Ms R Glassborow, Executive Director of Improvement, has 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.

Accounts direction

Accounts direction

for the year ended 31 March 2023

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 1978[1], 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, and
   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 health 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, and
- “Scottish Public Finance Manual” means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers.

7. Any expressions or definitions, where relevant and unless otherwise specified, take the meaning which they have in section 108 of the NHS Act 1978.
8. This Direction will come into force on the day after the day on which it is signed.
9. This Direction will remain in force until such time that it is varied, amended or revoked by a further Direction of the Scottish Ministers under section 86 of the NHS Act 1978

Signed by the authority of the Scottish Ministers

Dated 22 March, 2022

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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