Healthcare Improvement Scotland

Annual Report and Accounts

For the year ended 31 March 2025

NHS SCOTLAND

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Performance report

Section 1: Performance report

Foreword from our Chair and our Chief Executive

This year, we made considerable strides in our five-year strategy, positioning ourselves to better respond to national health and social care priorities and tackle systemic NHS issues. Now in the second year, our focus remains on:

- **Deepening our understanding** of safety and quality in health and care.
- **Using intelligence and evidence** to guide high-quality services.
- **Ensuring the voices and rights** of people and communities are central.
- **Accelerating sustainable improvements** in health and care.

Scotland's health and social care system faces ongoing challenges, including complex care needs and workforce issues. Healthcare Improvement Scotland is at the forefront of addressing these challenges through our integrated and collaborative functions, setting standards, providing external assurance and offering improvement support.

We align our work to support major national priorities, focussing on where we can add the most value and drive system-wide improvement. We have a growing part to play in informing and influencing national policy with robust and objective evidence. Even with a growing budget, the NHS needs to make informed and wise choices about where it commits its finite resources.

Over 500 people participated in our Citizens' Panel survey, sharing their views on Realistic Medicine and Value-Based Health and Care and NHS Reform, to help shape future services highlighting the importance of what matters to them in the design and delivery of care. We have also continued, through the provision of independent evidence advice and guidance to inform frontline care, but also to achieve better outcomes such as our recommendation on the use of Placental Growth Factor Testing for the early identification of pre-eclampsia in mothers. We also made national recommendations to guide the future priorities in the provision of emergency care departments in NHS Scotland. In the coming year, we will build on this, in providing objective, independent advice, and acting 'without fear or favour' in doing so.

In this annual report, you will find a wealth of examples of how we are giving assurance about the quality of NHS and independent healthcare, driving improvements in the care of some of the most disadvantaged groups in our society, supporting a shift in the balance of care such as through the expansion of Hospital at Home, and crucially continuing to make patient safety a central part of what we do.

Looking ahead, we will continue to align our work with the ambitions of the NHS renewal strategy, focussing on delivering safe, high-quality and sustainable care.

We extend our heartfelt thanks to our staff, stakeholders and communities for their invaluable contributions. Your insights and experiences shape our work and drive us towards better care for everyone.

Together, we are making a difference.

Evelyn McPhail
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Evelyn McPhail
Chair

Robbie Pearson
.....
Robbie Pearson
Chief Executive

Performance overview

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

Who we are and what we do

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

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

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

Our purpose and activities

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

We help create a health and care system where:

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

Our directorates

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

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

Summary of performance

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

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

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

2024 2025

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

96

96 registered Independent Healthcare services were inspected.

13

We published 13 SIGN guidelines, pathways and patient summaries – including palliative care, pregnancy and diabetes.

12

12 pieces of advice from SHTG. We assessed the evidence for artificial intelligence supporting clinicians to review chest x-rays from patients with suspected lung cancer.

4

We published 4 standards and indicators, covering a range of areas including - pregnancy screening standards and for ageing and frailty.

95

Received 95 requests for new toolkits to be added from the Right Decision Service.

96

Scottish Medicines Consortium published 96 pieces of advice, ranging from cancer medicines to medicines for migraine and heart failure.

1,000

Our Citizens Panel with circa 1000 members, provides feedback on issues such as realistic medicine, value based health & care and NHS reform.

14

14 new pieces of guidance and 5 guidelines reviewed by SAPG, including recommendations for outpatient parenteral antimicrobial therapy.

Key performance indicators

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

Strategic area	KPI	2024-25 Target	2024-25 Actual
Safety and quality of health and care services	NHS Inspections - % carried out within agreed timescales	100%	100%
	Independent Healthcare Inspections - % carried out within Service Risk Assessment timeframe	80%	28%
	Adverse Events - % of NHS Boards using Community of Practice	75%	95%
Assess and share intelligence and evidence	Responding to Concerns - % of cases with initial assessment undertaken within agreed timescales	90%	N/A
	Scottish Medicines Consortium New Medicines Advice - % of decisions communicated within target timeframe	75%	88%
Practical support for sustainable improvement	Responsive Support – no. of commissions undertaken	4	1
	Primary Care Improvement Programme – no. of learning events held	47	47
	Mental Health Reform - % of supported NHS Boards with an improvement plan	80%	100%
Voices and right of people and communities	Service Change Engagement - no. of NHS Board/IJB service change engagement plans influenced by our advice and assurance	60	68
	Governance for Engagement - % of directorate self-assessment engagement plans completed within agreed timescales	100%	100%
	Annual Stakeholder Survey – response rate*	50%	N/A
Organising ourselves to deliver	Complaints - % upheld with an improvement plan	100%	100%
	iMatter - Employee Engagement Index score	80	75
	Recurring savings	£2.5m	£1.3m
	Communications – no. of broadcast pieces per annum	70	159

Behind target >10% Within 10% Ahead / on target

For KPIs which fell below their target by greater than 10% (noted in red in the table above), the variances are explained in further detail below:

The number of independent healthcare inspections completed within Service Risk Assessment timeframe fell during the year as a result of the increasing complexity and the need to review our functions to ensure effective and efficient regulation. A recovery plan is now in place, using a risk-based approach to inspections and recovery to the agreed timescales is expected in 2025-26.

As agreed by the Quality and Performance Committee, the Responding to Concerns KPI was paused during the year as an external review of the process was undertaken. Changes to the process are being taken forward in response to the findings and recommendations.

A new KPI was introduced this year for Responsive Support relating to the strategic commitment to provide agile support to the health and care system. It was difficult to anticipate the level of delivery given this is dependent on system need. Further consideration will be given to this KPI for the coming year.

As agreed by the Quality and Performance Committee, the annual stakeholder survey KPI was paused given

the publication of Scottish Government's emergency spending guidelines recommending only essential spend in this area. Alternative channels of feedback are being considered for 2025-26 including use of our Citizens Panel or smaller electronic pulse surveys.

Our total savings target for 2024-25 was £2.5m, with all savings expected to be delivered on a recurring basis. While this target was met in the year, it was delivered by £1.3m of recurring savings and £1.2m of non-recurring, or one-off savings.

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 2024–25 are detailed along with mitigations in the Performance analysis report and in the Governance statement, but are also summarised as follows:

- There is a risk in the context of wider health and social care system pressures that we are not attuned to the arising issues and that we fail to fulfil our commitment to support safe care, resulting in avoidable harm to patients. There is an additional specific risk that HIS' assurance activity fails to identify significant risks to the safety and quality of care.
- Within the independent healthcare sector, there is an increasing risk that, due to its breadth, diversity and volatility, HIS cannot effectively regulate the sector, leading to possible adverse outcomes, poor quality care and the associated reputational damage to HIS.
- There is a broader risk that we may not have the right skills at the right time, at all levels of the organisation, to deliver our work because of a skills shortage or lack of capacity resulting in a failure to meet our objectives.

These continue to be our most significant risks as we move into 2025–26. We will continue to deliver the recommendations of the Responding to Concerns review and a review of the ways of working across our regulatory functions to help address some of these issues, as well as ongoing workforce planning. The annual quality assurance and regulation plan for 2025-26 will be reviewed on an ongoing basis to reflect changing priorities in response to data, intelligence and system pressures.

Performance analysis

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

Financial performance and position

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

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

The performance against each of these limits at 31 March 2025 is set out in the table below:

	Limit as set by SGHFGD £000	Actual outturn £000	Variance (deficit)/surplus £000
Revenue Resource Limit – core	42,987	42,987	-
Revenue Resource Limit – non-core	833	833	-
Total Revenue Resource Limit	43,820	43,820	-
Capital Resource Limit – core	60	60	-
Capital Resource Limit – non-core	214	214	-
Total Capital Resource Limit	274	274	-
Cash requirement	43,878	43,878	-

All cash balances are held in accounts that form part of the government banking services, with the likelihood of monies being irrecoverable considered to be minimal.

Healthcare Improvement Scotland's outturn is a balanced position (2023-24: balanced position).

Accounting convention

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

Going concern basis

The financial statements are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future. Baseline funding for the entity for financial year ending 31 March 2026 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 £609k (2023-24: £395k) for leased premises. This provision is based on the outcome of dilapidation assessments and relates to occupied premises in Glasgow and has increased in the year due to an increase in inflation in general construction and materials. Further information is in Note 11.

Legal obligations

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

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

There are five concurrent health and social care focused public inquiries ongoing involving Healthcare Improvement Scotland across a breadth of subject matters. The Inquiries are: Scottish Covid Inquiry, UK Covid Inquiry, Eljamel and NHS Tayside Inquiry, Scottish Child Abuse Inquiry and the Scottish Hospitals Inquiry.

There are no legal proceedings ongoing involving Healthcare Improvement Scotland.

Complaints

During 2024-25 30 (2023-24: 15) complaints were received:

3	were fully upheld	**23**	were not upheld
4	were partially upheld	**0**	were withdrawn

There were no cases being investigated by Scottish Public Services Ombudsman at year end (2023-24: nil).

Prior year adjustments

There were no prior year adjustments.

Significant changes in the statement of financial position

Non-current assets – the movement is due to depreciation and lease repayments decreasing the value of the plant, property and equipment and right-of-use assets at 31 March 2025. See Note 7 and Note 12 for further details.

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

Pension liabilities

The accounting policy note for pensions is provided in Note 1. The disclosure of the expenditure is shown

within Note 14 and in the Remuneration report.

Events after the end of the reporting period

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

Budget

A three-year financial plan was submitted to Scottish Government in March 2025. During the year we achieved a balanced position against budget, which included the achievement of the savings target.

Independent healthcare

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

	2024-25	2023-24	2022-23	2021-22
Number of registered services	554	540	549	519
Number of services registered in year	63	53	71	98
Number of inspections completed	96	158	152	135
	£000	£000	£000	£000
Income	1,382	1,163	1,040	1,030
Release of reserves	-	352	-	-
Scottish Government Funding	252	565	360	150
Expenditure	(1,636)	(2,081)	(1,330)	(990)
Surplus / (Deficit)	(2)	(1)	70	190

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

There was a 39% reduction in the number of inspections completed between 2023-24 and 2024-25 which is reflective of the increasing complexity and the need to review our functions to ensure effective and efficient regulation.

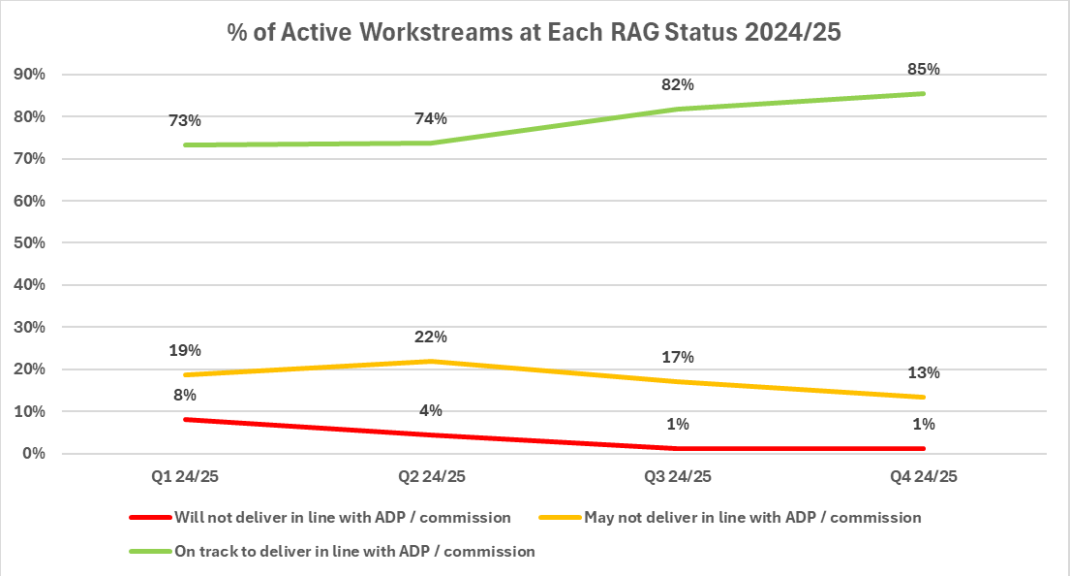
At 31 March 2025 a provision of £600k (2023-24: £600k) remains recognised in relation to possible claims from independent healthcare clinics operating from fixed premises. This was due to a change in the interpretation of the technical guidance on ventilation with respect to its application to the independent healthcare sector between the period July 2023 and March 2024. There were no payments made from this provision during the year.

Non-financial performance

Performance against annual delivery plan

Our Annual Delivery Plan for 2024-25, agreed with the Scottish Government at the start of the year, has been monitored and reported quarterly, alongside our strategic plan and organisational KPIs. Our work programme outlines various initiatives aligned with these plans. We began the year with 86 active programmes and concluded with 89, all with a focus on safety and improving health and social care.

Throughout 2024-25, our performance remained strong, with 85% of our work programmes reported as 'on track to deliver in line with the annual delivery plan,' despite the challenges posed by the volume of work and resource pressures.



Performance has continued to be measured at a programme level during the year, for example within safe delivery of care inspections and regulation of independent healthcare. The metrics have been disclosed in the various sections in this Performance analysis and details of the key performance indicators used at an organisation level can be found in the Performance report.

Payment policy

Healthcare Improvement Scotland is committed to working with the Scottish Government to support businesses in the current economic climate by paying bills more quickly. The intention is to achieve payment of all undisputed invoices within ten working days of receipt, across all public bodies. The table below excludes disputed invoices:

	2024-25	2023-24	2022-23
Average credit days taken	12 days	11 days	10 days
% invoices (by value) paid within 30 days	98.5%	99.2%	96.7%
% invoices (by volume) paid within 30 days	92.2%	93.4%	93.0%
% invoices (by value) paid within 10 days	93.9%	95.6%	76.6%
% invoices (by volume) paid within 10 days	70.3%	75.8%	73.8%

Workforce, skills and location

Following the period of significant change for the organisation in 2023-24, work has been completed to undertake a review of the change process to enable learning from this on an organisational basis. A significant outcome of this work has been the establishment of the Transformation Oversight Board which enables a coherent oversight of proposed organisational change at an early stage to ensure due process and appropriate plans are in place.

The work of the 'One Team' Workforce stream has also been significant, with the implementation of the 'HIS Employee' role within the organisation. This has initially included posts within the roles of Administrative Officer and Project Officer in the first instance and has seen the planned recruitment of 20 individuals on a flexible basis, to enable movement of resources to the areas of greatest demand as required. The organisation is 6 months into the first year of this programme and there is planned review of the impact and operation of these posts with a consideration about how this workforce model could be used more widely.

A further 'Interim' Workforce Plan has been completed and published for Healthcare Improvement Scotland, updating the original 2022-25 plan to reflect significant organisational changes.

	31 March 2025	31 March 2024
 **Workforce mix**	Total headcount - **652** Payroll headcount - **609** Non-payroll headcount - **43**	Total headcount - **612** Payroll headcount - **573** Non-payroll headcount - **39**
 **Sickness absence**	**46,555** hours or **6,291** days were lost due to sickness absence this year, which represents a rate of **4.2%** of available capacity. **66.5%** of sickness has been due to long term conditions and the main reason given for absence is anxiety, stress or depression which accounts for **27.9%** (**12,976** hours or **1,753.5** days) of the reported absence lost.	**36,756** hours or **4,900** days were lost due to sickness absence this year, which represents a rate of **3.5%** of available capacity. **68%** of sickness has been due to long term conditions and the main reason given for absence is anxiety, stress or depression which accounts for **29.3%** (**10,757** hours or **1,434** days) of the reported absence lost.
 **Staff changes**	During the financial year, **68** people have left the organisation — an overall turnover rate of **13.5%** YTD. **108** people joined the organisation, representing a net increase of 25 to our overall workforce headcount (payroll and non-payroll) since April 2024.	During the financial year, **94** people have left the organisation —an overall turnover rate of **15.6%** YTD. **106** people joined the organisation, representing a net increase of 12 to our overall workforce headcount (payroll and non-payroll) since April 2023.

Healthcare Improvement Scotland maintains a proactive approach to managing sickness absence, with an average rate of 4.2% for 2024-25 (up from 3.5% in 2023-24), slightly above the Scottish Government target of 4%.

To address this increase, the Partnership Forum commissioned a 'Sickness Absence Deep Dive' to review current practices, data, and known absence reasons, ensuring staff and managers receive appropriate support and advice in line with 'Once for Scotland' policies. We have collaborated with Spectrum, our employee assistance provider, to raise awareness of available services and have worked on our 'Carers' award recognition level and other staff initiatives. Currently, we are conducting a self-assessment related to 'See Me' to address the impact of mental health issues on our staff.

Our social responsibilities

Sustainability

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

Collaboration

Healthcare Improvement Scotland actively collaborates with various external groups to develop national sustainability strategies. We chair the National Boards Sustainability group, which meets every six weeks to share knowledge and resources and we engage with policymakers to align national sustainability objectives and ensure effective implementation of climate action measures. Our active collaboration networks include:

- Scottish Government Sustainability and Climate Change Board
- Scottish Government Climate Change and Strategy Group
- Scottish Government Regional Sustainability Chairs Group
- National Environmental Sustainability Group meeting
- National Boards Sustainability Group
- NHS National Resilience Forum
- NHS Assure groups on Adaptation plans, Risk Assessment, Active Travel, Transport, Biodiversity, and Energy

We emphasise waste reduction and recycling within our organisation, with clear procedures to monitor waste generation and promote recycling practices. Collaborating with stakeholders, we enhance biodiversity in shared office spaces and improve green spaces within our leased offices. Our sustainable procurement practices also focus on life cycle costs and environmental impacts during the procurement process.

Communication

We recognise the need for improved data collection on our sustainability impact, which is crucial for our net zero route map and the environmental management system. We have emphasised raising awareness and promoting sustainability and climate change initiatives across the organisation. Regular updates during staff meetings engage and inform employees about current sustainability efforts and climate emergency responses from authorities like the Scottish Government and NHS Assure.

Throughout the year, we submitted various reports to the Scottish Government, detailing our adaptation plans, climate change risk assessments, and sustainability progress. In June 2024, we launched initiatives to educate all staff about sustainability, including communication campaigns and helping to develop training videos accessible to all NHS staff. We also share a national sustainability action programme newsletter to keep staff informed about climate initiatives and promote collective sustainability goals. These efforts aim to raise awareness and encourage collective responsibility for sustainability.

Policies and procedures

Effective climate change delivery necessitates robust governance and management systems. The Board, including our Board Sustainability Champion, provides assurance in relation to our sustainability efforts, with the Chief Executive accountable for compliance with relevant policies and legislation. Our Sustainability Executive Lead and the Resilience and Sustainable Development Working Group, meeting bi-monthly, drives and monitors sustainability actions and national reporting requirements.

We update our Climate Change Risk Assessment and adaptation plans annually, with the next review in July 2026. Tools like the Sustainable Design and Construction policy and Climate Change Risk Assessment Technical reports are used to update plans and assessments submitted to NHS Assure for our office sites in Edinburgh and Glasgow.

Social responsibility

The Healthcare Improvement Scotland Environmental Policy, approved in 2024, provides guidelines and actions to demonstrate our commitment to fostering a sustainable and socially responsible organisation. We have strengthened our team, which now includes an ISO14001 Lead Auditor and implemented water-saving measures, such as efficient taps and monitoring systems, and installed Zip taps on all floors to avoid wasting energy and water. The Digital team raises awareness of the environmental impacts of information management, promoting sustainable data practices and tools like our Corporate Travel Management system and eSight, helps to identify greenhouse gas emissions to better understand and manage our environmental impact.

Looking ahead into 2025-26 our future commitments include enhancing data capture, staff awareness, and external collaboration. We aim to achieve net zero emissions by 2040, focussing on business travel and office tenancy. The Active and Sustainable Travel Plan and Business Travel Policy will be updated in 2025-26 to better capture travel emissions and costs, and sustainable construction practices to align with our refurbishment and maintenance goals.

Performance against strategic aims and ambitions

In the second year of our five-year strategy, we continue to support the health and social care system in Scotland to improve the quality of care that it delivers and to ensure better outcomes for people.

This section considers in further detail the work we have carried out in the year to meet our priorities which were established in our Strategy 2023-28: Leading quality health and care for Scotland.

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

The **National Framework for Reviewing and Learning from Adverse Events** in NHS Scotland, developed with all NHS boards, emphasises effective patient and family engagement in Significant Adverse Event Reviews (SAERs). It provides guidance on producing high-quality SAER reports and learning summaries, and introduces national templates for consistency. Supporting staff involved in adverse events is also crucial. Moving forward, we will monitor the consistent identification and notification of significant adverse events and further develop the national learning system to maintain quality, improvement, and consistency in SAERs across NHS boards.

The Safe Delivery of Care inspection programme was expanded during the final quarter of the year to include **maternity services and inpatient adult mental health services**. Maternity inspections in acute settings aim to support, improve, and assure maternity care across Scotland. Mental health inspections, initially focused on infection control, now address broader recommendations from the Strang 2020 report. Our inspection activity supports NHS boards to comply with national standards, improve patient outcomes, highlight good practices and identify areas for improvement and are delivered through a wider quality management approach alongside evidence and improvement programmes such as the Scottish Patient Safety Programme.

This year, we made significant progress in meeting the requirements of the Health and Care (Staffing) (Scotland) Act 2019, effective from 1 April 2024. Through our **Healthcare Staffing Programme**, we collaborated with NHS boards to improve healthcare staffing by providing tailored support, education, and training, and developing effective staffing tools and methodologies. We monitored compliance with the Act, enhancing transparency and accountability in healthcare services and ensuring appropriate staffing levels for high-quality care. The first 'HIS functions in relation to staffing' report was published in April 2025.

During the year, we conducted an in-depth **independent review of three emergency departments in NHS Greater Glasgow and Clyde**, focussing on patient experience and clinical care, leadership and culture, and improvement capability. The report, published in March 2025, includes 30 recommendations for NHS Greater Glasgow and Clyde, but the findings also have national implications with a further 11 recommendations for the Scottish Government and national agencies. This review exemplifies how we use assurance and analysis to drive improvement and ensure accountability in healthcare delivery.

The first Healthcare Improvement Scotland **Safety Bulletin**, published in November 2024, highlighted emerging concerns about maternity and paediatric early warning scores and postpartum haemorrhage risk assessment. It provided senior NHS Scotland leaders with concise safety and governance considerations and requested additional information from the wider system. This will help determine future actions and how Healthcare Improvement Scotland can support safe care delivery.

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

The **Scottish Medicines Consortium** (SMC) provides independent advice on the clinical and cost-effectiveness of new medicines in Scotland. In the past year, the SMC published 96 pieces of advice (2023-24: 87), with 66% medicines accepted and 34% not recommended. The advice spanned various therapeutic areas, including muscular dystrophy, multiple sclerosis, ulcerative colitis, endometriosis, glaucoma, and various cancers. Patient participation remains crucial, with 77 patient group submissions received in 2024-25 (2023-24: 69). Additionally, the SMC continued with the 'Forward Look' tool and produced two briefing reports on priority areas to aid NHS boards in planning for new medicines.

The SMC has collaborated with Healthcare Technologies Assessment partners across the UK and the Medicines Healthcare Regulatory Authority to update the UK-wide **Innovative Licensing and Access Pathway** (ILAP). The refreshed ILAP provides a clearer, more streamlined, and integrated process for pharmaceutical companies, facilitating the rapid introduction of transformative, clinically, and cost-effective medicines to NHS patients. The updated ILAP opened to applicants from 31 March 2025.

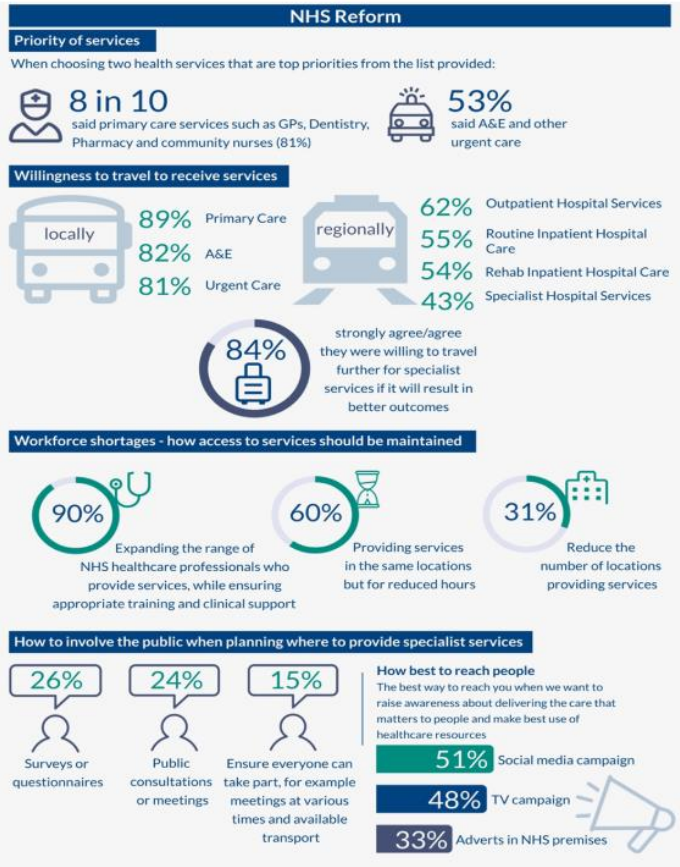
The Research and Information Service at Healthcare Improvement Scotland rolled out the **Nested Knowledge AI enabled systematic review** software during the year. Its use is integrated into the Scottish Intercollegiate Guidelines Network guideline production and Accelerated National Innovation Adoption horizon scanning process. The Scottish Health Technologies Group is piloting its use across various evidence review products. The software also includes a tool for extracting participant characteristics from studies, ensuring that evidence appraisals consider equity, diversity, and inclusion.

The **Right Decision Service** (RDS) is a "Once for Scotland" decision support platform that helps clinicians and care providers make safe, evidence-based decisions quickly. The RDS website and mobile app offer access to guidance, pathways, calculators, and other decision-support tools, including, integrating evidence-based support into hospital electronic care systems. This year, the digital infrastructure was enhanced to improve resilience for increasing clinical use, including inbuilt QR codes for downloading mobile toolkits and embedding calendars and maps. 95 new tools were delivered through RDS in the year (2023-24: 150).

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

During the year we developed and are currently piloting the **Scottish Approach to Change** at two pathfinder sites. This initiative supports the health and care system to do change well by taking a structured approach that integrates various change methods into a single, practical tool, underpinning NHS Reform. The development to date has received positive feedback, with comments like, "The national guidance approach gives confidence and a road map for change", with a digital framework, resources and guidance published in March 2025.

The fourteenth **Citizens' Panel** survey, conducted between June and September 2024, focused on Realistic Medicine and Value-Based Health and Care, and NHS Reform. With a 50% response rate, 545 responses were received via post, email, or telephone. The detailed findings and recommendations from the survey have been published online and are being used across the health and care system.



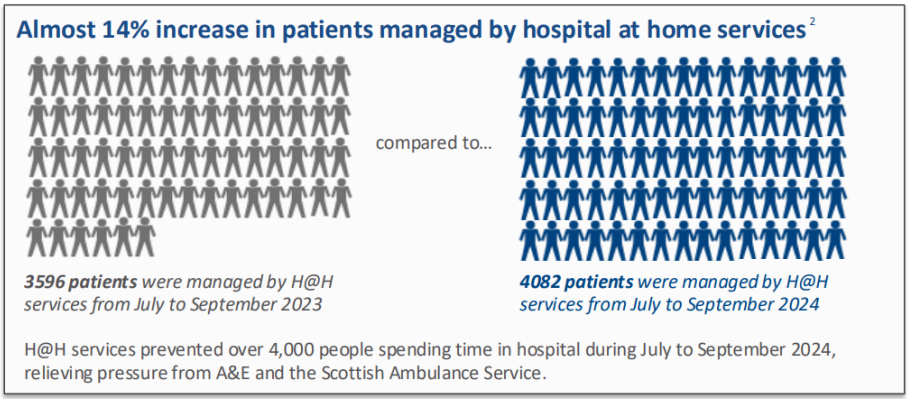
We continued to support the "**What Matters To You?**" (WMTY) campaign, which encourages meaningful conversations between health and social care providers and the people, families, and carers they serve. Kind and considerate care is essential for high-quality, safe, effective, and efficient services, making WMTY conversations central to our improvement efforts. During the year we published a case study with Clara Grimes, Deputy Director of Nursing at University Hospitals Bristol and Weston, who describes the impact of asking the WMTY question with patients and staff.

NHS boards have a statutory duty to involve people in designing, developing and delivering healthcare services. At a time of increased pressure across the NHS in Scotland, we have focused on our statutory duty to assure NHS boards meet their statutory duties on engagement and public involvement. Our **Service Change** Team provided advice to NHS boards and Integration Joint Boards across Scotland during the year.

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

Approximately 10% of Scotland's population contact their GP practice each week. Our **primary care phased investment programme** aims to foster a culture of continuous improvement in primary care, focussing on access for patients and key areas like pharmacotherapy and community treatment and care (CTAC) services. This year, we supported 107 primary care teams in making small changes to enhance access to general practice, CTAC, and pharmacotherapy, while also building evidence to understand the national context.

Hospital at Home continued to expand during the year, focussing on improving outcomes and patient experiences for older people as well as reducing pressures on acute hospitals, by delivering targeted intervention in an individual's own home setting. 15,811 patients were managed by the service in the year (2023-24: 14,467) preventing hospital stays and relieving pressures on A&E and the Scottish Ambulance Service. The First Minister emphasised the importance of this initiative in setting out his ambitions for the renewal of the NHS in January 2025 and we will be seeking to support its further extension across Scotland.



Our **Mental Health** reform programme collaborates with pathfinder sites to address system pressures and workforce challenges, aiming to improve outcomes for individuals experiencing their first episode of psychosis. This year, two supported pathfinder sites have developed early intervention in psychosis services, significantly reducing the duration of untreated psychosis: NHS Tayside from 11 weeks to 2 weeks, and NHS Dumfries & Galloway from 85 weeks to 11 weeks. Additionally, NHS Dumfries & Galloway reported a reduced re-admission rate of 12.6%, compared to the local average of 39.3%.

Healthcare Improvement Scotland | SHTG Advice on health technologies

The **Accelerated National Innovation Adoption** (ANIA) collaborative achieved a milestone in the year, with its first 'ANIA-approved' national programme going live in November 2024: 'Scottish patients to benefit from new national digital derma'. Our advice through the Scottish Health Technologies Group informed ANIA decision making on the rollout of the digital dermatology service, the new diabetes digital remission programme, and the use of pharmacogenetic tests to ensure that stroke patients receive the right drug and newborn babies are not put at risk of permanent hearing loss.

The Scottish Government's Alcohol and Drug Partnerships 2023-24 Annual Survey was published in November 2024 and stated that 60% of partnerships have revised their residential rehabilitation pathways because of their collaboration with our **Pathways to Recovery: Redesigning Residential Rehabilitation Pathways Programme**. The programme aims to improve pathways so that residential rehabilitation is easily accessible, has reduced waiting times for detoxification and improved post-rehab support.

Risk profile of organisation

Our Strategic Risk Register contained 13 risks at the end of March 2025 (March 2024: 15). The register was reviewed throughout the year to ensure the right risks to the organisation were identified and managed properly. This includes application of risk appetite enabling a focus on those risks which are out of appetite. This will continue in line with best practice. The Board also undertook 'deep dives' on two out of appetite risks, in relation to inspections and cyber-security.

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

Risk	Mitigating actions
Inspections and Assurance Activities There is a risk that inspections or other assurance activity carried out by HIS fails to identify significant risks to the safety and quality of care, resulting in potential harm to patients and damage to the reputation of HIS.	Risk assessments inform decisions on frequency and focus of inspections and other assurance activities and focused inspections/reviews are undertaken in response to intelligence on potential significant risks or concerns. We have taken steps to strengthen intelligence sharing across relevant programmes within the Quality Assurance and Regulation Directorate and with other agencies.
Independent Healthcare (IHC) There is a risk that Healthcare Improvement Scotland cannot effectively regulate the independent healthcare sector, due to the breath, diversity and volatility of the sector and a limited regulatory framework, leading to possible adverse outcomes, poor quality care and the associated reputational damage.	Work is underway to review the strategic approach, ways of working, polices, processes and governance arrangements for our IHC regulation. A new approach to accessing the required clinical expertise and updating staff knowledge has been developed. A joint Healthcare Improvement Scotland and Scottish Government group considering the policy and financial considerations to enable effective and sustainable regulation of the independent healthcare sector into the future.
Safety of Patient Care In the context of wider significant system pressures, there is a risk that our work is not attuned to these pressures and we fail to fulfil our commitments to support safe care in Scotland resulting in avoidable harm for patients and the public.	We have a range of touchpoints with the wider health and care systems. These include representation on key leadership groups within the NHS - Chairs, Chief Execs, Medical and Nurse Directors and other functional lead groups. Safety intelligence is gathered in all these forums. HIS also has access to intelligence about safety through programme-specific forums, links to other national or UK groups and informal professional connections. In addition, HIS continues to play a leading role in the Sharing Intelligence Network of 16 national scrutiny and regulatory organisations. All of this intelligence has potential to positively influence and inform our work and make our greatest impact on harms associated with healthcare. The lack of a system to fully capture, understand and act on safety intelligence creates is at the heart of this risk.

A new strategic risk was raised during the year in relation to Public Inquiries (capturing a previous risk in relation to the UK and Scottish COVID-19 inquiries) and the ability of the organisation to deal with an unpredictable volume of requests, challenges around information governance, organisational memory and capacity to respond.

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

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

Forward look

For 2025-26, we will continue with delivery of the priorities outlined in our three year plan, being guided by:

- A relentless focus on high-quality and safe healthcare
- Greater alignment across all that we do using a Quality Management System approach
- Focussing on more flexible and responsive delivery programmes

We are also responding in our planning to the Scottish Government's priorities for renewal, outlined in the NHS Scotland operational improvement plan published in March 2025. This includes improving access to treatment, reducing pressures in our hospitals and engaging with the public around reform. We will support the system to ensure that reform is underpinned by a clear and coherent approach to change, in our leadership role as the national improvement agency for health and care.

We will actively engage at every level in the health and social care system and work with the public sector, the third sector, the public and communities to make and share improvements.

We remain in a challenging position, which asks us to do more with less. This has required us to consider how to make best use of our resource and expertise and ultimately ensure we are delivering our greatest impact. We will be shifting our approach to a focus on fewer, more integrated themes, which will allow us to create efficiencies and greater coordination across programmes. This will better join up individual programmes of work to enable a cross-disciplinary and more holistic focus on key areas of the health and social care system.

We will ensure we remain flexible and responsive to the needs of the system, which could require pausing, stopping or reprofiling work throughout the year. We will keep the priorities of the system and organisation under review and amend our plans accordingly.

Approval of the performance report

The Accountable Officer authorised these financial statements for issue on 30 June 2025.

Robbie Pearson

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Robbie Pearson

Chief Executive

30 June 2025

2

Accountability report

Section 2: Accountability report

Corporate governance report

The Director's report

Date of issue

The Accountable Officer authorised these financial statements for issue on 30 June 2025.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Audit Scotland to undertake the audit of Healthcare Improvement Scotland for the five-year period 2022-23 to 2026-27. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

In the financial year 2024-25, Audit Scotland only undertook audit-related work for Healthcare Improvement Scotland.

Board membership

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

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

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

Individual	Board Post	Date of Appointment
C Wilkinson	Chair	10/10/2018 until 31/03/2025
A Agarwal	Non-Executive Board Member	01/07/2022
K Charters	Non-Executive Board Member and Whistleblowing Champion	12/10/2020
S Dawson	Non-Executive Board Member, Vice Chair of the Board and Chair of the Scottish Health Council	01/03/2019
G Graham	Non-Executive Board Member	01/03/2019 until 30/06/2024
N Hanssen	Non-Executive Board Member and Cyber Security Champion from 26/3/25	01/08/2021
J Kilbee	Non-Executive Board Member	19/09/2022

Individual	Board Post	Date of Appointment
J Lund	Non-Executive Board Member and Counter Fraud Champion from 26/3/25	15/01/2025
N Maran	Non-Executive Board Member	02/10/2023
E McPhail	Non-Executive Board Member and Interim Chair of the Board from 01/4/25	05/10/2020
D Moodie	Non-Executive Board Member and Chair of the Care Inspectorate	01/09/2022
M Rogers	Non-Executive Board Member	01/09/2022
D Service	Employee Director and Sustainability Champion	01/03/2011
R Tinlin	Non-Executive Board Member and Counter Fraud Champion until 25/3/25	01/07/2022
R Pearson	Chief Executive	01/08/2016

Statement of Board members' responsibilities

Under the National Health Service (Scotland) Act 1978, Healthcare Improvement Scotland is required to prepare accounts in accordance with the directions of Scottish Ministers who require that those accounts give a true and fair view of the state of affairs of the organisation as at 31 March 2025 and of its operating costs for the year then ended. In preparing these accounts the Board members are required to:

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

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

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

Board member and senior manager interests

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

Director third party indemnity provisions

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

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year. The information required to meet the disclosure requirements of the Act may be found on the Healthcare Improvement Scotland website.

Personal-data-related incidents reported to the Information Commissioner

There were no incidents reported during 2024-25 to the Information Commissioner Office (2023-24: 1).

Disclosure of information to auditors

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

Scottish Regulators Strategic Code of Practice

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

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

In line with the Code and our principles, we offer a wide range of support and information to regulated services to help them to meet regulatory requirements and are aligned to advice and support provided by other comparable national regulators and the wider HIS strategy.

We have shared considerable guidance with new providers to assist them in becoming registered with us. It is imperative that Healthcare Improvement Scotland's (HIS) regulatory approach supports effective, efficient and sustainable assurance of the safety and quality of care. As such a review of our regulatory functions has been commissioned, this review is being undertaken in collaboration with staff and relevant stakeholders to ensure a future regulatory approach that is effective, proportionate and sustainable. This will inform our continued and routine engagement with stakeholder groups, including opportunities to inform the development of our policies, and the publication of our inspection methodologies.

We ensure that our regulatory work is risk-based and intelligence-led, utilising information on registration of services, 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 consider any conditions that will be attached to their registration, and there are systems in place to allow the opportunity to comment, and in some cases appeal, in relation to any enforcement action.
- We have a complaints process in place that allows providers of services the opportunity to complain if they feel we have not followed our published methodology.

We are constantly reviewing learning from our inspection, review and regulatory activity, and this has informed the development of our Quality Assurance System. Our Quality Assurance System underpins all our regulatory and quality assurance activity. The system is made up of the Quality Assurance Framework, which sets out the indicators of high-quality healthcare, and standard operating procedures which brings consistency to all our work and supports us in achieving our principles and the aims of the strategic code.

Statement of the Accountable Officer's responsibilities

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

The designation carries with it, responsibility for:

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

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

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

I confirm that the annual report and accounts 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

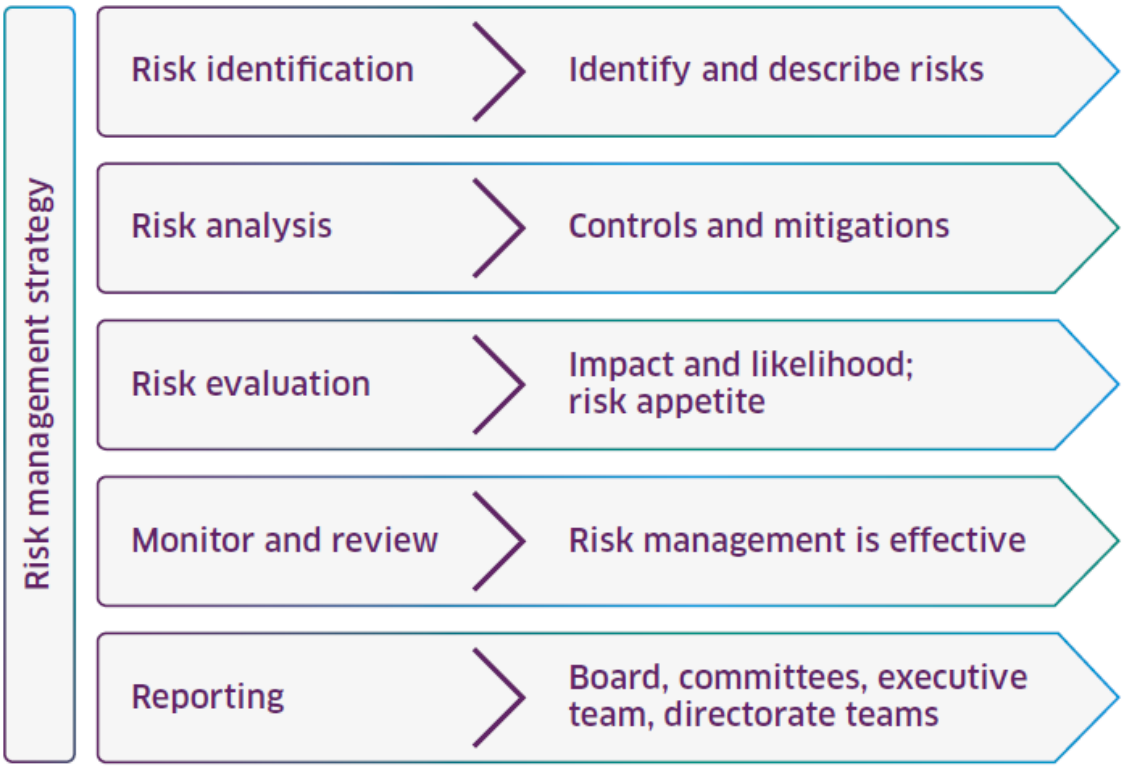
Scope of responsibility

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 2024-25 up to and including the date of signing the annual accounts.

Risk management framework



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

The Board maintains an overview of the main issues that impact on our operating environment and the risks to the achievement of our organisational objectives. They receive the Strategic Risk Register for consideration at each of their meetings. Each Governance Committee receives the strategic risks and high/very high operational risks assigned to it. In addition, the Executive Team and the Audit and Risk Committee also review all strategic risks.

Healthcare Improvement Scotland has a Risk Management Strategy that underpins our corporate governance processes and that was updated in June 2023 to reflect a new approach to risk appetite. The strategy sets out processes to enable the identification, evaluation, and mitigation of risks. The organisation aims to manage risk to an acceptable level, in line with its risk appetite and tolerance. The establishment of the Risk Management Sub Committee during the year strengthened support to the Board in providing additional scrutiny and review of our strategic and operational risks.

The Risk Management Advisory Group, formed of representatives from across the organisation, met quarterly throughout 2024-25 to share best practice and to support the ongoing development of staff training and the review, update and implementation of the Risk Management Strategy.

Governance framework of the Board

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

The governance framework is set out in the Code of Corporate Governance, which is line with the Blueprint for Good Governance (2022) and approved by the Board. This defines and documents the roles and responsibilities of the Board through detailed guidance on standing orders, standing financial instructions, scheme of delegation, contract/procurement regulations and a code of conduct. The organisation has a Board of up to 15 non-executive members and one executive member of the Board, the Chief Executive.

A new Assurance Framework was approved by the Audit and Risk Committee in November 2024. The Framework provides a clear picture of the links between the outcomes expected by the Board and the strategic plans, transformational change projects and operational plans developed by the Executive Leadership Team to deliver those outcomes. The Framework details the use of levels of assurance within governance processes and sets out the main areas of assurance required to deliver good governance.

Formal Board meetings are held in both public and reserved sessions. Public and reserved meetings were held on 25 June 2024, 25 September 2024, 4 December 2024 and 26 March 2025. A reserved extraordinary meeting was also held on 5 March 2025. Public Board meetings were open to the public to attend as either in-person meetings or virtual meetings.

Public Board meetings were complemented by a series of Board seminars, development sessions and deep dives into key risks and strategic topics. Along with annual appraisals and comprehensive induction which includes a new handbook for newly appointed Non-executive Directors, these support the Board to deliver their role.

The Board has established several Governance Committees to support it in its assurance role. Each Committee submits an annual report to the Board that specifies how it has met its remit during the year and sets out actions for the subsequent year. Progress against the actions is reviewed by the Board. A review of best practice and any gaps in governance was conducted by the Board based on these annual reports. The Chairs of the Governance Committees meet quarterly to ensure alignment of governance arrangements and discussion of areas that impact more than one Committee.

Details of the Committees which were in operation throughout 2024-25 and their remits are set out below.

Committee	Principal function
Audit and Risk	To assist the Board to deliver its responsibilities for the issues of risk, control and governance and associated assurance through a process of constructive challenge. Financial and information governance is assured by the Committee.
Executive Remuneration	To assist the Board in discharging its responsibilities for staff employed on executive and senior management terms and conditions and remuneration arrangements ('executive cohort') and to maintain the highest possible standards of corporate governance in this area. In addition, the Committee takes an overview of the wider Executive Team, some of whom are employed on 'Agenda for Change' terms and conditions and remuneration arrangements.
Quality and Performance	Responsible for providing assurance to the Board in relation to progress against delivery of the organisational strategy. The Committee will assure the Board that the organisation is delivering to the highest quality and will monitor performance, including the appropriate provision of clinical and care expertise. Clinical and care governance is assured by this Committee.
Scottish Health Council	Responsible for oversight of the governance and assurance of the statutory duties of Healthcare Improvement Scotland as set out in the National Health Service (Scotland) Act 1978 as amended by the Public Service Reform (Scotland) Act 2010: 1. ensuring, supporting and monitoring NHS boards' compliance with the duty to involve the public; and 2. ensuring, supporting and monitoring NHS boards' compliance with the duty of equal opportunities (in relation to the provision of services and public involvement). Governance for engagement is assured by this Committee.
Staff Governance	Holds the organisation to account in terms of meeting the requirements of the NHSScotland Staff Governance Standard. More specifically, the role of the Committee is to support and maintain a culture where the delivery of the highest possible standard of staff management is understood to be the responsibility of everyone working within the organisation and is built upon partnership and collaboration. Finally, the Committee ensures that robust arrangements to implement the Standard are in place and monitored, and that any associated risks assigned to the Committee are managed.
Succession Planning	Improve the diversity of the membership of the Healthcare Improvement Scotland Board by: 1. leading the process for Non-Executive Board appointments to ensure it captures a more diverse applicant pool and providing advice and recommendations to the Board; 2. leading the review and evaluation of the skills, knowledge, diversity and expertise of current non-executive directors on an annual basis in line with the Blueprint for Good Governance; and 3. working with and influence the Scottish Government approach to Public Appointments.

Attendance at the Board and Committee meetings by non-executive directors during 2024-25 is set out below.

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

Corporate governance

The framework for corporate governance is reviewed on an ongoing basis with any amendments being considered by the Audit and Risk Committee and approved by the Board. The Governance Committees of the Board undertake an annual review of their terms of reference when they are completing their annual reports.

The Board and Executive Team undertook the national self-assessment exercise against the Blueprint for Good Governance at the end of 2023 and the subsequent development plan has been actioned and reported to the Board during 2024-25.

Strategic direction

Our work continues to be guided by the priorities set out in our Strategy 2023-28. At our Annual Review in November 2024, we highlighted how our activity across the year and future areas of focus supported our strategic priorities. These have also underpinned the development of our 3-year plan 2024-27 and Annual Delivery Plan 2025-26, and are reflected in our work programme, performance reporting and KPIs.

Review of performance, quality and best value

A performance report is provided quarterly to the relevant committees and the Board. The report includes an assessment of progress against our work programme objectives with a particular focus on delivery which is delayed and any specific areas at risk of non-delivery. It also details progress against our Key Performance Indicators in relation to corporate and operational delivery, and emerging/new work commissions. We also continue to incorporate best value assessments to ensure we demonstrate and evidence the efficient and effective use of staff and other resources in accordance with the principles of Best Value alongside an indication of Healthcare Improvement Scotland's contribution to the NHSScotland Value-Based Health and Care Action Plan. A Best Value Annual Review will be submitted to the Quality and Performance Committee later in the year.

Stakeholder engagement

We engage with our stakeholders in several ways to make sure our work meets their needs.

Our Chair and Chief Executive have met with key stakeholders and partners throughout the year, including regular meetings with other NHS boards, as well as meeting with the Care Inspectorate and the Cabinet Secretary for Health and Social Care. Matters discussed include external strategic and policy developments which may impact the organisation, for example the National Care Service, safety in the health and care system, independent healthcare, and NHS reform and renewal. These discussions informed the progression of our work throughout the year, as well as our planning into 2025-26.

Our Chief Executive and Chair met with the Minister for Public Health and Women's Health, as well as the Minister for Drugs and Alcohol Policy. This gave us the opportunity to discuss ministerial priorities and the work that Healthcare Improvement Scotland is delivering in support of these. Jenni Minto MSP also joined one of our monthly all-staff huddles where Healthcare Improvement Scotland colleagues were able to ask questions.

Our Chair met with the Chair of the General Medical Council, Professor Dame Carrie MacEwen. Our Chair also joined a four nations meeting of the Chairs from the Care Quality Commission, Care Inspectorate (Scotland), Care Inspectorate Wales, Regulation and Quality Improvement Authority and Healthcare Improvement Scotland.

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

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

We were engaged in the ongoing legislative process for the National Care Service (Scotland) Bill, now called the Care Reform (Scotland) Bill. We also supported the post-legislative scrutiny of the Social Care (Self-directed Support) (Scotland) Act 2013.

To do so, we gave evidence to the Health, Social Care and Sport Committee. We also responded to consultations and parliamentary inquiries.

Additionally, we were involved in several public inquiries: the UK and Scottish Covid-19 Inquiries, the Scottish Hospitals Inquiry, the Scottish Child Abuse Inquiry, and the Eljamel and NHS Tayside Inquiry. The inquiries are at different stages, and we are committed to appropriately supporting each of them. To date, this has consisted of responding to voluntary and formal requests for information.

Internal control environment

An annual review of internal controls at Healthcare Improvement Scotland is undertaken in line with the assurance framework set out in the Scottish Public Finance Manual. During the year there were no matters identified for review and an update has been provided below on the two items raised during 2023-24.

Responding to Concerns

Following an upheld complaint in January 2023 regarding safety concerns raised by emergency department consultants not being adequately reviewed by Healthcare Improvement Scotland, we commissioned an external review of our processes and the outcome was presented at the December 2024 meeting of the Healthcare Improvement Scotland Board. The review identified areas for oversight and learning, which have been implemented throughout the year and will continue into 2025-26.

Independent Healthcare

In 2023-24 a lapse in our processes and inadequate local governance led to a possible misinterpretation of the technical guidance on ventilation with respect to its application to aspects of the independent healthcare sector. During the year we updated our guidance and processes and appraised the relevant research literature alongside legal considerations. Further details can be found in Note 11.

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

Financial control environment

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

There is an established Complaints and Whistleblowing policy in place within Healthcare Improvement Scotland. Details of both are reported to the relevant Committees and Board, with a Board member appointed as Whistleblowing Champion. There were no concerns raised through the whistleblowing policy in 2024-25 (2023-24: nil).

Healthcare Improvement Scotland works in partnership with Counter Fraud Services to proactively manage the risk of fraud. During the year, staff completed a mandatory training module and the Fraud Annual Action Plan which includes nine components for review, was successfully implemented.

There were no reported material instances of fraud during the year (2023-24: nil).

Internal Audit

The 2024-25 Internal Audit Plan, approved by the Audit and Risk Committee, included a range of reviews that were prioritised based on the risk register. All recommendations by Internal Audit are recorded in a register

to create an action plan and progress against these actions is reported to each meeting of the Audit and Risk Committee by our Internal Audit Partner.

Internal Audit presented their Annual Report to the Audit and Risk Committee on 23 June 2025. In their opinion, Healthcare Improvement Scotland has a framework of controls in place that provides significant assurance, with minor improvement opportunities, regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

Staff Governance

The Healthcare Improvement Scotland Code of Conduct sets out the fundamental standards of behaviour expected from all employees. It outlines key policies and responsibilities relating to remuneration, confidentiality, acceptance of gifts and hospitality and the requirement for staff to declare relevant interests and maintain appropriate registration.

Our 2024 iMatter staff survey achieved an impressive 90% response rate, slightly down from 92% the previous year, yet still the highest response rate among all NHS boards in Scotland. The organisation's employee engagement index score experienced a modest decrease, moving from 80 in 2023 to 75 in 2024.

We were proud to achieve **Equally Safe at Work** employer accreditation in 2024-25, following our participation in the NHSScotland pilot of the programme. This recognition reflects our organisational commitment to promoting gender equality and preventing violence against women in the workplace and supports a broader culture of fairness and respect.

Continuing to adapt our workforce approach, we took steps to make Healthcare Improvement Scotland a more flexible and attractive place to work. This included the implementation of a reduced full-time working week, from 37.5 to 37 hours, as agreed under the Agenda for Change pay settlement. This change aims to support improved work-life balance, employee wellbeing, and retention across the organisation.

To support transparent and well-governed change, our **Transformational Oversight Board** continued to meet regularly. The Board, comprising of leadership and staff-side representatives, plays a central role in reviewing proposed organisational changes and ensuring lessons from past transitions are applied to future developments.

To maintain a continued emphasis on supporting staff wellbeing, our health and wellbeing group met regularly throughout the year. The group ensured the continued availability of initiatives such as weekly meditation sessions and ongoing wellbeing support, helping to create a supportive and healthy working environment.

In 2024-25, we introduced a refreshed approach to learning and development through the launch of HIS Campus. This model reflects a more flexible and responsive way of developing our workforce. It was designed in recognition of the significant organisational change in recent years and allows us to adjust our learning strategy as needed to reflect shifting priorities, ultimately helping to foster a culture of continuous development and adaptability across the organisation.

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 Network and Information Systems Regulations audit which helps assess our cyber-security preparedness and minimise our exposure to cyber risks and business disruptions
- the maintenance of an organisation-wide risk register, formally reviewed by the Executive Management Team, the Audit and Risk Committee, and the Board
- the performance appraisal system for all staff, with personal objectives and development plans designed to support the Board in the attainment of the corporate objectives set out in the Annual Operating Plan
- the work of the service auditors in relation to the control frameworks operated by the following, which are reported through the Annual Service Audit Reports:
    - Atos and NHS National Services Scotland Digital and Security in the discharge of their services to support National IT Services on behalf of NHS boards
    - NHS National Services Scotland in the discharge of their services to operate payroll on behalf of several NHS boards
    - NHS Ayrshire and Arran in the discharge of their services to operate the National Single Instance (NSI) financial ledger services on behalf of NHS boards

For the year 2024-25, the Service Audit Reports in relation to the NSI financial ledger was unqualified. The payroll audit contained a minor qualification due to exceptions identified within the controls environment. The IT audit contained a minor qualification due to exceptions identified within access controls. Both of these are being addressed by NHS National Services Scotland (NSS).

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

3

Remuneration report

Section 3: Remuneration report

Determination of senior employee's remuneration

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

The Executive Remuneration Committee met on 24 June 2025 to appraise the performance of all executive and senior managers for the year 2024-25. They considered the performance review information against the objectives that had been set for 2024-25. On this basis, each post holder was assigned one of the five performance bands. There were eight executive managers included in this process. There were no bonus payments made to senior management during the year (2023-24: £0).

NHS Circular PCS (ESM) 2024/2, issued on 08 November 2024 gave effect to the pay uplift for the Executive cohort from 1 April 2024. NHS Circular PCS (ESM) 2025/1 issued on the 27 January 2025 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 2025 (audited information)

	Gross salary (Bands of £5,000)	Benefits in kind (£000)	Total earnings (Bands of £5,000)	Pension benefits (£000)	Total remuneration (Bands of £5,000)	Notes
Executive members:						
Chief Executive: R Pearson	145-150	-	145-150	207	350-355	
Non-Executive members:						(Note 1)
The Chair: C Wilkinson	40-45	-	40-45	-	40-45	(see Note 2 below)
Employee Director: D Service	65-70	-	65-70	59	125-130	Includes £58k in respect of non-Board duties.
S Dawson	15-20	-	15-20	-	15-20	
G Graham	0-5	-	0-5	-	0-5	Appointment ended 30 Jun 2024 Annualised salary £10k-£15k
E McPhail	15-20	-	15-20	-	15-20	
N Maran	10-15	-	10-15	-	10-15	
K Charters	10-15	-	10-15	-	10-15	
N Hanssen	10-15	-	10-15	-	10-15	
A Agarwal	10-15	-	10-15	-	10-15	
R Tinlin	10-15	-	10-15	-	10-15	
M Rogers	10-15	-	10-15	-	10-15	
D Moodie	-	-	-	-	-	(see Note 2 below)
J Kilbee	10-15	-	10-15	-	10-15	
J Lund	0-5	-	0-5	-	0-5	Appointed 15 Jan 2025 Annualised salary £10k-£15k
Sub total		**-**		**266**		

	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
Other senior employees:						
Deputy Chief Executive: A Gow	120-125	-	120-125	95	215-220	See Note 3 below
Director of Quality Assurance and Regulation: L Cleland	65-70	-	65-70	19	80-85	Resigned 31 Oct 2024 Annualised Salary £110k - £115k
Director of Workforce: S Canavan	100-105	-	100-105	66	165-170	
Director of Evidence and Digital: S Qureshi	105-110	-	105-110	58	160-165	
Medical Director and Director of Safety: S Watson	210-215	-	210-215	186	400-405	Includes £31k for services provided to NHS Lothian via a secondment agreement
Director of Finance, Planning and Governance: A Moodie	110-115	-	110-115	29	135-140	
Director of Community Engagement and Transformational Change: C Morrison	95-100	-	95-100	51	150-155	
Director of Quality Assurance and Regulation: E Docherty	15-20	-	15-20	8	20-25	Appointed 17 Feb 2025 Annualised salary £135k -£140k See Note 4 below
Interim Director of Nursing and Systems Improvement: M Hastings	45-50	-	45-50	28	70-75	Appointed 1 Nov 2024 Annualised salary £100k - £105k
Sub Total		**-**		**540**		
Grand Total		**-**		**806**		

Note 1 Non-Executive members are paid on a daily rate and therefore it would not be appropriate to show full year equivalent figures.

Note 2 The Chair of Healthcare Improvement Scotland, C Wilkinson, and the Chair of the Care Inspectorate, D Moodie, are Non-Executive members of one another's Boards. In both cases no one received any remuneration from the Non-Executive appointment, with all payments being made on a quid pro quo basis by the Board they Chair.

Note 3 Until 31 October 2024, A Gow served as Director of Nursing and Systems Improvement. She retired from her role as Director of Quality Assurance and Regulation on 31 March 2025 and continues to serve as Deputy Chief Executive.

Note 4 E Docherty was seconded to this position from NHS Lanarkshire and the recharge for the year was £20k.

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

	Gross salary	Benefits in kind	Total earnings	Pension benefits	Total remuneration	Notes
	(Bands of £5,000)	(£000)	(Bands of £5,000)	(£000)	(Bands of £5,000)	
Executive members:						
Chief Executive: R Pearson	135-140	-	135-140	-	135-140	
Non-Executive members:						(Note 2)
The Chair: C Wilkinson	25-30	-	25-30	-	25-30	(see Note 1 below)
D Service (Employee Director)	60-65	-	60-65	7	60-65	Includes £55k in respect of non-Board duties. Also see Note 3
J Brock	0-5	-	0-5	-	0-5	Appointment ended 30 Sep 2023 Annualised salary £5k-£10k
S Dawson	10-15	-	10-15	-	10-15	
G Graham	5-10	-	5-10	-	5-10	
E McPhail	5-10	-	5-10	-	5-10	
N Maran	0-5	-	0-5	-	0-5	Appointed 2 Oct 2023 Annualised salary £5k - £10k
K Charters	5-10	-	5-10	-	5-10	
N Hanssen	5-10	-	5-10	-	5-10	
A Agarwal	5-10	-	5-10	-	5-10	
R Tinlin	5-10	-	5-10	-	5-10	
M Rogers	5-10	-	5-10	-	5-10	
D Moodie	0-5	-	0-5	-	0-5	(see note 1 below)
J Kilbee	5-10	-	5-10	-	5-10	
Sub total		**-**		**7**		
Other Senior Employees:						
Nurse Director / Deputy Chief Executive: A Gow	110-115	-	110-115	3	115-120	
Director of Improvement: R Glassborow	45-50	-	45-50	-	45-50	Resigned 3 Sep 2023 Annual gross salary £105k- £110k. Also see note 3.
Director of Quality Assurance: L Cleland	100-105	-	100-105	29	135-140	
Director of Workforce: S Canavan	95-100	-	95-100	17	115-120	
Director of Evidence and Digital: S Qureshi	100-105	-	100-105	45	140-145	
Medical Director and Director of Safety: S Watson	190-195	-	190-195	31	220-225	Includes £28k for services provided to NHS Lothian via a secondment agreement
Director of Finance, Planning and Governance: A Moodie	100-105	-	100-105	28	130-135	
Director of Community Engagement and Transformational Change C Morrison	90-95	-	90-95	8	95-100	
Sub Total		**0**		**161**		
Grand Total		**0**		**168**		

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

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

Note 3 Non-Executive members are paid on a daily rate and therefore it would not be appropriate to show full year equivalent figures.

Pension benefits (audited information) for the year ended 31 March 2025

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 2025

	Total accrued pension at pension age	Total accrued lump sum at pension age	Real increase in pension at age	Real increase in lump sum at pension age	CETV at 31 March 2024	CETV at 31 March 2025	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: R Pearson	75-80	85-90	10-12.5	10-12.5	1,057	1,267	172
Other senior employees:							
Employee Director: D Service	30-35	25-30	2.5-5	2.5-5	453	519	50
Director of Quality Assurance and Regulation /Deputy Chief Executive: A Gow	55-60	150-155	5-7.5	7.5-10	1,206	1,352	109
Director of Quality Assurance and Regulation: L Cleland	10-15	-	0-2.5	-	122	143	10
Director of Workforce: S Canavan	40-45	105-110	2.5-5	5-7.5	843	942	72
Director of Evidence and Digital: S Qureshi	35-40	85-90	2.5-5.0	2.5-5	756	848	65
Medical Director and Director of Safety: S Watson	65-70	175-180	7.5-10	17.5-20	1,272	1,502	184
Director of Finance, Planning and Governance: A Moodie	5-10	-	0-2.5	-	69	97	12
Director of Community Engagement and Transformational Change: C Morrison	15-20	40-45	2.5-5	2.5-5	301	362	43
Interim Director of Nursing and Systems Improvement: M Hastings	25-30	-	0-2.5	-	380	454	61
Director of Quality Assurance and Regulation: E Docherty	45-50	110-115	0-2.5	0-2.5	907	1,009	85

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

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

During the year, there were nil (2023-24: nil) Non-Executive Directors that were members of the pension scheme and therefore the value of accruing pension benefits was nil (2023-24: nil).

The real increase in CETV is less than the movement from opening to closing CETV due to inflation and the impact of employee pension contributions.

Fair pay disclosures (audited information)

	2024-25	2023-24
Range of staff remuneration	£20,000 - £25,000 to £210,000 to £215,000	£15,000 - £20,000 to £195,000 - £200,000
Highest earning director's total remuneration	£210,000 - £215,000	£190,000 - £195,000
Median (salary only)	£49,709	£46,950
Ratio	4.27	4.10
25th percentile (salary only)	£39,358	£35,279
Ratio	5.40	5.46
75th percentile (salary only)	£60,127	£57,862
Ratio	3.53	3.33

The highest earning director's remuneration has increased by 10.4% (2023–24: 5.5%) since last year, which is in line with national pay awards. The average percentage change in nominal average salaries increased by 5.2% (2023–24: increase of 8.6%) due to the pay awards delivered at a national level for NHSScotland. The median pay ratio is consistent with the pay, reward and progression policies for HIS employees taken as a whole.

4

Staff report

Section 4: Staff report

Changes to the roles of senior staff

Changes have occurred within the Executive Team throughout the year. E Docherty joined the organisation as Director of Quality Assurance and Regulation in February 2025. Prior to this, following the resignation of L Cleland, the previous Director of Quality Assurance and Regulation, the role was temporarily filled by A Gow, the former Director of Nursing and Systems Improvement. Additionally, M Hastings has taken up the position of Interim Director of Nursing and Systems Improvement since November 2025.

Higher paid employees remuneration (audited information)

Clinical staff	2024-25	2023-24
£70,001 to £80,000	3	4
£80,001 to £90,000	5	5
£90,001 to £100,000	5	1
£100,001 to £110,000	1	2
£110,001 to £120,000	-	1
£120,001 to £130,000	2	-
£150,001 to £160,000	-	1
£170,001 to £180,000	1	-
£190,001 to £200,000	-	1
£200,001 and above	1	-

Other staff non-clinical	2024-25	2023-24
£70,001 to £80,000	24	19
£80,001 to £90,000	7	5
£90,001 to £100,000	4	9
£100,001 to £110,000	10	3
£110,001 to £120,000	2	1
£120,001 to £130,000	2	-
£130,001 to £140,000	1	1
£140,001 to £150,000	1	-
£170,001 to £180,000	1	-

The number of other staff non-clinical in 2024-25 have increased during the year due to the pay awards delivered at a national level for NHSScotland.

Staff expenditure (audited information)

2023-24 Total		Executive Board members	Non-Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2024–25 Total
£000		£000	£000	£000	£000	£000	£000	£000
Staff costs								
25,776	Salaries and wages	1,077	182	26,870	-	-	(142)	27,987
2,909	Social security costs	136	9	3,001	-	-	-	3,146
5,163	NHS scheme employers' costs	233	-	5,818	-	-	-	6,051
1,817	Inward secondees	-	-	-	1,921	-	-	1,921
356	Agency staff	-	-	-	-	28	-	28
36,021		1,446	191	35,689	1,921	28	(142)	39,133
-	Compensation for loss of office or early retirement	-	-	261	-	-	-	261
36,021	**TOTAL**	**1,446**	**191**	**35,950**	**1,921**	**28**	**(142)**	**39,394**

Staff numbers (audited information)

2023–24 Average		Executive Board members	Non-Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2024–25 Average
Staff numbers								
548	Whole time equivalent (WTE)	1	1	558	16	1	(2)	575
-	Included in the total staff numbers above were staff engaged directly on capital projects, charged to capital expenditure of:	-	-	-	-	-	-	-
36	Included in the total staff numbers above were disabled staff of:	-	-	36	-	-	-	36
-	Included in the total staff numbers above were Special Advisers of:	-	-	-	-	-	-	-

Reconciliation of staff costs to Note 3 employee expenditure

	£000
Total employee expenditure 2024-25 as above	39,394
Add employee income (outward secondees above) included in Note 4	142
Total employee expenditure disclosed in Note 3	39,536

Staff composition – payroll only (unaudited information)

	At 31 March 2025			At 31 March 2024		
	Male	Female	Total	Male	Female	Total
Executive directors	1	-	1	1	-	1
Non-Executive directors and employee director	5	7	12	4	8	12
Senior employees	18	48	66	14	38	52
Other	114	416	530	117	391	508
Total headcount	138	471	609	136	437	573

Sickness absence data (unaudited information)

	At 31 March 2025	At 31 March 2024
Sickness absence rate	4.2%	3.5%

Staff turnover – payroll only (unaudited information)

	At 31 March 2025	At 31 March 2024
Staff turnover	83	74
Headcount	596	573
Percentage staff turnover	13.9%	12.9%

Employment of disabled persons

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

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

Staff Governance

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

We continued to engage regularly with our Partnership Forum, comprising Board members, management, and staff representatives, to discuss key matters such as service delivery, terms and conditions, and to consider recommendations from the review of our organisational change processes.

The Partnership Forum continues to assess changes in the external environment and the implications for how HIS operates and prioritises its efforts. This aligns with our strategic ambition to be an exemplar employer. Drawing on insights from iMatter, Pulse Surveys, and other staff feedback, the Forum plans to implement organisation-wide actions in 2025, aimed at shaping a clearer and more consistent vision of the HIS employee experience. Central to this work is embedding partnership working at every level of the organisation.

In 2024–25, the Partnership Forum supported the adoption and successful launch of the **Carers Passport**. This initiative enables staff and managers to have meaningful conversations about flexible working arrangements, helping individuals balance their roles at HIS with caring responsibilities.

Following the introduction of the **NHSScotland Workforce Policies – Supporting Work-Life Balance** in November 2023, a second phase of refreshed policies—comprising eight updated policies and four guidance notes—was soft launched in November 2024 under the Once for Scotland Workforce Policies 2.2 programme. A formal launch is anticipated in 2025–26.

To ensure fairness and inclusivity, a proactive **Equality and Diversity Working Group**—established in partnership and reporting to the Staff Governance Committee—oversees the equality impact assessment of all national policy updates. The group also reviews the Equalities Monitoring Report before it is submitted to the Committee. Additionally, following participation in the NHSScotland pilot of the Equally Safe at Work programme, Healthcare Improvement Scotland achieved employer accreditation and formal recognition for its commitment to gender equality and workplace safety in 2023–24.

Health and safety

In 2024–25, Healthcare Improvement Scotland made significant strides in enhancing transparency and compliance in safety-related areas. Notably, 82.4% of colleagues completed their Display Screen Equipment (DSE) assessments, ensuring that 467 staff members received the appropriate equipment to support their ergonomic needs. This marked an increase in participation, with non-respondents largely accounted for by staff who were either satisfied with previous assessments, not in post during the assessment period, or whose short-term contracts had ended.

Training compliance also improved across key safety modules. In 2024–25:

- 81% of staff completed the Fire Safety module
- 70% completed the Health and Safety Induction
- 62% completed the Moving and Handling online training

There were no recorded Lost Time Incidents or Reporting of Injuries, Diseases and Dangerous Occurrences Regulations events during the year.

Recruitment

We continue to play an active and strategic role in recruitment across the NHSScotland system, ensuring alignment with national priorities and the adoption of evolving best practices. The organisation is committed to developing and implementing consistent, high-quality recruitment processes that support a modern, flexible workforce.

As part of this commitment, the Director of Workforce represents Healthcare Improvement Scotland nationally as the designated Board member on the NHSScotland National Recruitment Steering Group, which provides strategic oversight and coordination of recruitment activities across regional structures.

Also, in 2024–25 we contributed to the NHSScotland eRostering Collaboration Hub and its sub-groups, supporting shared learning and system-wide collaboration in the development of digital workforce planning tools and solutions.

Exit packages (audited information)

Exit Package cost band	Number of Compulsory 2024/25	Number of other departures agreed 2024/25	Number of exit packages 2023/24
Between £25,000 and £50,000	-	1	-
Between £50,000 and £100,000	-	3	-
Total number of exit packages by type	-	4	-
Total Resource Cost (£'000)	-	£261	-

During the year, a time-limited voluntary redundancy scheme was offered to a targeted group of senior managers. This initiative was part of the organisations strategic response to the evolving needs of the wider NHS system.

Facility time – union (unaudited information)

	2024-25	2023-24
Number of employees who were relevant union officials during the relevant period	7.8	10.6
WTE equivalent employee number	1.4	1.2
Percentage of time:		
0%	-	2.0
1-50%	8.0	9.0
51-99%	-	-
100%	-	-
Total cost of facility time	£98,526	£85,161
Total pay bill	£39,396,063	£34,230,832
Percentage of the total pay bill spent on facility time	0.25%	0.25%
Time spent on paid trade union activities as a percentage of total paid facility time hours	100%	100%

5

Parliamentary accountability report

Section 5: Parliamentary accountability report

Losses and special payments

During the year 2024-25 we paid £261k of redundancy payments (2023-24: nil). There were no losses or special payments above £300k.

Remote contingent liabilities

There were no remote contingent liabilities recognised during 2024-25 (2023-24: nil).

Fees and charges

Independent healthcare (audited information)

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

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

The table below summarises the outturn for the financial year 2024-25 and prior years. This information has been reviewed and is subject to the audit opinion.

Outturn	2024-25	2023-24	2022-23	2021-22
	£000	£000	£000	£000
Income	1,382	1,515	1,040	1,030
Scottish Government funding	252	565	360	150
Expenditure	(1,636)	(2,081)	(1,330)	(990)
Surplus/(deficit)	**(2)**	**(1)**	**70**	**190**

The position regarding the registration of independent clinics at 31 March 2025 is shown below. Comparative information for the prior years is also provided.

Independent clinics	As at 31 March 2025	As at 31 March 2024	As at 31 March 2023	As at 31 March 2022
Clinics registered	554	540	513	485
Applications being processed by the Inspectorate	42	54	33	38
Applications yet to commence	15	31	3	12
Services that may still require to be registered	75	135	120	95
Total	**686**	**760**	**669**	**630**

Robbie Pearson

Robbie Pearson

Chief Executive

30 June 2025

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Independent auditor's report

Section 6: 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 (the board) for the year ended 31 March 2025 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2024/25 Government Financial Reporting Manual (the 2024/25 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 2025 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 2024/25 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

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

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the board;

- inquiring of the Accountable Officer concerning the board's policies and procedures regarding compliance with the applicable legal and regulatory framework;

- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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Claire Gardiner CPFA
Audit Director
102 West Port
Edinburgh
EH3 9DN
30 June 2025

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Financial statements

Section 7: Financial statements

Statement of comprehensive net expenditure

For the year ended 31 March 2025

Employee expenditure	Note	**2025** £000	**2024** £000
	3a	39,536	36,323
Other healthcare expenditure	3b	6,477	7,716
Gross expenditure for the year		46,013	44,039
Less: operating income	4	(2,193)	(2,296)
Comprehensive net expenditure		43,820	41,743

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

Statement of financial position

As at 31 March 2025	Note	2025 £000	2024 £000
Non-current assets			
Property, plant and equipment	7	1,333	1,510
Intangible assets	6	-	-
Right of use assets	13	2,790	3,715
Total non-current assets		4,123	5,225
Current assets			
Financial assets:			
Trade and other receivables	8	745	551
Cash and cash equivalents	9	1,209	1,107
Total current assets		1,954	1,658
Total assets		6,077	6,883
Current liabilities			
Provisions	11	(615)	(613)
Financial liabilities:			
Trade and other payables	10	(5,401)	(5,504)
Total current liabilities		(6,016)	(6,117)
Non-current assets less net current liabilities		61	766
Non-current liabilities			
Provisions	11	(652)	(433)
Trade and other payables	10	(2,386)	(3,267)
Total non-current liabilities		(3,038)	(3,700)
Assets less liabilities		(2,977)	(2,934)
Taxpayers' equity			
General fund	SoCTE	(2,977)	(2,934)
Total taxpayers' equity		(2,977)	(2,934)

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

The financial statements on pages 60-63 were approved by the Board on 30 June 2025 and signed on their behalf by for the year ended 31 March 2025.

AMoodie

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Angela Moodie

Director of Finance, Planning and Governance

30 June 2025

Robbie Pearson

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Robbie Pearson

Chief Executive

30 June 2025

Statement of cash flows

For the year ended 31 March 2025

	Note	2025 £000	2024 £000
Cash flow from operating activities			
Net expenditure	SoCTE	(43,820)	(41,743)
Adjustments for non-cash transactions	2b	823	833
Add back: interest payable recognised in net operating expenditure	2b	34	40
Movements in working capital	2c	(119)	159
Net cash outflow from operating activities		(43,082)	(40,711)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(41)	(91)
Net cash outflow from investing		(41)	(91)
Cash flows from financing activities			
Funding		43,776	41,455
Movement in general fund working capital		102	(226)
IFRS 16 –cash lease payment		(619)	(613)
Interest element of leases		(34)	(40)
Net financing		43,225	40,576
Net increase/(decrease) in cash and cash equivalents in the period		102	(226)
Cash and cash equivalents at the beginning of the period		1,107	1,333
Cash and equivalents at the end of the period		1,209	1,107
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash in year		102	(226)
Net cash at 1 April	9	1,107	1,333
Net cash as at 31 March	9	1,209	1,107

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

Statement of changes in taxpayers' equity

For the year ended 31 March 2025	£000
Balance at 31 March 2024	(2,934)
Changes in taxpayers' equity for 2024-25	
Net operating cost for the year	(43,820)
Total recognised income and expense for 2024-25	(43,820)
Funding:	
Drawn down	43,879
Movement in general fund creditor	(102)
Balance at 31 March 2025	(2,977)

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

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

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Notes to the financial statements

Section 8: Notes to the financial statements

Accounting policies for the year ended 31 March 2025

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 Accounts have been prepared in accordance with the Government Financial Reporting Manual (FReM) issued by HM Treasury, which follows International Financial Reporting Standards (IFRS) as adopted by the United Kingdom, Interpretations issued by the IFRS Interpretations Committee (IFRIC) and the Companies Act 2006, to the extent that they are meaningful and appropriate to the public sector. They have been applied consistently in dealing with items considered material in relation to the accounts.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 24 below.

Standards, amendments, and interpretations effective in current year: There are no new standards, amendments, or interpretations effective in the year 2024-25.

Standards, amendments, and interpretations issued but not adopted this year: The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2024-25 financial year.

Standard	Current status
IFRS 14 Regulatory Deferral Accounts	Effective for accounting periods starting on or after 1 January 2016. This is not applicable to NHS Scotland 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 is from April 2025.
IFRS 18 Presentation and disclosure in financial statements	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted HM Treasury.
IFRS 19 Subsidiaries without public accountability: disclosures	Effective for periods starting on or after 1 January 2027, this standard has not yet been endorsed by the UKEB or adopted by HM Treasury.

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 2026 has been confirmed by Scottish Government and Healthcare Improvement Scotland will continue to carry out its current functions as agreed in its latest annual delivery plan (ADP). Healthcare Improvement Scotland is also not aware of any Scottish Government policy change which would result in Healthcare Improvement Scotland ceasing to exist in the foreseeable future.

4. Accounting convention

The financial statements are prepared on a historical cost basis.

5. Funding

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

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

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

6. Expenditure

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

7. Property, plant and equipment

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

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

Property, plant, and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes.
- it is probable that future economic benefits will flow to, or service potential be provided to, Healthcare Improvement Scotland.
- it is expected to be used for more than one financial year; and the cost of the item can be measured reliably.

All assets falling into the following categories are capitalised:

- Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- Assets of lesser value may be capitalised where they form part of a group of similar assets purchased at approximately the same time and cost over £20,000 in total, or where they are part of the initial costs of equipping a new development and total over £20,000.

Measurement valuation

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

Subsequent expenditure

Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to Healthcare Improvement Scotland and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria, the expenditure is charged to the statement of comprehensive net expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether it has been depreciated separately.

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

- Buildings, installations, and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements
- Equipment is depreciated over the estimated life of the asset
- Property, plant, and equipment held under finance leases are depreciated over the shorter of the lease term and the estimated useful life

Depreciation is charged on a straight-line basis. The following asset lives have been used:

Asset category/component	Useful life (years)
Buildings (excluding dwellings)	8-15
Plant and machinery	1-5
Information technology	3-5
Furniture and fittings	3-5

8. Intangible assets

Recognition

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

Intangible assets that meet the recognition criteria are capitalised when they are capable of being used in Healthcare Improvement Scotland activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

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

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

Measurement Valuation

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

Amortisation

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

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

Amortisation is charged on a straight-line basis.

The following asset lives have been used:

Asset category/component	Useful life (Years)
Software licences	3-5
Information technology software	3-5

9. Leases

Scope and classification

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

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

The following are excluded:

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

Initial recognition

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

Subsequent measurement

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

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

Lease expenditure

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

Estimates and judgements

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

10. Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the statement of comprehensive net expenditure are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

11. General fund receivables and payables

Where Healthcare Improvement Scotland has a positive net cash book balance at the year end, a corresponding creditor is created, and the general fund debited with the same amount to indicate that this cash is repayable to the Scottish Government Health Finance and Governance Directorate. Where Healthcare Improvement Scotland has a net overdrawn cash position at the year end, a corresponding debtor is created, and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the Scottish Government Health Finance and Governance Directorate.

12. Losses and special payments

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

13. Employee benefits

Short-term employee benefits

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

Pension costs

Healthcare Improvement Scotland participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. Healthcare Improvement Scotland is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the statement of comprehensive net expenditure represents Healthcare Improvement Scotland's employer contributions payable to the scheme in respect of the year.

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

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

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

14. Clinical and medical negligence costs

Employing health bodies in Scotland are responsible for meeting medical negligence costs up to a threshold per claim. Costs above this threshold are reimbursed to employing authorities from a central fund held by the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government.

Healthcare Improvement Scotland provides for all claims notified to the NHS Central Legal Office according to the value of the claim and the probability of settlement. Claims assessed as 'Category 3' are deemed most likely and provided for in full, those in 'Category 2' as 50% of the claim and those in 'Category 1' as nil. The balance of the value of claims not provided for is disclosed as a contingent liability. This procedure is intended to estimate the amount considered to be the liability in respect of any claims outstanding and which will be recoverable from the Clinical Negligence and Other Risks Indemnity Scheme in the event of payment by an individual health body. The corresponding recovery in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets. Healthcare Improvement Scotland also provides for its liability from participating in the scheme. The participation in CNORIS provision recognises the NHS board's respective share of the total liability of NHSScotland as advised by the Scottish Government and based on information prepared by NHS boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in annual managed expenditure provision and is classified as non-core expenditure.

15. Related party transactions

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

16. Value Added Tax

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

17. Provisions

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

18. Contingent liabilities

Contingent liabilities are not recognised but are disclosed in Note 11, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as :

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

19. Corresponding amounts

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

20. Financial Instruments

Financial assets classification

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

Impairment of financial assets

Provisions for impairment of financial assets are made based on expected credit losses. Healthcare Improvement Scotland recognises a loss allowance for expected credit losses on financial assets and this is recognised in the statement of comprehensive net expenditure and by reducing the carrying amount of the asset in the Statement of Financial Position.

Recognition and measurement

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

Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive net expenditure. Financial liabilities are recognised when Healthcare Improvement Scotland becomes party to the contractual provisions of the financial instrument.

A financial liability is removed from the statement of financial position when it is extinguished, that is when the obligation is discharged, cancelled or expired.
Financial liabilities held at amortised cost are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Financial liabilities classification

Healthcare Improvement Scotland classifies its financial liabilities at amortised cost.

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

Recognition and measurement

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

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

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

21. Segmental reporting

Operating segments are reported in a manner in Note 5 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 expenditure shown in Note 3.

22. 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.

23. 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.

24. Key sources of judgement and estimation uncertainty

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

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

Critical judgements

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

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

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

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

Significant estimates

A dilapidations provision is recognised when there is a future obligation relating to the maintenance of leasehold properties. The provision is based on management's best estimate of the obligation which forms part of Healthcare Improvement Scotland's unavoidable cost of meeting its obligations under the lease contracts. Key uncertainties are the estimates of amounts due, and Healthcare Improvement Scotland uses professional advisers as a source for these estimates.

There were no estimates, assumptions, and judgements during 2024-25 that gave rise to a significant risk.

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

2a. Summary of resource outturn

	Note	2025 £000	2024 £000
Summary of core revenue resource outturn			
Net expenditure	SoCNE	43,820	41,743
Total non-core expenditure		(833)	(818)
Total core expenditure		42,987	40,925
Core revenue resource limit		42,987	40,925
Saving against core revenue resource limit		-	-
Summary of non-core revenue resource outturn			
Depreciation/amortisation		218	224
Annually managed expenditure – creation / (release) of provisions		10	(14)
Right-of-Use (RoU) asset depreciation		605	608
Total non-core expenditure		833	818
Non-core revenue resource limit		833	818
Excess		-	-

Summary of resource outturn

	Resource £000	Expenditure £000	Excess £000
Core	42,987	42,987	-
Non-core	833	833	-
Total	43,820	43,820	-

2b. Adjustments for non-cash transactions

	Note	2025 £000	2024 £000
Expenditure not paid in cash			
Depreciation	7	218	225
Amortisation	6	-	-
Depreciation of Right-of-Use (RoU) assets	9	605	608
Total expenditure not paid in cash	SoCF	823	833
Interest payable – leases		34	40

2c. Movements in working capital

	Note	2025 Opening balances £000	2025 Closing balances £000	2024 £000
Trade and other receivables				
Due within one year	8	551	745	24
Net movement		-	(194)	24
Trade and other payables				
Due within one year	10	5,505	5,401	(641)
Due after more than one year	10	3,265	2,386	(649)
Less: General fund creditor included in above	10	(1,107)	(1,209)	226
Less: Lease creditors included in above	13	(3,884)	(2,731)	613
		3,779	3,847	
Net movement		-	68	(451)
Provisions				
Statement of financial position	11	1,046	1,053	586
Net movement		-	7	586
Net movement increase/(decrease) CFS		-	(119)	159

Operating expenses

3a. Employee expenditure

	Note	2025 £000	2024 £000
Medical and dental		3,337	2,426
Nursing		299	222
Other staff		35,900	33,675
Total	SoCNE	39,536	36,323

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

3b. Other healthcare expenditure

	Note	2025 £000	2024 £000
Goods and services from other NHSScotland bodies		2,479	2,867
Goods and services from private providers		3,797	4,775
Goods and services from voluntary services		163	37
External auditors remuneration – statutory audit fee		38	37
Total	SoCNE	6,477	7,716

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

Notes to the financial statements for the year ended 31 March 2025 Note 4

Operating income

	Note	2025 £000	2024 £000
Scottish Government		141	147
NHSScotland bodies		457	487
NHS Non-Scottish bodies		42	11
Independent healthcare		1,381	1,515
Other		172	136
Total income	SoCNE	2,193	2,296

Segmental reporting - net operating cost Note 5

	2025	2024
Directorates	**£000**	**£000**
Chief Executive	530	494
Community Engagement and System Redesign	6,621	6,983
Evidence	9,419	8,563
Finance, Planning, Governance and Communications	2,884	2,664
IT and Digital	2,263	1,978
Medical and Safety	3,932	4,965
Nursing and Systems Improvement	7,417	6,339
One Team / Internal Improvement	626	366
People and Workforce	1,213	1,084
Property	1,138	1,315
Quality Assurance and Regulation	7,777	6,992
Total	43,820	41,743

Intangible assets (non-current)

	Note	Software licences
		£000
Cost or valuation		
At 1 April 2024		398
Disposals		(331)
At 31 March 2025		67
Amortisation		
At 1 April 2024		398
Provided during the year		-
Disposals		(331)
At 31 March 2025		67
Net book value at 1 April 2024		-
Net book value at 31 March 2025	SoFP	-

Prior year

Cost or valuation		
At 1 April 2023		412
Disposals		(14)
At 31 March 2024		398
Amortisation		
At 1 April 2023		412
Provided during the year		-
Disposals		(14)
At 31 March 2024		398
Net book value at 1 April 2023		-
Net book value at 31 March 2024	SoFP	-

Property, plant and equipment

	Buildings (excluding dwellings) £000	Plant and machinery £000	Information technology £000	Total £000
Cost or valuation				
At 1 April 2024	2,153	208	271	2,632
Additions – purchased	-	-	41	41
Disposals	-	-	(52)	(52)
At 31 March 2025	2,153	208	260	2,621
Depreciation				
At 1 April 2024	735	208	179	1,122
Provided during the year	203	-	15	218
Disposals	-	-	(52)	(52)
At 31 March 2025	938	208	142	1,288
Net book value at 1 April 2024	1,418	-	92	1,510
Net book value at 31 March 2025	1,215	-	118	1,333
Asset financing				
Owned	1,215	-	118	1,333
Net book value at 31 March 2025	1,215	-	118	1,333

Property, plant and equipment cont.

Prior year

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

Trade and other receivables

	Note	2025 £000	2024 £000
Receivables due within one year			
NHSScotland			
SGHSCD		16	30
NHS boards		110	40
Total NHSScotland receivables		126	70
NHS non-Scottish Bodies		26	1
VAT recoverable		128	41
Prepayments		363	218
Accrued income		-	16
Other receivables		58	179
Other public sector bodies		44	26
Total receivables due within one year	SoFP	745	551
Total receivables	SoFP	745	551
WGA Classification			
NHS boards		110	40
Central government bodies		188	48
Whole of government bodies		-	-
Balances with NHS bodies in England and Wales		26	1
Balances with bodies external to government		421	462
Total		745	551

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 £264k (2023-24: £158k) is required.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2025, receivables with a carrying value of £40k (2023-24: £5k) were past their due date but not impaired.

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.

	2025 £000	2024 £000
Counterparties with external credit ratings (A)	324	172
Existing customers with no defaults in the past	421	379
Total neither past due nor impaired	745	551

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

Cash and cash equivalents Note 9

	Note	2025 £000	2024 £000
Balance at 1 April		1,107	1,333
Net change in cash and cash equivalent balances	CFS	102	(226)
Balance at 31 March	SoFP	1,209	1,107
Overdrafts		-	-
Total cash – cash flow statement		1,209	1,107
The following balances at 31 March were held at:			
Government banking service		1,129	1,038
Commercial banks and cash in hand		80	69
Balance at 31 March		1,209	1,107

Trade and other payables

	Note	2025 £000	2024 £000
Payables due within one year NHSScotland			
Scottish Government Health Finance and Governance Directorate		20	11
NHS boards	SoFP	782	820
Total NHSScotland Payables		802	831
NHS Non-Scottish bodies		44	-
General fund payable		1,209	1,107
Trade payables		290	176
Accruals		384	693
Deferred income		133	167
Net obligations under leases	13b	345	618
Income tax and social security		894	737
Superannuation	14	787	663
Holiday pay accrual		431	306
Other public sector bodies		33	10
Other payables		49	196
Total payables due within one year	SoFP	5,401	5,504
Net obligations under leases due within 2 years	13b	464	625
Net obligations under leases due after 2 years but within 5 years	13b	1,609	1,911
Net obligations under leases due after 5 years	13b	313	731
Deferred Income		-	-
Total payables due after more than one year	SoFP	2,386	3,267
Total payables		7,787	8,771

	2025 £000	2024 £000
WGA classification		
NHS boards	2,048	820
Central government bodies	2,123	746
Whole of government bodies	820	674
Balances with NHS Bodies in England and Wales	44	-
Balances with bodies external to government	2,752	6,531
Total	7,787	8,771
Borrowings included above comprise:		
Leases	2,731	3,885
The carrying amount and fair value of non-current borrowings are as follows:		
Leases	2,386	3,267

Provisions

	Note	Participation in CNORIS £000	Other £000	Total £000
At 1 April 2024		51	995	1,046
Arising during the year		23	214	237
Utilised during the year		(16)	-	(16)
Reversed unutilised		-	-	-
At 31 March 2025	2c	58	1,209	1,267

Analysis of expected timing of discounted flows to 31 March 2025:

	Note	Participation in CNORIS £000	Other £000	Total £000
Payable in one year	SoFP	15	600	615
Payable between 1- 5 years	SoFP	35	609	644
Payable between 5-10 years	SoFP	3	-	3
Thereafter	SoFP	5	-	5
Total as at 31 March 2025		58	1,209	1,267

Prior year

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

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

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

Provisions cont.

Participation in CNORIS

Healthcare Improvement Scotland share of the total CNORIS liability of NHSScotland

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

Dilapidations

The dilapidations provision relates to a leased property in Glasgow (Delta House) and was £609k at 31 March 2025 (2023-24: £395k). Management reviewed this provision during the year considering inflation and market rates and and deemed the provision reasonable.

Regulation of independent healthcare

At 31 March 2025 a provision of £600k (2023-24: £600k) has been recognised in relation to possible claims from independent healthcare clinics operating from fixed premises. This relates to interpretation of the technical guidance on ventilation with respect to its application to the independent healthcare sector between the period July 2023 and March 2024.

Capital commitments Note 12

Healthcare Improvement Scotland has no capital commitments during the year (2023-24: nil).

Note 13

Leases

13a) Leases assets	Buildings (excluding dwellings) £000	Total £000
Cost or valuation		
At 1 April 2024	4,931	4,931
Additions	232	232
Re-measurement	(552)	(552)
At 31 March 2025	4,611	4,611
Depreciation		
At 1 April 2024	1,216	1,216
Provided during the year	605	605
At 31 March 2025	1,821	1,821
Net book value at 1 April 2024	3,715	3,715
Net book value at 31 March 2025	2,790	2,790

Healthcare Improvement Scotland's lease assets at 31 March 2025 are comprised of two material leases (2024 - two) regarding office accommodation; one at Delta House, West Nile Street, Glasgow (NBV at 31 March 2025 of £1.5m) and also at Gyle Square, Edinburgh (NBV at 31 March 2025 of £1.3m). The 4th floor of the Delta House office is sub-let to another NHS board, National Services Scotland.

On 31 March 2025, a modification to the Delta House lease was agreed with the landlord resulting in a downward re-measurement of the lease asset (and corresponding lease liability) of £552k.

Leases assets - prior year

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

Leases cont.

13b) Leases liabilities

	Buildings (excluding dwellings) £000	Total £000
Amounts falling due		
Not later than one year	345	345
Later than one year, not later than two	464	464
Later than two years, not later than five	1,609	1,609
Later than five years	313	313
Balance at 31 March 2025	2,731	2,731

Leases liabilities - prior year

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

	2025 £000	2024 £000
Amounts recognised in the statement of comprehensive net expenditure		
Depreciation	605	608
Interest expenses	34	40
Non recoverable VAT on lease payments	131	131
Total	770	779

Amounts recognised in the statement of cashflow		
Interest expense	34	40
Repayments of principal leases	619	613
Total	653	653

Pension costs

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

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

The valuation carried out as at 31 March 2016 confirmed that an increase in the employer contribution rate from 14.9% to 20.9% was required from 1 April 2019 to 31 March 2023. The UK Government since confirmed that these employer rates would remain in place until 31 March 2024. In addition, member pension contributions over the period to 30 September 2023 have been paid within a range of 5.2% to 14.7% and have been anticipated to deliver a yield of 9.6%. The valuation carried out as at 31 March 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% will be required from 1 April 2024 to 31 March 2027. In addition, member pension contributions since 1 April 2024 have been paid within a range of 5.7% to 13.7% and have been anticipated to deliver a yield of 9.8%.

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

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

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

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

(iii) The employer contribution rate for the period from 1 April 2024 is 22.5% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.8% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, work on the cost 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 2024-25.

Pension costs cont.

Healthcare Improvement Scotland participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations.

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2024-25 members paid tiered contribution rates ranging from 5.7% to 13.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire. Some members who were close to retirement when the NHS 2015 scheme launched continued to earn benefits in their current section. This affected members who were paying into the scheme on 1 April 2012 and were within 10 years of their normal retirement age. Some members who were close to retirement but did not qualify for full protection will remain in their current section beyond 1 April 2015 and join the 2015 scheme at a later date.

All other members automatically joined the NHS 2015 scheme on 1 April 2015.

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at https//pensions.gov.scot/nhs

National Employment Savings Trust (NEST)

The Pensions Act 2008 and 2011 Automatic Enrolment regulations required all employers to enrol workers meeting certain criteria into a pension scheme and pay contributions toward their retirement. For those staff not entitled to join the NHS Superannuation Scheme (Scotland), the Board utilised an alternative pension scheme called NEST to fulfil its Automatic Enrolment obligations.

NEST is a defined contribution pension scheme established by law to support the introduction of Auto Enrolment. Contributions are taken from qualifying earnings, which are currently from £6,240 up to £50,270, but will be reviewed every year by the government. The current employee contribution is 5% of qualifying earnings, with an employer contribution of 3%.

Pension costs cont.

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

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

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

	2025 £000	2024 £000
Pension cost charge for the year	6,051	5,164
Provisions/liabilities/prepayments included in the balance sheet	787	663

Financial instruments Note 15

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

At 31 March	Note	2025 £000	2024 £000
Assets per balance sheet:			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	8	128	222
Cash and cash equivalents	9	1,209	1,107
		1,337	1,329

b) Financial instruments by category - financial liabilities

At 31 March	Note	2025 £000	2024 £000
Liabilities per balance sheet:			
Trade and other payables excluding statutory liabilities (VAT, income tax and social security), deferred income and superannuation	10	2,440	2,488
Lease liabilities	13b	2,731	3,885
		5,171	6,373

Financial instruments, cont.

c) Financial risk factors - exposure to risk

Healthcare Improvement Scotland's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due
- Liquidity risk – the possibility that Healthcare Improvement Scotland might not have funds available to meet its commitments to make payments
- Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

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

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

(i) Credit risk

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

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.

Financial instruments, cont.

	Less than 1 year £000	Between 1 and 2 years £000	Between 2 and 5 years £000	Over 5 years £000
At 31 March 2025				
Lease liabilities	417	529	1,725	321
Trade and other payables excluding statutory liabilities	2,440	-	-	-
Total	2,857	529	1,725	321
At 31 March 2024				
Lease liabilities	654	654	1,961	753
Trade and other payables excluding statutory liabilities	2,488	-	-	-
Total	3,142	654	1,961	753

(iii) Market risk

Healthcare Improvement Scotland has no power to borrow or invest surplus funds. Financial assets and liabilities are generated by day-to-day operational activities and are not held to manage the risks facing Healthcare Improvement Scotland in undertaking its activities.

d) Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value. The trade receivable impairment for 2024-25 is £264k (2023-24 £158k).

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

No material transactions took place between HIS and the body members, key managers or other related parties during the year. Healthcare Improvement Scotland is funded by and transacts with Scottish Government Health and Social Care Directorate who are the ultimate parent.

9

Accounts direction

Section 9: Accounts direction

for the year ended 31 March 2025

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

- "Healthcare Improvement Scotland" is the body established under s.10A of staff of the National Health Service (Scotland) Act 1978
- "Healthcare Improvement Scotland Annual Accounts template" means the Excel spreadsheet issued to Healthcare Improvement Scotland by the Scottish Ministers as a template for their statement of accounts
- "Scottish Public Finance Manual" means the guidance on proper handling and reporting of public funds issued by the Scottish Ministers

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

Signed by the authority of the Scottish Ministers

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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