Healthcare Improvement Scotland

Annual Report and Accounts

For the year ended 31 March 2026

NHS SCOTLAND

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1 Performance report

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Section 1: Performance report

Foreword from our Chair and our Chief Executive

Welcome to our Annual Report. This has been an exceptionally busy year and one marked by significant progress.

In December, we had the opportunity to reflect on that progress when we welcomed the Cabinet Secretary for Health and Social Care Neil Gray MSP, to our Annual Review. It was an opportunity to review achievements and challenges over the year. We also outlined our plans for the year ahead. Mr. Gray later said he was: “consistently impressed by the evidence presented at the Annual Review which demonstrated HIS’ key contribution to NHS Scotland.”

Healthcare Improvement Scotland (HIS) has a clear and enduring purpose as set out in our statutory duty: to protect and enhance the safety and wellbeing of people who need health and care.

This purpose underpins our strategy, and during 2025–2026 we completed the third year of our five-year strategic programme. Throughout the year, we continued to provide leadership and support across the NHS and the wider social care system, helping services deliver care that is safe, effective and person-centred.

Alongside this, we contributed to a shared understanding of the deeper systemic challenges facing the NHS, and, crucially, helped to inform where effort and resources can be most effectively focused to drive improvement.

In delivering our work, we have continued to maximise the value of Healthcare Improvement Scotland’s unique strategic position: bringing together, within a single organisation, a wide range of responsibilities and tools to support improvement.

The challenges facing healthcare rarely have simple or single solutions. In response, we are increasingly aligning our skills, functions and programmes to address complex issues in a coordinated and collaborative way.

For example, in maternal healthcare we began inspections of hospital maternity units, with the findings and recommendations directly informing future policy and prioritising areas for improvement to support better care for mothers and babies. In parallel, we published national standards for maternal care and ensured that our perinatal improvement programme is tightly aligned with the issues identified through inspection.

In the coming year, we will build on this approach across major priority areas such as primary care and in mental health, ensuring we maximise the collective impact of our teams across Healthcare Improvement Scotland.

Through our core responsibilities, we have continued to drive meaningful improvements for the people of Scotland. Across our work, our teams have brought expertise, insight and practical support to areas that matter most—whether by providing up-to-date, high-quality evidence to inform frontline clinical practice, evaluating the effectiveness and value of new medicines, providing rigorous regulation of independent healthcare providers, or supporting the expansion of care closer to home through initiatives such as Hospital at Home. Together, these contributions help ensure care is safe, effective and person-centred, and that improvement activity is grounded in evidence and real-world impact.

We have also seen a welcome improvement in our internal iMatter survey scores, with a strong response rate and a decline in sickness absence.

Last year, the Scottish Government published the Health and Social Care Service Renewal Framework, setting out a long-term ambition to secure the sustainability, efficiency, quality and accessibility of health and care services over the next decade and beyond. This framework provides a clear direction of travel for reform and renewal across the system.

In the year ahead, Healthcare Improvement Scotland will continue to adapt and evolve in response to this ambitious programme. We will increasingly align our teams, capabilities and expertise to the new structures set out in sub-national and national planning.

We wish to thank Evelyn McPhail who provided exceptional leadership over the course of the past year as Interim Chair whilst Carole Wilkinson was on secondment. She has provided strong guidance and support to the organisation and we look forward to her continued contribution as a member of the Board in the coming year.

Carole Wilkinson

Carole Wilkinson

Chair

Robbie Pearson

Robbie Pearson

Chief Executive

Performance overview

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

Who we are and what we do

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

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

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



Our directorates

We made changes to our structure during the year. We now have six directorates.

- Office of the Chief Executive
- Community Engagement and Transformational Change
- Evidence and Digital
- Medical and Safety
- Nursing and Integrated Care
- 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. These 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. 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.



Key performance indicators

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

Overall, at the end of the year 61% of corporate Key Performance Indicators (KPIs) were achieved. This was lower than anticipated. Of the 18 performance measures, 11 met or exceeded target whereas seven reported as off track.

Source	KPI title	KPI metric	2025-2026 Target	2025-2026 Actual
Health and Social Care Renewal ***These directly support national Operational Improvement Plan Commitments***	**Hospital @ Home beds**	Expansion of scope of existing programme (bed numbers)	800	655
	Frailty teams	Hospital sites with access to specialist staff in frailty teams (those with emergency departments and participating in the Focus on Frailty programme)	100%	100%
	Timely access to services	Primary care improvement programme participants demonstrating improved access to care	70%	50%
		Citizens' Panel (full reports and pulse surveys) and Gathering Views reports to consider NHS renewal and accessing services	8	2
	National position statements	Delivery of national evidence statements on major priority areas	2	3
	Mental Health Reform	% of supported NHS boards with an improvement in design or delivery of services	80%	80%
External - Scottish Government '15 box grid'	**Sickness absence reduction**	In line with national target	4%	3.6%
	Recurring savings	As approved in budget	£1.5m	£1.5m
Statutory functions	**NHS inspections (acute, maternity and mental health)**	Number of onsite inspections carried out	24	24
	Independent healthcare inspections	Number of registered services inspections undertaken	129	127
	New medicines advice	% of decisions communicated within target timeframe	85%	46%
	Service change engagement	Number of NHS Board/IJB service change engagement plans influenced by advice and assurance	60	65
	Healthcare staffing	% of boards' compliance monitored by HIS through Board reporting and engagement	100%	100%
	SHTG	Number of advice outputs issued	12	9
Safety in the System	**Adverse events**	% NHS boards sharing learning summaries with HIS	100%	71%
	Responding to concerns	% of cases with initial assessment undertaken within agreed timescales	100%	100%
	High-quality and safe healthcare	Deliver inspection of CAMHS inpatient services and national inpatient unit	4	4
		Publication of new national standards for clinical and care governance	Q4	Q4

Corporate KPIs: RAG Status
Red (behind target >10%)
Amber (within 10% of target)
Green (ahead/on target)

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

1. Ongoing challenges with the lag in data collection/submissions significantly impacted on HIS meeting the **Hospital @ Home** 2025-2026 target. The year end position has been based on submissions, but the data process was incomplete.

2. During Q3, the **Primary Care Improvement Programme** moved to the write-up phase which resulted in no new demonstrator sites or collaborative work planned for the rest of the year therefore the target was not met.

3. Published outputs from **Citizens' Panel and Gathering Views** were below the planned target reflecting a combination of delivery and timing factors across the programme. Two Citizens' Panel outputs were successfully published while other topics have been deferred to 2026-2027. This includes the Pulse Survey on Virtual Wards. Other anticipated Gathering Views activities did not materialise as expected, and staffing capacity impacted on some delivery.

4. **New medicines advice** (Scottish Medicines Consortium) was subject to a sustained increased number of submissions received during the year. The volume continued to outstrip available capacity impacting on programme delivery. The number of deferred medicines at the end of Q4 was 31 compared to 8 at the end of Q4 in 2024-2025. 101 submissions were received during 2025-2026 compared to 79 in 2024-2025. Mitigations have been in place all year to manage the situation, and the situation will continue to be monitored during 2026-2027.

5. **Scottish Health Technologies Group (SHTG)** recommendations on robotic assisted bronchoscopy along with two Innovative Medical Technology Overviews (IMTOs) on Intelligent Liver Function Testing (iLFTs) for liver disease, and home testing devices for sleep apnoea not been published as anticipated. This is due to a delay in internal sign off. They will not be published until 2026-2027 after the election period.

6. The number of NHS boards that submitted learning summaries from **Adverse events** did not reach the 100% target. However, we continue to work with the remaining five NHS boards to progress the outstanding learning summaries.

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 2025–2026 are detailed along with mitigations in the performance analysis report and in the governance statement. They 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 our 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 us. The funding model for this sector also presents a potential risk to having enough resource to meet emerging demand.
- 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 2026–2027. The Annual Quality Assurance and Regulation Plan for 2026-2027 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 2026 is set out in the table below.

	Limit as set by SGHFGD £000	Actual outturn £000	Variance (deficit)/surplus £000
Revenue Resource Limit – core	46,850	46,850	-
Revenue Resource Limit – non-core	792	792	-
Total Revenue Resource Limit	47,642	47,642	-
Capital Resource Limit – core	83	-	83
Capital Resource Limit – non-core	-	-	-
Total Capital Resource Limit	83	-	83
Cash requirement	47,534	47,534	-

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 (2024-2025: 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 2027 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.

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

Outstanding liabilities

Healthcare Improvement Scotland has a recognised dilapidation liability of £609k (2024-2025: £609k) for leased premises. This provision is based on the outcome of dilapidation assessments and relates to occupied premises in Glasgow. Further information is in Note 11.

Legal obligations

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

We participate in the NHS Scotland 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 Inquiry
- Scottish Child Abuse Inquiry
- Scottish Hospitals Inquiry

There are no legal proceedings ongoing involving Healthcare Improvement Scotland.

Complaints

During 2025-2026 10 complaints were received (2024-25: 30), eight were closed within this period.

2	**were fully upheld**	2	**were not upheld**
4	**were partially upheld**	0	**were withdrawn**

One complaint was investigated by Scottish Public Services Ombudsman at year end (2024-2025: nil) and one has been closed in financial year 2026-2027.

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 2026. See Note 7 and Note 13 for further details.

Non-current liabilities – the decrease in trade and other payables is due to the timing of payment runs year on year. 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 2026. 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, independent clinics and independent medical agencies. The financial results are shown below.

	2025-26	2024-25	2023-24	2022-23
Number of registered services	604	554	540	549
Number of services registered in year	103	63	53	71
Number of inspections completed	127	96	158	152
	£000	£000	£000	£000
Income	1,715	1,382	1,163	1,040
Release of reserves	-	-	352	-
Scottish Government Funding	61	252	565	360
Expenditure	(1,777)	(1,636)	(2,081)	(1,330)
Surplus / (Deficit)	(1)	(2)	(1)	70

The reserves for independent healthcare were accumulated from the surplus over previous financial years. The reserves were fully utilised in 2023-2024.

There was a 32% increase in the number of inspections completed between 2024-2025 and 2025-2026 and a 63% increase in registrations during this time. This is reflective of the broadened legislative framework and has likely been impacted by a more proactive approach to communications with regards to regulation of independent healthcare services in the 2025-2026 financial year.

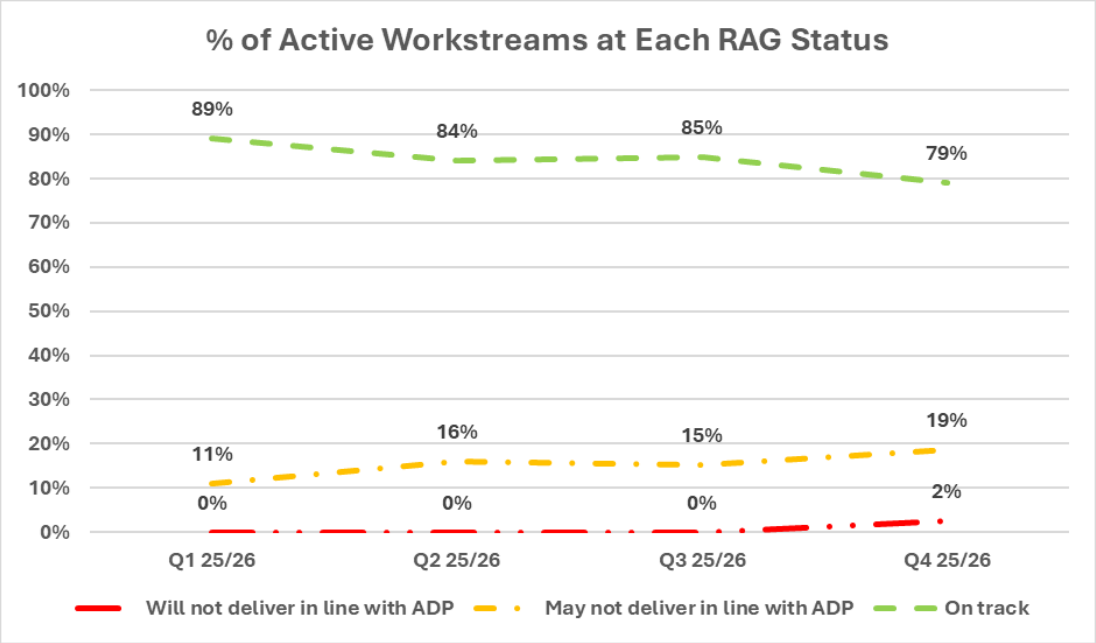
At 31 March 2026 a provision of £600k (2024-2025: £600k) remains recognised in relation to possible claims from independent healthcare clinics operating from fixed premises. This was due to a change in the interpretation of the technical guidance on ventilation with respect to its application to the independent healthcare sector between the period July 2023 and March 2024. There were no payments made from this provision during the year.

A Ventilation Oversight Group was established during 2024 to agree a position for ventilation requirements for Independent Healthcare services. The position was informed by short life working groups and appraisal of relevant research literature. During 2025-2026, this issue has been further considered within the Regulation Review and our approach to proportionate and sustainable regulation. We continue to work with the Central Legal Office (CLO) on the legalities and any financial considerations.

Non-financial performance

Performance against annual delivery plan

Our work programme details programmes of work across the organisation which deliver against our five-year Strategic Plan and Annual Delivery Plan for 2025-2026, agreed with the Scottish Government at the start of the year. Performance has been monitored and reported quarterly, alongside our organisational Key Performance Indicators (KPIs). We started the year with 92 active programmes managing a complex range of workstreams focused on safety, improving health and social care, and supporting the Scottish Government's Health and Social Care Renewal. We ended the year with 81 active programmes.



Overall, performance throughout 2025-2026 remained positive. We ended the year with 79% of our work programmes reporting as 'green', on track to deliver in line with the Annual Delivery Plan (ADP/commission). However, there was a general decline in performance during 2025-2026 due to continued ongoing risks associated with capacity/availability of resources or adjustment in delivery/timescales impacting on delivery. The organisation achieved a number of key strategic milestones during the year, which are outlined in the sections below.

Payment policy

We are 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 10 working days of receipt, across all public bodies. The table below excludes disputed invoices:

	2025-2026	2024-2025	2023-2024
Average credit days taken	14 days	12 days	11 days
% invoices (by value) paid within 30 days	99.2%	98.5%	99.2%
% invoices (by volume) paid within 30 days	91.5%	92.2%	93.4%
% invoices (by value) paid within 10 days	95.4%	93.9%	95.6%
% invoices (by volume) paid within 10 days	72.9%	70.3%	75.8%

Workforce, skills and location

We are committed to creating conditions in which our workforce and our organisation can thrive. This means fostering collaborative leadership around a shared vision, ensuring our people are supported to develop their careers, creating a culture where training and development is accessible to everyone. By strengthening our workforce capability in this way, we not only enhance the quality of services delivered today but also build the capacity required to support and sustain future organisational transformation.

During 2025, Leading for our Future was introduced to ensure we are well positioned for the future. The organisation is six months into these changes being implemented which is designed to strengthen our organisational capability, enhance our agility to respond swiftly and effectively to emerging priorities, reinforces our One Team ethos, develops our leadership capability at all levels to support innovation and resilience, maximises efficiency in how we work, ensure value for money and impact and align our efforts to deliver greater coherence and clarity in implementing our strategy.

We maintain a proactive approach to managing sickness absence, with an average rate of 3.6% for 2025-2026 (down from 4.2% in 2024-2025), and slightly below the Scottish Government target of 4%.

An interim workforce plan is currently in place with a transition plan developed for 2026-2027 to allow for the planning and delivery of a forward-looking three year-plan for 2027-2029. Our strategy sets out strong foundations for workforce culture and inclusion. Our anti-racism plan set out actions to recognise and challenge racism within our own workplace and the wider healthcare system. The plan covers 2025-2029 and will be taken forward through an established internal delivery group.

During 2025-2026 we conducted a self-assessment related to ‘See Me in the Workplace’ to address the impact of mental health issues on our staff. The staff survey was launched in September 2025 and closed at the end of November 2025 with a 28.84% response rate. The questionnaire results indicate clear opportunities to strengthen training and organisational support for staff experiencing mental health difficulties. At the same time, respondents reported feeling able to have open conversations about mental health and viewed managers as approachable, providing a positive foundation to build on.

We will use these insights to enhance training, clarify support pathways, and increase organisational confidence in responding to mental health concerns, ensuring a more consistent and supportive approach across the workforce.

	31 March 2026	31 March 2025
Workforce mix	Total headcount - 642 Payroll headcount – 607 Non-payroll headcount - 35	Total headcount - 652 Payroll headcount - 609 Non-payroll headcount - 43
Sickness absence	38,671 hours or 5,226 days were lost due to sickness absence this year, which represents a rate of 3.6% of available capacity. 61.9% of sickness has been due to long term conditions and the main reason given for absence is anxiety, stress or depression which accounts for 20.7% (7,988 hours or 1,079.5 days) of the reported absence lost.	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.
Staff changes	During the financial year, 66 people left the organisation — an overall turnover rate of 10.5% YTD. 55 people joined the organisation, representing a net decrease of 11 to our overall workforce headcount (payroll and non-payroll) since April 2025.	During the financial year, 68 people 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.

Our social responsibilities

Sustainability

We are committed to addressing the climate emergency and achieving net zero greenhouse gas (GHG) emissions by 2040, in line with the NHS Scotland Net Zero Route Map. As a small national NHS Board with around 600 staff, primarily based at Delta House in Glasgow and Gyle Square in Edinburgh, our direct environmental impact is relatively modest. However, we recognise our responsibility to provide leadership, influence and continuous improvement in support of national climate ambitions.

We are a tenant at both main sites, which limits direct control over building infrastructure and the transition to renewable heat and low carbon energy. While NHS Scotland aims for all NHS owned buildings to transition to renewable heat by 2038, our progress is dependent on collaboration with our landlords. We continue to work proactively with them to identify energy saving measures and opportunities for improvement. Most of our staff work in a hybrid model, which has reduced energy use, business travel and waste generation. We do not operate fleet vehicles or produce

clinical waste, further limiting our emissions profile. Despite this, we remain committed to identifying proportionate actions to reduce emissions and improve environmental performance.

We monitor energy consumption for occupied floors at Delta House using data from the national eSight system as it becomes available. The introduction of enhanced carbon accounting has improved emissions accuracy, incorporating electricity, waste, refrigerants and transport data. This information is reported annually through the Public Bodies Climate Change Duties Report and informs wider sustainability reporting. Quarterly energy and emissions reports are presented to the Audit and Risk Committee, showing energy use, costs and tonnes of CO_2e, with year-on-year comparisons. The Facilities Team regularly reviews office space utilisation and closes unused areas where possible to avoid unnecessary energy consumption.

We have updated our Business Travel Policy, introducing a travel hierarchy that prioritises sustainable options while ensuring inclusivity and accessibility. Subject to partnership approval, the policy will be launched organisation wide in early 2026 and reviewed biannually. An upgraded booking system provides carbon emissions data alongside cost, enabling informed travel choices and improved monitoring of travel related emissions. An updated Active and Sustainable Travel Plan will be introduced in 2026, with short, medium and long term actions to increase walking, cycling and public transport use. Active Travel Champions and staff travel surveys will support delivery and evaluation.

Procurement services for HIS are delivered by the Scottish Ambulance Service, in line with the NHS National Procurement Strategy 2023–2026. Sustainability considerations are embedded into procurement, supporting innovation, low-carbon solutions, equality, inclusion, and wider access for SMEs and the third sector. HIS is committed to reducing domestic waste by at least 15% against baseline, recycling a minimum of 70% of waste, and sending no more than 5% to landfill. While we do not generate clinical waste, we focus on responsible consumption, reducing single use items, extending product lifespans and considering whole-life costs and environmental impacts.

We are developing an Environmental Management System (EMS) aligned with ISO 14001, supported by internal expertise and national NHS guidance. A structured approach covering leadership, roles, environmental aspects, compliance, objectives and performance monitoring is in place. Once implemented, the EMS will strengthen governance and support continual improvement across environmental impacts.

We have completed climate risk assessments and adaptation planning for both main sites, informed by SEPA flood risk data. Priority actions for 2026 include targeted energy savings, progress towards net zero, sustainable travel implementation, increased biodiversity opportunities and completion of the EMS.

Although we do not deliver direct patient care, our work delivers indirect environmental benefits, including supporting programmes such as Hospital at Home, which reduce hospital admissions and associated carbon emissions. Through leadership, collaboration and continuous improvement, we will continue to support a more sustainable and climate resilient health system.

Collaboration

We play an active national leadership role, participating in NHS Scotland and Scottish Government sustainability forums. We chair the National Boards Sustainability Group, supporting collaboration and shared learning across national NHS Boards. Our Sustainability, Climate Emergency and Resilience Lead contributes to national work on carbon accounting, adaptation planning and development of the NHS Scotland Sustainability and Climate Emergency Strategy.

Communication

Staff engagement is central to our climate response. Sustainability, Climate Change and Net Zero content is maintained on the staff intranet, supported by regular all staff communications highlighting national campaigns, events such as World Environment Day, and practical resources including the "5 Minutes on Sustainability" series. Office signage reinforces good practice around energy, waste and water use, supporting behaviours aligned with the circular economy.

Policies and procedures

We have a clear governance framework to support sustainability delivery. Our Board provides strategic oversight, while the Chief Executive is accountable for compliance with relevant legislation and policy. We also have a Board appointed Executive lead and Sustainability Champion. A cross organisational sustainability collaborative group brings together staff from key areas to influence change and support delivery across governance, travel, waste, procurement, emissions, adaptation and resilience. The group also coordinates evidence gathering and statutory reporting, including the Annual Climate Emergency and Sustainability Report.

Performance against strategic aims and ambitions

Mental health and care

People with mental health issues and substance use addictions are some of the most vulnerable in our society. Our work aims to support those helping them deliver quality care.

Our Mental Health and Substance Use programme team have been working with NHS boards. We've been looking to improve how mental health and substance use services connect with each other.

In some boards, staff from mental health, substance use, and crisis services are working together. They're planning better assessment and referral into the Crisis Team. This will develop a more consistent pathway between substance use services and mental health crisis teams.

Substance use screening tools within mental health wards and crisis teams are being tested to:

- help staff quickly understand someone's needs
- make good decisions about what support to offer

In some areas, staff have held joint meetings to talk about real cases and challenges. These helped everyone understand each other's roles and agree on improvements. Some teams have used our

self-reflection tool to think about what is working well, where things could be better and what to improve next.

People who use services, as well as their families and carers, have shared their views in surveys and group discussions. This feedback helps shape new information packs and guide service improvements.

Working with the Mental Welfare Commission, we completed joint inspections of specialist mental health facilities for children and young people in Scotland. The four facilities visited offer critical specialist care for younger members of our society.

We also launched a new Mental Health and Substance Use toolkit. Developed in partnership with five NHS boards, it supports health and care staff to improve care through a coordinated and collaborative approach.

There is a national mission to reduce delayed discharges in mental health and learning disability services in NHS Scotland. As part of the mission, we worked with NHS Grampian to deliver a Quality Improvement focused project.

We have also published case studies, which demonstrate how mental health teams and substance use services can work together to help people.

Young families

Our work to improve the standards of health and care for the youngest members of communities starts during pregnancy, through birth and into childhood.

We published our first maternity care standards. These support a holistic approach to improving and sustaining quality maternity care across Scotland. These detailed standards describe the level of service expected in every maternity unit. They will also inform our maternity unit inspections.

We consulted midwives, nurses, obstetricians, sonographers and support staff working across the NHS on the standards. We also spoke to the third sector. This ensured the standards were shaped by real experiences and professional expertise.

We published newborn blood spot screening standards. The national pregnancy and newborn screening programme covers a range of screening tests for specific conditions. These relate to newborn blood spot screening for:

- cystic fibrosis
- sickle cell disease
- congenital hypothyroidism
- six inherited metabolic disorders

Our Scottish Intercollegiate Guidelines Network (SIGN), published a perinatal guideline. This covers the screening and treatment of women or birthing parents who are at risk of, or experiencing, a mental health condition during pregnancy or within the year following childbirth.

SIGN published patient booklets for asthma, which included one for those who are pregnant. The booklet gives guidance on asthma medications whilst pregnant and asthma attacks when pregnant and breastfeeding.

We are supporting the development of Hospital at Home in paediatric services. These services provide acute level hospital care at home for babies and children. At present, services are primarily focused on early discharge for babies and children who have required hospital care. In time, GPs will be able to refer children as an alternative to hospital admission.

Our aging population

Scotland is a country with an aging population. We take a cross-organisational approach to looking at the issue of frailty. Our specialists pool their knowledge and expertise to deliver better outcomes.

We have produced a range of tools and guidance to help improve care for people living with or at the risk of frailty. This includes:

- clinical tools
- implementation guidance
- reports
- examples from local services

Focus on Frailty is one of our improvement and implementation programmes. It aims to improve the experience of, and access to person-led, coordinated health and social care for older people living with or at risk of frailty. We work with health and social care teams in hospital and community settings.

Focus on Frailty supports delivery of the NHS Scotland Operational Improvement Plan and is grounded in the Ageing and frailty standards (2024).

We published Hospital and community services for older people living with frailty in Scotland 2025-2026. It provides an overview of frailty services in Scotland and highlights areas of good practice. Our Focus on Frailty programme is currently supporting 15 out of the 28 hospitals that accept emergency admissions.

In primary care, our Focus on Frailty team hosted an online webinar to improve understanding of frailty within general practice.

The Hospital at Home programme focuses on improving outcomes and patient experiences, as well as reducing pressures on acute hospitals. This is done by delivering targeted intervention in an individual's own home setting. As a result, more than 650 extra hospital beds and almost 500 care home admissions were not needed over the year.

Hospital at Home also published the new principles and guidance for all adult services.

We worked with the team from Perth and Kinross Health and Social Care Partnership and NHS Tayside to improved discharge coordination for older people living with frailty. This resulted in new guidance being created.



Over the course of 2025-2026, we have worked on creating tools and resources for the Scottish Approach to Change.

The Scottish Approach to Change creates a one-stop shop, which can be used as a framework for managing quality and change at an organisational level. It also offers a practical approach to delivering discrete change projects at any level.

Our Scottish Health Technologies Group approved a life-changing treatment for pectus excavatum, a condition which results in a sunken chest. This is caused by the ribs and breastbone growing inwards, putting pressure on the heart and lungs. We approved a device, a vacuum bell, which gently pulls the sternum forward, removing the need for invasive surgery. Scotland is the first part of the UK to issue national advice recommending its use for children who have pectus excavatum.

We carried out a review of the Scottish Patient Safety Programme's (SPSP) Essentials of Safe Care. The SPSP is a national quality improvement programme which aims to improve the safety and reliability of care and reduce harm.

The Essentials of Safe Care identifies four key essentials, central to supporting the safe delivery of care across health and care:

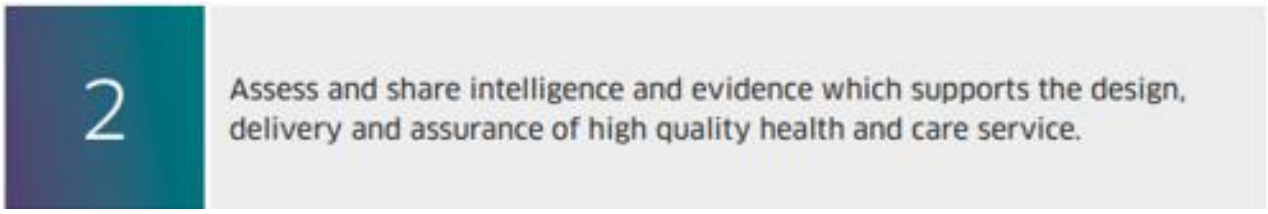
- A people-led approach to the planning and delivery of safe care
- Effective and inclusive communication
- Leadership at all levels to support a culture of safety
- Safe clinical and care processes

These are now being embedded in SPSP work programmes.

The 10-year anniversary of the Excellence in Care programme was in 2025. To mark the occasion, a commemorative webinar took place.

Excellence in Care published new measures on the Care Assurance and Improvement Resource dashboard for school nurses, health visitors and family nurse planning. These aim to assure high-quality care for children.

Our organisation also has responsibilities under the Health and Care (Staffing) (Scotland) Act 2019. The act sets a new standard for safe and effective staffing within Scotland's health and care services. We have successfully identified and addressed staffing risks through our monitoring and assurance functions, sought and incorporated clinical advice, and ensured that our staff received the necessary training and support to fulfil their roles effectively.



The Scottish Medicines Consortium (SMC) provides independent advice on the clinical and cost-effectiveness of new medicines in Scotland. In the past year, they published 87 pieces of advice (2024-2025: 96). 48 of these medicines were accepted and, when excluding non-submissions, around 73% of medicines were accepted for use within NHS Scotland.

Clinical governance is an integral and essential part of the NHS governance framework. It can help NHS Scotland to meet its statutory duty to ensure and improve the quality of care that it delivers. Standards can support internal and external quality assurance.

We developed clinical governance standards. These provide assurance that organisations are providing high quality and safe healthcare in line with best practice, national policy and legislation.

We have worked with the Scottish Diabetic Eye Screening (DES) programme to develop standards.

The aim of the Scottish DES programme is to reduce the incidence of vision loss through diabetes. Screening is offered to eligible people aged 12 years or over who have diabetes. These standards draw on current evidence, best practice and stakeholder recommendations. They aim to reduce the incidence of vision loss through diabetes.

We publish Quality Performance Indicators (QPIs). They provide a standardised, evidence-based framework to measure and improve the quality of care, particularly within specialised services such as cancer care. QPIs ensure that NHS boards focus on patient outcomes, reduce variations in care across regions, and support continuous improvement.

These include:

- colorectal cancer clinical QPIs
- the treatment of patients with acute leukaemia.

QPIs are reviewed regularly to include changes in clinical practice and emerging evidence.

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.

In December 2025, the Scottish Government formally requested a national review into group-based child sexual abuse and exploitation. The review is being led by the Care Inspectorate and His Majesty's Inspectorate of Constabulary in Scotland, working with us and His Majesty's Inspectorate of Education in Scotland.

Our input to the review will be led by the Chief Inspector with support from a dedicated and experienced inspection team.

Twice a year, we publish **Citizen's Panel** reports. The Citizen's Panel consists of a group of around 1000 people, which are representative of Scotland's rich and diverse communities.

Citizen's Panel 15 report looked at the issues of medicines safety, long term conditions and preconception Health and Care. Citizen's Panel 16 looked at local GP or medical practice, personal continuity of care, Duty of Candour and the Charter of Patient Rights and Responsibilities.

The reports found that:

- just 10% of Scots who have suffered side effects from taking medication reported them to the Yellow Card Scheme
- growing numbers of people were looking to websites with NHS branding for health and medical advice
- two in five Scots reported that they or someone they care for has experienced an adverse event while receiving healthcare

The distressing cervical screening experiences of women with sight loss have been used to help shape new standards to improve how procedures are carried out in future. We worked with the Royal National Institute for the Blind (RNIB) to ensure the views of blind and partially sighted women who'd undergone cervical screening were included. Their feedback has helped create new standards to improve cervical screening care.

We are also committed to an anti-racism plan, which was developed concurrently with our 2025-2029 equality outcomes.



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

Our aim is to give people confidence in the quality and safety of the NHS and independent healthcare services. We carry out our independent assurance work through inspections, regulation and reviews.

Our inspectors undertake announced and unannounced inspections of healthcare services. These will involve a physical inspection of the clinical areas, and discussions with staff.

We currently have three inspection programmes:

- acute hospitals
- mental health units
- maternity units

We also regulate independent healthcare services in Scotland. These services include independent hospitals, hospices, independent clinics and independent medical agencies.

To help people find a regulated independent healthcare provider or service, we now have an option on our website allowing individuals to search for registered services.

We were represented at the Health, Social Care and Sport Committee. We provided evidence on Part One of the Non-surgical Procedures and Functions of Medical Reviewers (Scotland) Bill. This will regulate the non-surgical cosmetic procedures industry. It proposes that certain non-surgical procedures should only be carried out in a registered healthcare setting and prohibits under-18s from receiving them.

The regulation of Independent medical agencies (IMAs) came into force in 2025. IMAs can take account of many types of service, including online GPs, medical practitioners and dental nurses. This includes services provided by healthcare professionals that are not directly related to healthcare.

Our Death Certification Review Service (DCRS) marked its 10-year anniversary in 2025. On 13 May 2015, Scotland became the first of the four UK nations to reform the review of Medical Certificates of Cause of Death (MCCDs) with the introduction of the DCRS.

A random, proportionate review model was adopted to improve the quality and accuracy of MCCDs, strengthen public health data, and enhance clinical governance. The service focuses on

learning and improvement, and since its inception has reduced the proportion of MCCDs requiring correction from over 50% to the current rate of 20.6%.

In the past year, DCRS reviewed 6,311 MCCDs and responded to 2,370 enquiries. Most contacts (90.3%) were from doctors seeking clinical advice on accurately completing MCCDs. The service also approved the repatriation of 193 Scottish residents who had died abroad.

Risk profile of the organisation

Our Strategic Risk Register contained 16 risks at the end of March 2026 (March 2025: 13). The register was reviewed throughout the year to ensure the right risks for 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.

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

Risk	Mitigating Actions
HIS Strategy 2023–2028 Implementation Risk There remains a risk that delivery of the HIS strategy and operational plan may be impacted by ongoing external pressures and recovery demands across the health and social care system.	Mitigation continues through a strengthened strategic and portfolio led approach, supported by the Performance & Delivery Board and Executive-led portfolios, improving alignment of resources to system priorities. Development of the Data and Intelligence Strategy and Internal Intelligence Network is strengthening organisational insight and Board assurance. The Annual Delivery Plan 2026–2027 has been agreed, reflecting the current operational and financial context. Progress will continue to be monitored and reported quarterly to QPC and the Board through performance, finance, and workforce reporting.

Risk	Mitigating Actions
Regulation of Independent Healthcare (IHC) There is a risk that HIS may be unable to effectively regulate the independent healthcare sector due to the size, diversity, and volatility of the sector, alongside limitations of the current regulatory framework. This could lead to adverse patient outcomes, quality concerns and reputational damage	Mitigation includes a skilled and multi-disciplinary IHC team, strengthened clinical input, cross regulator intelligence sharing, and targeted oversight of emerging and higher risk services. A commissioned regulation review is underway to inform future operating models and workforce arrangements, alongside ongoing engagement with legislative and policy developments. The risk remains under active review as the sector continues to evolve.
Service Change – Quality and Safety There is a risk that HIS becomes aware of significant quality and safety concerns relating to proposed service changes but lacks a statutory role to address these issues prospectively. This may lead to misunderstanding of HIS's role, reputational risk, and potential harm to patients if concerns are not appropriately scrutinised.	Mitigation includes the Scottish Approach to Change, strengthened guidance on quality and safety considerations in service change, improved use of HIS intelligence systems, and clearer articulation of roles and responsibilities across NHS boards and HSCPs. Work is underway to develop signposting guidance aligned to new clinical governance standards, with continued oversight through QPC and national assurance groups.
Quality Assurance and Regulation There is a risk that HIS is unable to fully deliver planned inspection, regulation and review programmes within the annual business plan due to capacity pressures, competing priorities, data and intelligence limitations, and evolving legislative and system demands. This could result in reputational damage and reduced assurance.	Mitigation includes proactive oversight through Quality Assurance and Regulation Directorate Management Team prioritisation using a structured risk-based approach, strengthened intelligence sharing, and robust quality assurance and governance processes. Workforce capability is supported through training, professional supervision and updated learning and development arrangements. Ongoing staffing pressures and programme demands continue to be monitored closely to manage risk to delivery of the 2026–2027 annual plan.

Risk	Mitigating Actions
Supporting safe care in Scotland There is a risk that the work of HIS is not attuned to wider system pressures and we fail to fulfil our commitments to support safe care resulting in avoidable harm for patients and the public.	The Internal Sharing Intelligence Network (ISIN) enables rapid sharing and assessment of safety and quality issues across HIS directorates using the ISIN Analytic Framework and Operational Process. It supports proportionate action, further intelligence gathering via the External Sharing Health and Care Intelligence Network (SHCIN), or escalation. SHCIN is fully established and embedded.

A new strategic risk was added in relation to the funding model for the Independent Health Care sector which presents a risk that HIS is unable to effectively resource to meet demand.

The Board maintains oversight of risks arising due to Cyber Security threats and demands on organisation resources to respond to Public Inquiries which are subject to ongoing review and planning to mitigate where possible.

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

Forward look

In 2026-2027, we will continue to focus on delivery of our 2023-2028 strategy, with an emphasis on:

- maximising our unique selling point: our ability to bring together assurance, improvement, engagement and evidence to gain a greater impact than these components could achieve on their own
- clearly communicating our role, priorities, and the insight we bring on quality and safety in the system
- being responsive to the external environment and considering how we can monitor, influence, and contribute our insight and evidence into decision making to improve quality and safety

We will work in alignment to, and support delivery of, Scottish Government's health and social care renewal frameworks. To reflect the need to both deliver our strategic purpose and support national renewal and reform, in our plans for 2026-2027 we describe how we make a difference under two aims: **driving quality** and **enabling reform**. Within these aims we have identified key priority areas. We are also working to establish cross-organisational portfolios which will operate using a quality management approach.

Furthermore, through both our own work programme and taking part in a collaborative approach to the new sub-national planning structures for NHS Scotland, we will support their purpose of

reducing variation in access and outcomes for people, improving financial sustainability and improving clinical sustainability of fragile services.

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 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 29 June 2026.

Robbie Pearson

Robbie Pearson

Chief Executive

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 29 June 2026.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000, places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Audit Scotland to undertake the audit of Healthcare Improvement Scotland for the five-year period 2022-2023 to 2026-2027.

In the financial year 2025-2026, Audit Scotland only undertook audit-related work for Healthcare Improvement Scotland.

Board membership

The Board of Healthcare Improvement Scotland is a Board of governance whose membership will be conditioned by the functions of the organisation and adheres to the Revised Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

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
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
N Hanssen	Non-Executive Board Member and Cyber Security Champion	01/08/2021
J Kilbee	Non-Executive Board Member	19/09/2022
J Lund	Non-Executive Board Member and Counter Fraud Champion	15/01/2025

Individual	Board Post	Date of Appointment
N Maran	Non-Executive Board Member	02/10/2023
E McPhail	Non-Executive Board Member and Interim Chair of HIS from 01/04/2025 to 31/03/2026	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
Rob Tinlin	Non-Executive Board Member	01/07/2022
Robbie 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 2026 and of its operating costs for the year then ended. In preparing these accounts the Board members are required to:

- apply on a consistent basis the accounting policies and standards approved for NHS Scotland by Scottish Ministers
- make judgements and estimates that are reasonable and prudent
- state where accounting standards as set out in the 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 2025-2026 to the Information Commissioner Officer (2024-2025: nil).

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the organisation's auditors are unaware. 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, we are required to publish an annual statement on compliance with the Code. All of our quality assurance and regulatory work is:

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

In line with the Code and our principles, we offer a wide range of resources 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 provided extensive guidance to new providers to support them through the registration process. It is essential that our regulatory approach continues to support effective, efficient and sustainable assurance of the safety and quality of care. In recognition of this, many of our guidance documents have been refreshed or are currently under review.

A review of our regulatory functions was concluded in 2025-2026. It was undertaken in collaboration with staff and relevant stakeholders to support the development of a future regulatory approach that is effective, proportionate and sustainable. The recommendations arising

from this review are now being considered for implementation and will inform our ongoing approach to balanced and proportionate regulation. This will include the further development of our policies and publications that will ensure that our regulatory activity remains risk based and intelligence led, drawing on information such as registration data, previous inspection performance, notifications and service level risk assessment to target regulatory activity appropriately.

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 complaint process in place that allows providers of services the opportunity to complain if they feel we have not followed our published methodology.
- The stakeholder engagement approach has been revised following the regulation review and with consideration to the views of our key stakeholders including regulated service providers.

We are constantly reviewing and 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 2025-2026 up to and including the date of signing the annual accounts.

Risk management framework



All NHS Scotland 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.

We have a Risk Management Strategy that underpins our corporate governance processes. It 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. Risk Management Sub Committees continued to meet during the year, which has 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 in the first quarter of 2025-2026 to share best practice and to support the ongoing development of staff training and the review, update and implementation of the Risk Management Strategy. This meeting was paused until the Chief Finance & Risk Officer came into post and meetings will re-commence in 2026-2027.

Governance framework of the Board

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

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

An Assurance Framework is in place and was updated with approval by the Audit and Risk Committee in November 2025. 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 leadership team to deliver those outcomes. The Framework details the use of levels of assurance within governance processes and work has been delivered during 2025-2026 to further develop this approach.

Formal Board meetings are held in both public and reserved sessions. Public and reserved meetings were held on 30 June 2025, 24 September 2025, 2 December 2025 and 25 March 2026. Public Board meetings were open to the public to attend either in-person or virtually.

Public Board meetings were complemented by a series of Board seminars and development sessions. Along with annual appraisals, comprehensive induction and a new succession handbook for Non-executive Directors moving into Committee Chair or Vice Chair roles, these support the Board to deliver their role as set out in the Blueprint for Good Governance. A refresh of the Non-executive Director skills and experience assessment was initiated in 2025-2026 and will inform

future development. Along with the revised Succession Plan approved by the Succession Planning Committee in March 2026, it will also inform future recruitment.

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.

Healthcare Improvement Scotland is a healthcare organisation with existing and comprehensive statutory duties of public involvement as described in the NHS Reform (Scotland) Act 2004. These existing statutory requirements fully cover the obligations of the Consumer Scotland Act 2020 duty. The Scottish Health Council (SHC) is a governance committee which sits within Healthcare Improvement Scotland. The SHC monitors HIS to ensure our engagement processes meets the obligations in relation to public involvement duties.

Details of the Committees which were in operation throughout 2025-2026 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.

Committee	Principal function
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; 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 NHS Scotland 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; 3. working with and influence the Scottish Government approach to Public Appointments.

Attendance at the Board and Committee meetings by non-executive directors during 2025-2026 is set out below.

	Board meetings	Audit and Risk	Executive Remuneration	Quality and Performance	Scottish Health Council	Staff Governance	Succession Planning
A Agarwal	4/4	4/4	-	5/5	-	-	-
K Charters	4/4	4/4	-	-	-	4/4	-
S Dawson	4/4	-	-	5/5	4/4	-	3/3
N Hanssen	4/4	-	-	-	4/4	4/4	-
J Kilbee	3/4	3/4	-	-	-	4/4	3/3
J Lund	4/4	4/4	-	5/5	-	-	-
N Maran	4/4	4/4	8/8	5/5	-	-	-
E McPhail (Interim Chair)	4/4	-	8/8	5/5	3/4	4/4	3/3
D Moodie	4/4	-	-	-	-	-	-
M Rogers	4/4	-	-	-	4/4	4/4	-
D Service	4/4	-	8/8	5/5	-	4/4	-
R Tinlin	4/4	4/4	8/8	-	-	-	-

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.

Strategic direction

Our work continues to be guided by the priorities set out in our Strategy 2023-2028, however we have reviewed and adapted our areas of focus in line with national priorities and the needs of the system. At its annual strategy day in September 2025, the Board set a clear priority for HIS to bring together core functions to maximize impact, using intelligence, insight and evidence to address

quality challenges. Our planning and decision making has also been informed by the Scottish Government's national renewal frameworks.

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 NHS Scotland 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 meetings with the Care Inspectorate and the Cabinet Secretary for Health and Social Care. Matters discussed include external strategic and policy developments relevant to the organisation, for example safety in the health and care system and in particular areas such as mental health and maternity services, independent healthcare, and NHS reform and renewal. These discussions informed the progression of our work throughout the year, as well as our planning into 2026-2027.

The Chief Executive and the Director of Engagement & Change met with Michael Marra MSP to address his concerns in relation to a decision regarding inpatient learning disability services in Tayside. We were able to clarify HIS's statutory role in quality assuring service changes in NHS boards and Integration Joint Boards.

The Chair and Chief Executive met with the Patient Safety Commissioner, highlighting touch points for our two organisations and plans to develop a Memorandum of Understanding to support sharing information and learning. We also established regular, ongoing meetings between HIS Directors and the Patient Safety Commissioner.

The Chair and Chief Executive also met with the Chair and Chief Executive of the Mental Welfare Commission regarding joint inspections of specialist mental health facilities for children and young people and developing our collaborative working.

Our Chair met with the Chair of the General Medical Council, who shared positive feedback about our Sharing Intelligence work.

The Chair and Chief Executive also visited the Improvement Academy at NHS Tayside along with their Chair and Chief Executive. The visit highlighted work to establish a strong local approach to embedding the Quality Management System and adopting the Scottish Approach to Change. It

also highlighted NHS Tayside's use of the HIS Sharing Intelligence framework in generating a more systematic approach to spotting internal signals of concern and intervening at an earlier stage.

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, and health and care in Scotland, from members of the public.

We held regular meetings 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. We also maintain relationships across a range of Scottish Government policy areas, particularly regarding the commissioning of new work. We also undertook a scheduled review and update of the Operating Framework between Healthcare Improvement Scotland and Scottish Government. Furthermore, our Annual Review, held in December 2025, was led by the Cabinet Secretary for Health and Social Care.

We were engaged in the legislative process for the Non-surgical Procedures and Functions of Medical Reviewers (Scotland) Bill. We engaged directly with the Bill Team within Scottish Government and gave evidence to the Health, Social Care and Sport Committee. We also responded to consultations and parliamentary inquiries.

Additionally, we continued to be involved in several public inquiries: the UK and Scottish Covid-19 Inquiries, the Scottish Hospitals Inquiry, the Scottish Child Abuse Inquiry, and the Eljamel 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 and giving oral evidence.

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.

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 2025-2026 (2024-2025: nil).

Healthcare Improvement Scotland works in partnership with Counter Fraud Services to proactively manage the risk of fraud. Staff are required to complete a mandatory training module as part of their ongoing annual training and development requirements.

There were no reported material instances of fraud during the year (2024-2025: nil).

The Public Interest Disclosure Act 1998 (PIDA) is the law that protects whistleblowers from negative treatment or unfair dismissal from raising a concern (also known as a protected disclosure). Although staff should be able to raise concerns in their own organisation, the law also enables staff to raise concerns with 'prescribed persons'.

Responding to concerns

In 2014, we were designated a 'prescribed person' which means we have a statutory duty to respond to concerns raised with or referred to us that have the potential to impact on safety or quality of care within the NHS in Scotland. As a designated prescribed person, individuals can come directly to Healthcare Improvement Scotland to raise concerns and still be entitled to the protection detailed within the Act. All relevant concerns are assessed through our Responding to Concerns process and reviewed in the context of our statutory powers as described in the 'who we are what we do' section of this report.

Concerns received during 2025-2026

During the year 2025-2026, we reviewed twelve concerns from NHS staff (2024-25: 22). In addition, we assessed a further nine concerns (2024-25: 9) that were referred to us through other routes:

- internal processes within HIS
- through another national organisation/regulator or
- a referral from an NHS board

We also carried forward the ongoing assessment of 15 concerns from the previous year (12 from NHS staff and three referred through other routes).

Disclosures and referrals

In relation to all disclosures and referrals, we undertook an initial assessment of the information shared with us. This led to the following action:

- Of the 12 PIDA disclosures, two were deemed to not be within our remit; one was redirected to the Independent National Whistleblowing Officer, and for the other, the NHS board was made aware that the information had been shared with us, and they were asked to confirm they would review and respond locally.
- Of the nine referrals through other routes, two were deemed to not be within our remit; for one, the referring organisation was informed that the referral would not be progressed through our assessment process, and for the other, it was agreed that the referral was made as information sharing and should be treated as such through internal intelligence sharing arrangements.

- Of the remaining 10 disclosures and seven referrals, the initial assessment led to further action being taken by Healthcare Improvement Scotland and the relevant NHS Board. This action can be summarised as:
    - we worked with the source of the information to fully understand the concerns and the context of the service within which they related to
    - we engaged with the relevant NHS Board, and other national partners as appropriate, to seek assurance that the concerns were being responded to and addressed within the NHS Board and that improvements were implemented as required
    - we engaged with the NHS Board to seek assurance about the safety and quality of care of the service more broadly and that appropriate governance and executive oversight were arrangements in place

All action taken was summarised in formal written communications shared with the NHS Board and the individual/source of the concerns. Meetings took place with the source of the concern, and the NHS Board as required.

In addition to providing an opportunity for NHS boards to identify and implement improvements to the safety and quality of care of a service, all disclosures and referrals provide a valuable source of information and intelligence to inform the wider work of Healthcare Improvement Scotland.

2025-2026 improvements

We have continued to redesign and make improvements to our process for responding to concerns following an external review which was commissioned and undertaken throughout 2024-2025. Our revised programme methodology will be published on our website in 2026. We remain committed to continuously improving the process to ensure concerns regarding the safety and quality of health and care services are addressed and acted upon appropriately.

Internal Audit

The 2025-2026 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 22 June 2026. In their report they have reached an annual conclusion over four components; governance, risk management and control, financial reporting and management and data captured and used by the Organisation. These are aligned with the requirements of the Global Internal Audit Standards (GIAS.) During 2025/26 KPMG completed a total of five reviews; based on the controls reviewed the following conclusions have been drawn;

Governance [**Amber Green**]: Overall findings on design show some controls to be effectively designed with some exceptions and our testing showed controls are operating effectively.

Risk Management [Amber Green]: Overall findings on design show some controls to be effectively designed with some exceptions and our testing showed controls are operating effectively

Financial Reporting and management [Amber Green]: Overall findings on design show some controls to be effectively designed with some exceptions and our testing showed controls and operating effectively.

Data Captured and used by the organisation [Green]: Overall findings on design showed controls are effectively designed and our testing showed controls are operating effectively

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 2025 iMatter staff survey achieved an encouraging 89% response rate, slightly down from 90% the previous year, yet still one of the highest response rates among all NHS boards in Scotland. The organisation's employee engagement index score experienced a slight increase, moving from 75 in 2024 to 78 in 2025.

The Staff Governance Committee met four times during the year to ensure organisational accountability for delivery against the requirements of NHS Scotland Staff Governance Standard.

Our Transformational Oversight Board continued to meet regularly. The Board, comprising 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. The Strategic Design Board was a further enabler introduced which will use internal and external intelligence and best practice to anticipate risks and opportunities and consider the future shape of the organisation. The Board will support the organisation to remain responsive, resilient and aligned to the evolving health and care landscape in Scotland to make optimum use of our resources to deliver our strategy.

Within the organisation we have a range of support for Whistleblowing, as required by the national standards. We encourage dialogue and discussion, and our Executive Team, Partnership Forum and Whistleblowing Champion are visible within the organisation.

Workforce health and wellbeing remain a key organisational priority. A programme of regular support continues, including meditation sessions, menopause cafés and Caring Cuppas, alongside the rollout of Mentally Healthy Workplace training for managers. We have participated in national wellbeing campaigns and awareness-raising activities, including Carers Week and Time to Talk Day, and provided updates on the See Me in the Workplace initiative. Since late 2025, a monthly wellbeing update has been issued to staff to improve visibility of events, resources and support available across the organisation.

HIS Campus celebrated its one-year anniversary in May 2025, and over the last year, has continued to grow as our one-stop-shop for staff to access our organisational learning opportunities and resources. Learning opportunities are delivered predominantly through our own internal Subject Matter Experts (SMEs) and trusted learning partners across NHS Scotland. The HIS Campus Learning Programme supported key developmental priorities arising from our 2025 – 2026 corporate learning needs analysis which included Communication, Digital, Improvement, Leadership and Management. 60 learning sessions were internally developed and delivered by our internal SMEs.

The next stage of development for HIS Campus is to provide staff with a digital repository of curated learning opportunities and resources and in time, a virtual space to share their learning. This is aligned with the HIS Campus community ethos and our ambition to create a community of active learners.

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 conclusions 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

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

3

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 3 June 2026 to appraise all executive and senior managers for the performance year 2025-2026. They will consider the performance review information against the objectives that had been set for 2025-2026. On this basis, each post holder will be assigned one of the five performance bands.

NHS Circular PCS (ESM) 2025/3, issued on 09 December 2025 gave effect to the pay uplift for the Executive cohort from 1 April 2025. NHS Circular PCS (ESM) 2026/1 issued on the 17 February 2026 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 2026 (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	160-165	-	160-165	121	280-285	
Non-Executive members:						Note 1
Interim Chair: E McPhail	45-50	-	45-50	-	45-50	
Employee Director: D Service	70-75	-	70-75	42	115-120	Includes £60k in respect of non-Board duties.
S Dawson	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	15-20	-	15-20	-	15-20	

	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
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	10-15	-	10-15	-	10-15	
Sub total		**-**		**163**		
Other senior employees:						
Deputy Chief Executive: A Gow	50-55	-	50-55	-	-	See Note 3 below
Director of Workforce: S Canavan	45-50	-	45-50	127	170-175	Resigned 29 August 2025. Annualised salary of £105-110k
Director of Evidence and Digital: S Qureshi	110-115	-	110-115	43	150-155	
Medical Director and Director of Safety: S Watson	235-240	-	235-240	141	375-380	Includes £34k for services provided to NHS Lothian via a secondment agreement
Director of Finance, Planning and Governance: A Moodie	30-35	-	30-35	11	40-45	Resigned 1 July 2025. Annualised salary of £125-130k
Director of Community Engagement and Transformational Change: C Morrison	105-110	-	105-110	47	155-160	
Director of Quality Assurance and Regulation: E Docherty	140-145	-	140-145	69	210-215	See Note 4 below
Interim Director of Nursing and Systems Improvement: M Hastings	50-55	-	50-55	37	85-90	Returned to substantive post 29 September 2025. Annualised salary of £105-110k
Director of Nursing and Integrated Care: M Dowdeswell	60-65	-	60-65	17	75-80	Appointed 6 October 2025. Annualised salary of £120-125k

	Gross salary (Bands of £5,000)	Benefits in kind (£000)	Total earnings (Bands of £5,000)	Pension benefits (£000)	Total remuneration (Bands of £5,000)	Notes
Interim Chief People Officer: G Gall	60-65	-	60-65	105	165-170	Appointed 1 September 2025. Annualised salary of £100-105k
Chief Finance and Risk Officer: G Hennon	15-20	-	15-20	5	20-25	Appointed 26 January 2026. Annualised salary of £100-105k
Interim Director of Finance and Corporate Services: J Napthine	5-10	-	5-10	3	10-15	Appointed 2 June 2025. Resigned 10 July 2025. Annualised salary of £85-90k
Sub Total		**-**		**605**		
Grand Total		**-**		**768**		

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 the Care Inspectorate, D Moodie, is a Non-Executive members of another Board. No remuneration is made from the Non-Executive appointment, with all payments being made on a quid pro quo basis by the Board they Chair.

Note 3 Since March 2025, A Gow is no longer a contributing member of the pension and thus her pension benefit is shown as £nil.

Note 4 E Docherty was seconded to this position from NHS Lanarkshire and the recharge for the year was £192k.

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**		
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

	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
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.

Pension benefits (audited information) for the year ended 31 March 2026

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 benefit 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 2026

	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 2025	CETV at 31 March 2026	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	90-95	5-7.5	2.5-5	1,226	1,407	114
Other senior employees:							
Employee Director: D Service	30-35	25-50	2-2.5	0-2.5	506	572	39
Director of Workforce: S Canavan	45-50	120-125	5-7.5	10-12.5	942	1,119	135
Director of Evidence and Digital: S Qureshi	40-45	90-95	2.5-5	0-2.5	848	943	49
Medical Director and Director of Safety: S Watson	80-85	195-200	7.5-10	10-12.5	1,502	1,730	145
Director of Finance, Planning and Governance: A Moodie	5-10	-	0-2.5	-	97	111	6
Director of Community Engagement and Transformational Change: C Morrison	20-25	45-50	2.5-5	0-2.5	362	428	38
Director of Quality Assurance and Regulation: E Docherty	50-55	115-120	2.5-5	2.5-5	1,009	1,136	73
Interim Director of Nursing and Systems Improvement: M Hastings	30-35	-	2.5-5	-	454	515	31
Director of Nursing and Integrated Care: M Dowdeswell	0-5	-	0-2.5	-	-	14	6
Interim Chief People Officer: G Gall	40-45	100-105	5-7.5	7.5-10	710	848	101

	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 2025	CETV at 31 March 2026	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)
Chief Finance and Risk Officer: G Hennon	0-5	-	0-2.5	-	-	5	3
Interim Director of Finance and Corporate Services: J Napthine	0-5	-	0-2.5	-	-	3	2

Note 1 Since March 2025, A Gow is no longer a contributing member of the pension and thus her pension information is excluded from the above table.

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

	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)
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

Fair pay disclosures (audited information)

	2025-26	2024-25
Range of staff remuneration	£25,000 - £30,000 to £235,000 to £240,000	£20,000 - £25,000 to £210,000 - £215,000
Highest earning director's total remuneration	£235,000 - £240,000	£210,000 - £215,000
Median (salary only)	£52,882	£49,709
Ratio	4.49	4.27
25th percentile (salary only)	£41,485	£39,358
Ratio	5.72	5.40
75th percentile (salary only)	£62,774	£60,127
Ratio	3.78	3.53

The highest earning director's remuneration has increased by 11.8% (2024–2025: 10.4%) since last year. The average percentage change in nominal average salaries increased by 5.3% (2024–2025: increase of 5.2%) due to the pay awards delivered at a national level for NHS Scotland. The median pay ratio is consistent with the pay, reward and progression policies for HIS employees taken as a whole.

4 Staff report

4

Section 4: Staff report

Changes to the roles of senior staff

Changes have occurred within the Executive Team throughout the year. M Dowdeswell joined the organisation as Director of Nursing and Integrated Care in October 2025. Prior to this, A Moodie, Director of Finance, Planning and Governance, left the organisation. Following the resignation of S Canavan, Director of Workforce, and the creation of a Chief People Officer role, the role was taken up on an interim basis by G Gall in September 2025. Additionally, G Hennon has taken up the position of Chief Finance and Risk Officer since January 2026.

Higher paid employees' remuneration (audited information)

Clinical staff	2025-26	2024-25
£90,001 to £100,000	3	5
£100,001 to £110,000	2	1
£110,001 to £120,000	-	-
£120,001 to £130,000	1	2
£130,001 to £140,000	1	-
£150,001 to £160,000	-	-
£170,001 to £180,000	1	1
£190,001 to £200,000	-	-
£200,001 and above	1	1

Other staff non clinical	2025-26	2024-25
£90,001 to £100,000	4	4
£100,001 to £110,000	12	10
£110,001 to £120,000	2	2
£120,001 to £130,000	-	2
£130,001 to £140,000	-	1
£140,001 to £150,000	-	1
£160,001 to £170,000	1	-
£170.001 to £180.000	-	1

Note: senior employees in the above table are those earning over £90,000 per annum (2024 – 2025 over £70,000).

Staff expenditure (audited information)

2024-25 Total		Executive Board members	Non-Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2025–26 Total
£000		£000	£000	£000	£000	£000	£000	£000
Staff costs								
27,987	Salaries and wages	161	196	30,170	-	-	(271)	30,256
3,146	Social security costs	23	20	4,086	-	-	-	4,129
6,051	NHS scheme employers' costs	36	-	6,561	-	-	-	6,597
1,921	Inward secondees	-	-	-	2,174	-	-	2,174
28	Agency staff	-	-	-	-	119	-	119
39,133		220	216	40,817	2,174	119	(271)	43,275
261	Compensation for loss of office or early retirement	-	-	-	-	-	-	-
39,394	**Total**	**220**	**216**	**40,817**	**2,174**	**119**	**(271)**	**43,275**

Staff numbers (audited information)

2024-25 Average		Executive Board members	Non-Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2025–26 Average
Staff numbers								
575	Whole time equivalent (WTE)	1	1	547	14	1	(3)	561
-	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:	-	-	32	-	-	-	36

2024-25 Average		Executive Board members	Non-Executive members	Permanent staff	Inward secondees	Other staff	Outward secondees	2025–26 Average
Staff numbers								
-	Included in the total staff numbers above were Special Advisers of:	-	-	-	-	-	-	-

Reconciliation of staff costs to Note 3 employee expenditure

	£000
Total employee expenditure 2025-26 as above	43,275
Add employee income (outward secondees above) included in Note 4	271
Total employee expenditure disclosed in Note 3	43,546

Staff composition – payroll only (unaudited information)

	At 31 March 2026			At 31 March 2025		
	Male	Female	Total	Male	Female	Total
Executive directors	1	-	1	1	-	1
Non-Executive directors and employee director	6	6	12	5	7	12
Senior employees	8	19	27	18	48	66
Other	120	447	567	114	416	530
Total headcount	135	472	607	138	471	609

Sickness absence data (unaudited information)

	At 31 March 2026	At 31 March 2025
Sickness absence rate	3.6%	4.2%

Staff turnover – payroll only (unaudited information)

	At 31 March 2026	At 31 March 2025
Staff turnover	51	83
Headcount	607	596
Percentage staff turnover	8.6%	13.9%

Exit packages (audited information)

Exit Package cost band	Number of exit packages 2025/26	Number of exit packages 2024/25
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

No exit packages were agreed during the year ended 31 March 2026

Employment of disabled persons

As an equal opportunities employer, we welcome 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 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 NHS Scotland. 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 2026, aimed at shaping a clearer and more consistent vision of the HIS employee experience and lifecycle. Central to this work is embedding partnership working at every level of the organisation.

Following the launch in 2024–2025 of the Carers Passport, we achieved Exemplar Certificate for Carers Positive in September 2025 for commitment.

Following the introduction of the NHS Scotland Workforce Policies phase 2.2 and phase 3, comprising twenty updated policies and guidance notes, soft launched across 2025 under the Once for Scotland Workforce Policies programme. A formal launch is anticipated in 2026.

Health and safety

In 2025–2026, we continued to make significant strides in enhancing transparency and compliance in safety-related areas. Notably, 73.3% of colleagues completed their Display Screen Equipment (DSE) assessments, ensuring that 416 staff members received the appropriate equipment to support their ergonomic needs. This marked a slight decrease 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 2025–2026:

- 78% of staff completed the Fire Safety module
- 86% completed the Health and Safety Induction
- 84% 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 NHS Scotland 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.

During 2025-2026, we contributed to the National Business Services Programme supporting the planning and tendering phases being undertaken ahead of the implementation of a new NHS Scotland national system in 2028.

Robbie Pearson

Robbie Pearson

Chief Executive

5 Parliamentary accountability report

Section 5: Parliamentary accountability report

Losses and special payments

During the year 2025-2026 we paid £0 of redundancy payments (2024-2025: £261k). There were no losses or special payments above £300k.

Remote contingent liabilities

There were no remote contingent liabilities recognised during 2025-2026 (2024-2025: nil).

Fees and charges

Independent healthcare (audited information)

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

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 2025-2026 and prior years. This information has been reviewed and is subject to the audit opinion.

Outturn	2025-2026	2024-2025	2023-2024	2022-2023
	£000	£000	£000	£000
Income	1,715	1,382	1,515	1,040
Scottish Government funding	61	252	565	360
Expenditure	(1,777)	(1,636)	(2,081)	(1,330)
Surplus/(deficit)	**(1)**	**(2)**	**(1)**	**70**

The position regarding the registration of independent clinics at 31 March 2026 is shown below. Comparative information for the prior years is also provided.

Independent clinics	As at 31 March 2026	As at 31 March 2025	As at 31 March 2024	As at 31 March 2023
Clinics registered	604	554	540	513
Applications being processed by the Inspectorate	54	42	54	33
Applications yet to commence	29	15	31	3
Services that may still require to be registered	78	75	135	120
Total	**765**	**686**	**760**	**669**

Robbie Pearson

Robbie Pearson

Chief Executive

6 Independent auditor's report

6

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 2026 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 2025/26 Government Financial Reporting Manual (the 2025/26 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the board's affairs as at 31 March 2026 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 2025/26 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 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 board'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 do 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. 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 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.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of my report

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

Claire Gardiner

Claire Gardiner CPFA
Audit Director

Audit Scotland
102 West Port
Edinburgh
EH3 9DN

29 June 2026

7 Financial statements

Section 7: Financial statements

Statement of comprehensive net expenditure

For the year ended 31 March 2026

	Note	2026 £000	2025 £000
Employee expenditure	3a	43,546	39,536
Other healthcare expenditure	3b	6,602	6,477
Gross expenditure for the year		50,148	46,013
Less: operating income	4	(2,506)	(2,193)
Comprehensive net expenditure		47,642	43,820

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

Statement of financial position

As at 31 March 2026

	Note	2026 £000	2025 £000
Non-current assets			
Property, plant and equipment	7	1,111	1,333
Intangible assets	6	-	-
Right of use assets	13	2,239	2,790
Total non-current assets		3,350	4,123
Current assets			
Financial assets:			
Trade and other receivables	8	631	745
Cash and cash equivalents	9	1,193	1,209
Total current assets		1,824	1,954
Total assets		5,174	6,077
Current liabilities			
Provisions	11	(619)	(615)
Financial liabilities:			
Trade and other payables	10	(5,035)	(5,401)
Total current liabilities		(5,654)	(6,016)
Non-current assets less net current liabilities		(480)	61
Non-current liabilities			
Provisions	11	(667)	(652)
Trade and other payables	10	(1,922)	(2,386)
Total non-current liabilities		(2,589)	(3,038)
Assets less liabilities		(3,069)	(2,977)
Taxpayers' equity			
General fund	SoCTE	(3,069)	(2,977)
Total taxpayers' equity		(3,069)	(2,977)

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

The financial statements on pages 74-77 were approved by the Board on 29 June 2026 and signed on their behalf by for the year ended 31 March 2026.

Robbie Pearson

Robbie Pearson
Chief Executive
29 June 2026

Gillian Hennon

Gillian Hennon
Chief Finance and Risk Officer
29 June 2026

Statement of cash flows

For the year ended 31 March 2026

	Note	2026 £000	2025 £000
Cash flow from operating activities			
Net expenditure	SoCTE	(47,642)	(43,820)
Adjustments for non-cash transactions	2b	773	823
Add back: interest payable recognised in net operating expenditure	2b	83	34
Movements in working capital	2c	(336)	(119)
Net cash outflow from operating activities		(47,122)	(43,082)
Cash flows from investing activities			
Purchase of property, plant and equipment	7	-	(41)
Net cash outflow from investing		-	(41)
Cash flows from financing activities			
Funding		47,550	43,776
Movement in general fund working capital		(16)	102
IFRS 16 –cash lease payment		(345)	(619)
Interest element of leases		(83)	(34)
Net financing		47,106	43,225
Net increase/(decrease) in cash and cash equivalents in the period		(16)	102
Cash and cash equivalents at the beginning of the period		1,209	1,107
Cash and equivalents at the end of the period		1,193	1,209
Reconciliation of net cash flow to movement in net cash			
Increase/(decrease) in cash in year		(16)	102
Net cash at 1 April	9	1,209	1,107
Net cash as at 31 March	9	1,193	1,209

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 2026

	£000
Balance at 31 March 2025	(2,977)
Changes in taxpayers' equity for 2025-26	
Net operating cost for the year	(47,642)
Total recognised income and expense for 2025-26	(47,642)
Funding:	
Drawn down	47,534
Movement in general fund working capital	16
Balance at 31 March 2026	(3,069)

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 working capital	(102)
Balance at 31 March 2025	(2,977)

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

8 Notes to the financial statements

Section 8: Notes to the financial statements

Accounting policies for the year ended 31 March 2026 — 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: IFRS 17 Insurance Contracts have been included within the FreM for 2025-2026.

Standards, amendments and interpretation issued but not adopted this year: There are no new standards, amendments or interpretations early adopted in the 2025-2026 financial year.

Standards, amendments, and interpretations issued but not adopted this year: The table below summarises recent standards, amendments and interpretations issued but not adopted in the 2025-2026 financial year.

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

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 2027 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 accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS capital accounting manual.

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

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	3-7
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 purpose 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 NHS Scotland as advised by the Scottish Government and based on information prepared by NHS boards and the Central Legal Office. The movement in the provisions between financial years is matched by a corresponding adjustment in 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 2025-2026 that gave rise to a significant risk.

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

2a. Summary of resource outturn

	Note	2026 £000	2025 £000
Summary of core revenue resource outturn	SoCNE	47,642	43,820
Net expenditure			
Total non-core expenditure		(792)	(833)
Total core expenditure		46,850	42,987
Core revenue resource limit		46,850	42,987
Saving against core revenue resource limit		-	-
Summary of non-core revenue resource outturn			
Depreciation/amortisation		222	218
Annually managed expenditure – creation / (release) of provisions		19	10
Right-of-Use (RoU) asset depreciation		551	605
Total non-core expenditure		792	833
Non-core revenue resource limit		792	833
Excess		-	-

Summary of resource outturn	Resource £000	Expenditure £000	Excess £000
Core	46,850	46,850	-
Non-core	792	792	-
Total	47,642	47,642	-

2b. Adjustments for non-cash transactions

	Note	2026 £000	2025 £000
Expenditure not paid in cash	7	222	218
Depreciation			
Amortisation	6	-	-
Depreciation of Right-of-Use (RoU) assets	13a	551	605
Total expenditure not paid in cash	SoCF	773	823
Interest payable – leases		83	34

2c. Movements in working capital

	Note	2026 Opening balances £000	2026 Closing balances £000	2025 £000
Trade and other receivables	8	745	631	(194)
Due within one year				
Net movement		-	114	(194)
Trade and other payables				
Due within one year	10	5,401	5,035	(104)
Due after more than one year	10	2,386	1,922	(879)
Less: General fund creditor included in above	10	(1,209)	(1,193)	(102)
Less: Lease creditors included in above	13	(2,731)	(2,386)	1,153
		3,847	3,378	-
Net movement		-	(469)	68
Provisions				
Statement of financial position	11	1,267	1,286	7
Net movement		-	19	7
Net movement increase/(decrease) CFS		-	(336)	(119)

Operating expenses

3a. Employee expenditure

	Note	2026 £000	2025 £000
Medical and dental		2,674	3,337
Nursing		250	299
Other staff		40,622	35,900
Total	SoCNE	43,546	39,536

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	2026 £000	2025 £000
Goods and services from other NHS Scotland bodies		2,326	2,479
Goods and services from private providers		4,193	3,797
Goods and services from voluntary services		44	163
External auditors remuneration – statutory audit fee		39	38
Total	SoCNE	6,602	6,477

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

Operating income

	Note	2026 £000	2025 £000
Scottish Government		120	141
NHS Scotland bodies		583	457
NHS Non-Scottish bodies		26	42
Independent healthcare		1,715	1,381
Other		62	172
Total income	SoCNE	2,506	2,193

Segmental reporting – net operating cost Note 5

Directorates	2026 £000	2025 £000
Chief Executive	4,327	4,453
Community Engagement and System Redesign	7,419	6,621
Evidence	9,458	9,070
IT and Digital	2,517	2,263
Medical and Safety	5,515	4,731
Nursing and Systems Improvement	8,354	7,417
Property	1,250	1,138
Quality Assurance and Regulation	8,802	8,127
Total	47,642	43,820

Note:- IT and Digital and Evidence are both led by the same director and have been separated for Note 5. Property is also included separately in Note 5.

Intangible assets (non-current)

	Note	Software licences £000
Cost or Valuation		
At 1 April 2025		67
Disposals		(29)
At 31 March 2026		38
Amortisation		
At 1 April 2025		67
Disposals		(29)
At 31 March 2026		38
Net book value at 1 April 2025		-
Net book value at 31 March 2026	SoFP	-
Prior year		
Cost or Valuation		
At 1 April 2024		398
Disposals		(331)
At 31 March 2025		67
Amortisation		
At 1 April 2024		398
Disposals		(331)
At 31 March 2025		67
Net book value at 1 April 2024		-
Net book value at 31 March 2025	SoFP	-

Property, plant and equipment

	Buildings (excluding dwellings) £000	Plant and machinery £000	Information technology £000	Total £000
Cost or valuation				
At 1 April 2025	2,153	208	260	2,621
At 31 March 2026	2,153	208	260	2,621
Depreciation				
At 1 April 2025	938	208	142	1,288
Provided during the year	202	-	20	222
At 31 March 2026	1,140	208	162	1,510
Net book value at 1 April 2025	1,215	-	118	1,333
Net book value at 31 March 2026	1,013	-	98	1,111
Asset financing				
Owned	1,013	-	98	1,111
Net book value at 31 March 2026	1,013	-	98	1,111

Property, plant and equipment, cont.

Prior year	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

Trade and other receivables

	Note	2026	2025
Receivables due within one year		**£000**	**£000**
NHS Scotland			
SGHSCD		27	16
NHS boards		148	110
Total NHS Scotland receivables		175	126
NHS non-Scottish Bodies		-	26
VAT recoverable		48	128
Prepayments		363	363
Accrued income		-	-
Other receivables		43	58
Other public sector bodies		2	44
Total receivables due within one year	SoFP	631	745
Total receivables	SoFP	631	745

WGA Classification			
NHS boards		148	110
Central government bodies		77	188
Whole of government bodies		-	-
Balances with NHS bodies in England and Wales		-	26
Balances with bodies external to government		406	421
Total		631	745

The concentration of credit risk reflects the profile of the independent healthcare customer base, alongside the approach historically taken to the management and recovery of aged debt. This has evolved, with a transition to a more proactive recovery position planned for 2026/27. The overall exposure has been compounded by a number of services defaulting on payments over a sustained period. As part of this strengthened approach, Sheriff Officers have now been instructed to support recovery activity, and cancellation of independent healthcare service registration for non-payment has been introduced within the regulatory framework. On this basis, management has assessed that a future credit risk provision of £352k (2024-25: £264k) is required.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2026, receivables with a carrying value of £1k (2024-2025: £40k) 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.

Trade and other receivables, cont.

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.

	2026 £000	2025 £000
Counterparties with external credit ratings (A)	225	324
Existing customers with no defaults in the past	406	421
Total neither past due nor impaired	631	745

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

Cash and cash equivalents Note 9

	Note	2026 £000	2025 £000
Balance at 1 April		1,209	1,107
Net change in cash and cash equivalent balances	CFS	(16)	102
Balance at 31 March	SoFP	1,193	1,209
Overdrafts		-	-
Total cash – cash flow statement		1,193	1,209
The following balances at 31 March were held at:			
Government banking service		1,101	1,129
Commercial banks and cash in hand		92	80
Balance at 31 March		1,193	1,209

Trade and other payables

Payables due within one year NHS Scotland	Note	2026 £000	2025 £000
Scottish Government Health Finance and Governance Directorate		2	20
NHS boards	SoFP	545	782
Total NHS Scotland Payables		547	802
NHS non-Scottish bodies		-	44
General fund payable		1,193	1,209
Trade payables		-	290
Accruals		316	384
Deferred income		210	133
Net obligations under leases	13b	464	345
Income tax and social security		935	894
Superannuation	14	840	787
Holiday pay accrual		432	431
Other public sector bodies		40	33
Other payables		58	49
Total payables due within one year	SoFP	5,035	5,401
Net obligations under leases due within 2 years	13b	595	464
Net obligations under leases due after 2 years but within 5 years	13b	1,327	1,609
Net obligations under leases due after 5 years	13b	-	313
Deferred Income		-	-
Total payables due after more than one year	SoFP	1,922	2,386
Total payables		6,957	7,787
WGA classification			
NHS boards		1,517	2,048
Central government bodies		2,130	2,123
Whole of government bodies		975	820
Balances with NHS Bodies in England and Wales		-	44
Balances with bodies external to government		2,335	2,752
Total		6,957	7,787
Borrowings included above comprise:			
Leases		2,386	2,731
The carrying amount and fair value of non-current borrowings are as follows:			
Leases		1,922	2,386

Provisions

Current year	Note	Participation in CNORIS £000	Other £000	Total £000
At 1 April 2025		58	1,209	1,267
Arising during the year		23	-	23
Utilised during the year		(4)	-	(4)
Reversed unutilised		-	-	-
At 31 March 2026	2c	77	1,209	1,286

Analysis of expected timing of discounted flows to 31 March 2026:

Payable in one year	SoFP	19	600	619
Payable between 1- 5 years	SoFP	47	609	656
Payable between 6-10 years	SoFP	4	-	4
Thereafter	SoFP	7	-	7
Total as at 31 March 2026		77	1,209	1,286

Prior year	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		58	1,209	1,267

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

Payable in one year	SoFP	15	600	615
Payable between 1- 5 years	SoFP	35	609	644
Payable between 6-10 years	SoFP	3	-	3
Thereafter	SoFP	5	-	5
Total as at 31 March 2025		58	1,209	1,267

Provisions, cont.

Participation in CNORIS

Healthcare Improvement Scotland share of the total CNORIS liability of NHS Scotland

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

Dilapidations

The dilapidations provision relates to a leased property in Glasgow (Delta House) and was £609k at 31 March 2026 (2024-2025: £609k). Management reviewed this provision during the year considering inflation and market rates and deemed the provision reasonable.

Regulation of independent healthcare

At 31 March 2026 a provision of £600k (2024-2025: £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 at 31 March 2026 (2024-2025: nil).

Leases

13a) Leases assets

	Buildings (excluding dwellings) £000	Total £000
Cost or valuation		
At 1 April 2025	4,611	4,611
Additions	-	-
Re-measurement	-	-
At 31 March 2026	4,611	4,611
Depreciation		
At 1 April 2025	1,821	1,821
Provided during the year	551	551
At 31 March 2026	2,372	2,372
Net book value at 1 April 2025	2,790	2,790
Net book value at 31 March 2026	2,239	2,239

Healthcare Improvement Scotland's lease assets at 31 March 2026 are comprised of two material leases (2025 - two) regarding office accommodation; one at Delta House, West Nile Street, Glasgow (NBV at 31 March 2026 of £1.1m) and also at Gyle Square, Edinburgh (NBV at 31 March 2026 of £1.1m). The 4th floor of the Delta House office is sub-let to another NHS board, National Services Scotland (from 1 April 2026, known as Public Services Delivery 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. There was no remeasurement in the year ended 31 March 2026.

Leases assets – prior year	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

Leases, cont.

13b) Leases liabilities

	Buildings (excluding dwellings) £000	Total £000
Amounts falling due		
No later than one year	464	464
Later than one year, not later than two	595	595
Later than two years, not later than five	1,327	1,327
Later than five years	-	-
Balance at 31 March 2026	2,386	2,386

Leases liabilities – prior year		
Amounts falling due		
No 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

	2026 £000	2025 £000
Amounts recognised in the statement of comprehensive net expenditure		
Depreciation	551	605
Interest expenses	83	34
Non recoverable VAT on lease payments	85	131
Total	719	770
Amounts recognised in the statement of cashflow		
Interest expense	83	34
Repayments of principal leases	345	619
Total	428	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 2020 confirmed that an increase in the employer contribution rate from 20.9% to 22.5% was 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 2025 is 22.5% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.8% of pensionable pay.

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

Pension costs, cont.

Employer contribution rates were implemented from 1 April 2024 following the completion of the 2020 valuations and will remain in force pending the outcome of the current 2024 valuation cycle, which is now underway.

(v) Healthcare Improvement Scotland's level of participation in the scheme is 0.3% based on the proportion of employer contributions paid in 2024-25.

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

Pension costs, cont.

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

NEST is run by NEST Corporation, a trustee body 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.

	2026 £000	2025 £000
Pension cost charge for the year	6,597	6,051
Provisions/liabilities/prepayments included in the balance sheet	840	787

Financial instruments

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

	Note	2026 £000	2025 £000
At 31 March			
Assets per balance sheet:			
Trade and other receivables excluding prepayments, reimbursements of provisions and VAT recoverable	8	45	128
Cash and cash equivalent balances	9	1,193	1,209
		1,238	1,337

b) Financial instruments by category – financial liabilities

	Note	2026 £000	2025 £000 *(restated)*
At 31 March			
Liabilities per balance sheet:			
Trade and other payables excluding statutory liabilities (VAT, income tax and social security), deferred income and superannuation	10	414	800
Lease liabilities	13b	2,386	2,731
		2,800	3,531

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.

Financial instruments, cont.

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 2026				
Lease liabilities	536	654	1,401	-
Trade and other payables excluding statutory liabilities	414	-	-	-
Total	950	654	1,401	-

	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 *(restated)*	800	-	-	-
Total	1,217	529	1,725	321

(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 2025-2026 is £352k (2024-2025 £264k).

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

Related party transactions

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

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Section 9: Accounts direction

For the year ended 31 March 2026

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 NHS Scotland 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.

[1] 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.

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)
- "NHS Scotland Capital Accounting Manual" means the guidance on the application of accounting standards and practice to capital accounting transactions in the NHS issued by the Scottish Ministers
- "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



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We are happy to consider requests for other languages or formats.
Please contact our Equality and Diversity Advisor on 0141 225 6999
or email his.contactpublicinvolvement@nhs.scot

Healthcare Improvement Scotland

Edinburgh Office
Gyle Square
1 South Gyle Crescent
Edinburgh
EH12 9EB

Glasgow Office
Delta House
50 West Nile Street
Glasgow
G1 2NP

0141 225 6999

www.healthcareimprovementscotland.scot