



# **MENTAL WELFARE COMMISSION FOR SCOTLAND**

## **ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED**

**31 March 2020**

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# **MENTAL WELFARE COMMISSION FOR SCOTLAND**

## **Annual Report and Accounts for year ended 31 March 2020**

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## **Performance Report**

### **1. Overview**

The purpose of this overview is to give the reader a short summary of the Commission's purpose, how we have performed during the year, and the key risks to the achievement of our objectives.

The Commission's key performance indicators are reported in the [Business Plan 2019/20 end year report](#).

#### **1.1. Statement from the Interim Chief Executive**

We welcomed our new Chair, Sandy Riddell in April 2019 and said farewell to Colin McKay, Chief Executive in February 2020. Alison Thomson, Executive Director (Nursing) took up the Interim Chief Executive post in February just in time to lead the organisation through the major disruption and changes to our working practices resulting from the Covid -19 pandemic. Julie Paterson, currently divisional general manager (Fife-wide division) at Fife Health and Social Care Partnership, took up the CE post on 3 August 2020.

The Board and executive team held a facilitated away day in October 2019 to review and reflect on our current strategic priorities, the strategic risks and mitigating actions. This helped to develop a shared understanding of the role of the Commission and where we want to influence the landscape internally and externally. A draft strategic plan was agreed at the Board in December and we consulted with staff and the Advisory Committee. The final plan will be published once we consider any feedback from the stakeholder survey which reported in June 2020.

The Scott review of mental health and incapacity legislation is of paramount importance to us. We have responded throughout the year to requests for information from the review and targeted our monitoring work to elicit information that will be of use to the review. Much of our intended consultation with the Board and staff to inform our response to the review's first consultation was cancelled due to Covid -19. However we still managed to submit a comprehensive response in May 2020.

The Covid -19 pandemic caused major disruption to our organisation. All of our staff are currently working from home. From mid-March we ceased routine visiting although still retain the right to visit. We worked closely with Scottish Government colleagues reviewing and advising on the potential emergency legislation. We produced a Covid-19 advice note, regularly updated, to help practitioners in the field ensure that any restrictions proposed were proportionate and ethical. We are now thinking about the Commission's recovery phase and, like all individuals and organisations, believe that this will change many of the ways we have operated.

This year we report a budget underspend. There was a 2.1% underspend on our core operating activities (including the Reviews of Learning Disabilities and Autism and Deaths in Detention and Homicide), and a 9.8% underspend for The National Confidential Forum (NCF).

## **1.2. Purpose and Activities of the Commission**

The Mental Welfare Commission for Scotland was originally constituted under the Mental Health Act of 1960, replacing a body that can be traced back to 1857. The current duties of the Commission are embodied in the Mental Health (Care & Treatment) (Scotland) Act 2003 (MHCT Act 2003) as amended by the Public Services Reform (Scotland) Act 2010, Victims and Witnesses (Scotland) Act 2014 and the Mental Health (Scotland) Act 2015; and the Adults with Incapacity (Scotland) Act 2000 (AWI Act 2000). Schedule 1 of the 2003 Act applies certain provisions of the NHS (Scotland) Act 1978 with regards to annual accounts. The Commission's accounts are consolidated into those of the NHS in Scotland and it follows procedures outlined in the Health Board Accounts Manual.

The Commission's mission, purpose priorities and activities are illustrated in the diagram below.



# Our mission and purpose



### **1.3. Key issues and risks**

The Board sets the strategic direction for the organisation and monitors performance against key strategic objectives. It is also responsible for ensuring sound corporate governance. The strategic and business plans are available on the website.

Through the strategic planning and risk management processes the Board reviews the principal risks and uncertainties facing the Commission. This year the Board identified the key risks as:

- Organisational capacity to respond to the many legislative and policy changes in the mental health field and continue current business as usual
- A change of leadership in the organisation which could lead to a loss of impact and influence
- Ongoing financial uncertainty with late approval of budget allocation, fluctuating costs of DMP resource and uncertainty of future funding

Our strategic risk register was updated in June 2020 reflecting the new risks from the Covid -19 pandemic.

### **1.4. Performance summary**

#### **Influencing and Empowering**

The review of Scotland's mental health and incapacity legislation is very important to us. We welcomed the appointment of John Scott QC to chair the review in June 2019 and we have been closely involved in contributing to the terms of reference and how to engage with both services and people with lived experience and their carers. Our Chief Executive, Colin McKay, was appointed as an independent adviser to the Scott review (and continues in this role after his retirement from the Commission in February 2020). The Scott review first consultation was issued in February 2020 and despite the difficulties and change of emphasis on our work in the initial phases of the Covid-19 pandemic we were able to submit a comprehensive response by the revised due date of end May.

Over the year there has been a lot of activity by the Scottish Government in the review of mental health services. This includes the review of forensic mental health services and the Strang review of mental health services in Tayside which led to the Mental Health Minister setting up the Quality and Safety Board and a review of the powers of both the Commission and Healthcare Improvement Scotland. We have been closely involved with these reviews and are uniquely placed to promote the rights and welfare of individuals rather than a service focus.

During the year we were involved in two judicial reviews initiated by the Equality and Human Rights Commission (EHRC). The first of these involved a health board refusing to find individuals a service with lower levels of security despite the Mental Health Tribunal mandating that the current levels of security were excessive and an alternative placement should be found. The health board conceded the case on the

morning of the review meaning that there will be no legal precedent, however the judicial record should help to prevent this situation from recurring across Scotland.

The second case originated from follow up from one of the Commission's guardianship visits. It involved the practice of a health board in transferring patients from hospital to care homes where they had no legal authority to do so. The discharging of people with dementia who do not have capacity, are not on guardianship and are unable to consent to any care placement, and who are indicating objection to 'interim care beds' funded by the health board in a care home, is now subject to judicial review. We believe that this action is both unlawful and not compatible with the individuals' human rights. Our involvement in the case was important in establishing if individual patients were deprived of liberty, and what options should have been followed. In January the court hearing was postponed for eight weeks with the health board agreeing to stop the unlawful practice, not to admit anyone to the two services and are now seeking (interim) guardianship for the individuals involved.

The Commission continues to contribute to The Sharing Intelligence for Health & Care Group which aims to improve the quality of health and social care by allowing members to share and learn from existing data, knowledge and intelligence. The Commission is one of seven national organisations that make up the Group, along with Audit Scotland, the Care Inspectorate, Healthcare Improvement Scotland, NHS National Services Scotland, NHS Education for Scotland and the Scottish Public Services Ombudsman.

We attend meetings of the Scottish Mental Health Partnership and worked with other organisations to promote a rights based approach to the Government's Mental Health Strategy. We also participate in professional networks including the Mental Health Nursing Forum, the Royal College of Psychiatrists' Scottish Committee and Social Work Scotland, and key interest groups such as the Scottish ECT Accreditation Network and the Alzheimer Scotland Policy Committee.

We responded to six Scottish Government policy or legislative consultation documents of relevance to the work of the Commission.

## **Visiting**

We continued to visit people who are being treated under mental health and incapacity law or who are otherwise receiving care and treatment in hospital, community and other settings. When we visit an individual we find out their views of their care and treatment. We also check that their care and treatment is in line with the MHCT Act 2003, the AWI Act 2000 or any other relevant legislation. We make an assessment of the facilities available for their care. We expect to find that the individual's needs are met and their rights respected. If not, we make recommendations for improvement.

This year we carried out two national themed visits. These visits are to individuals receiving similar services across Scotland. We produce a national report comparing issues for individuals receiving care and treatment across Scotland and making recommendations. The themed visits were to:

- individuals with [functional mental illness in older people wards](#)
- individuals with eating disorders (report will be published in August 2020)

We also carried out 127 local visits to hospitals and care services, of which 31 were unannounced. We particularly focus on units where there is a major deprivation of liberty, where intelligence gathered from themed visits, previous visits, service user concerns and other sources raise issues about care and treatment or where it has been some time since our last visit. For each local visit we provided feedback and recommendations for improvement to the services involved. The [local visit reports](#) are published on our website. Due to other work pressures around the Covid -19 pandemic we will not produce our annual report summarising the findings from our local visits in 2019.

### **Monitoring of Mental Health and Incapacity Legislation**

We have various duties under the MHCT Act 2003 to receive, check and report on statutory interventions and notifications. We also promote the principles of that Act. In addition, we receive statutory notifications of certain welfare interventions under the AWI Act 2000. Our monitoring work involves both checking the paperwork and records of people who are being cared for or treated under mental health or incapacity law and analysing and reporting on trends and differences in the way the law is being used across the country.

In 2019/20 we processed 39,085 (18/19: 39,233) forms and other notifications related to mental health and incapacity legislation; 3,605 (18/19: 3,535) Guardianship and Intervention Orders. We published our biennial monitoring review of how the [Mental Health Act](#) is used in October for services to compare practice across the country. In March we published the [report on young people admitted to non-specialist services](#).

This year we have completed work on reviewing the duration periods of short term detention orders in collaboration with Edinburgh University Statistics Department. We were interested to know if the duration period for these certificates has changed over the reporting periods 2005 - 2020 and within the 28 day detention period, when is the detention most likely to be revoked. We will publish a report in the autumn.

This year we implemented a system of monitoring admissions of mothers to general mental health wards and sharing anonymised data with the managed clinical network. A report of this work will be published in September 2020.

As a follow up to our report on Place of Safety orders in 2018, we reviewed all health board psychiatric emergency plans (PEPs). We issued a [report](#) to health boards reviewing these plans and a template for what would be useful for Boards to include in their plans.

This year we visited 313 people subject to guardianship orders under the Adults with Incapacity Act. We select a sample of guardianship orders based on our previous knowledge of the sorts of orders that might raise concerns. We review the paperwork and meet with the individual and their guardian or carer, where appropriate. We



complete a standard monitoring form for each visit which allows us to [compare](#) and contrast the use of welfare guardianship across Scotland. These reports are now done on a biennial basis with the next one due in October 2020.

Under Section 233 of the MHCT Act 2003, the Commission is responsible for appointing Designated Medical Practitioners (DMPs). Their function is to provide a second medical opinion when medical treatments are prescribed under Part 16 of the MHCT Act 2003 (and section 48 of the AWI Act 2000). During the year we held two induction sessions and one seminar for DMPs and organised 2,360 (18/19: 2,138) second medical opinions.

## **Investigations and Inquiries**

We carry out an investigation when we believe something may have gone seriously wrong with an individual's care and treatment. Investigations are at many levels from a telephone call to a service to a more in depth investigation where we might interview individuals and staff involved. Of course, we cannot formally investigate every case of potentially poor treatment, so for our major investigations we choose cases which have implications for services across Scotland.

This year we progressed 29 investigations at our Operational Management Group including the publication of a major investigation, [Ms ST](#), a woman with learning disabilities who remained in hospital due to a prolonged disagreement between her family, health professionals and the Health and Social Care Partnership (HSCP) about discharge plans.

Following a report by the Council of Europe's Committee for the Prevention of Torture (CPT) in October 2019 which shows serious failings in the treatment of women with mental health needs in prison, we completed an initial review of seven of the identified cases. We are taking these cases forward as a major investigation.

Our new system of recording investigatory casework highlights that during the year we conducted lower level investigatory work and actively intervened in a further 110 cases of which 80 were closed on satisfactory outcome.

## **Information and Advice**

The Commission operates a telephone advice line aimed at helping service users, carers, practitioners and others to understand more about individuals' rights and effective use of mental health and incapacity law. The number of telephone calls logged was 4,730 (18/19: 4,790) with 4,275<sup>[1]</sup> (18/19: 4,238) of these allocated as requests for advice. Much of our work is at the complex interface between the individual's rights, the law and ethics and the care the person is receiving. We work across the continuum of health and social care and are the only organisation to do so.

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<sup>[1]</sup> This number is all requests for advice which is different to requests for advice allocated to the duty practitioner reported in the KPIs

We regularly carry out a sample audit of advice given out by individual practitioners and this has consistently revealed an accuracy rate in excess of 97.5%, which is the Commission's target.

We published two new good practice guides on [capacity, consent and compulsion for young people with borderline personality disorder](#) and [person centred care plans](#) and substantially revised and updated our guidance on the [use of seclusion](#).

In March 2020 in response to the Covid-19 pandemic we published a series of updated [advice notes](#) to assist practitioners facing new challenges and dilemmas in a rapidly changing environment. The unprecedented circumstances and the risk to health mean that some individuals' human rights may be restricted, and it is important that any restriction is carefully considered, legal and ethical.

### **Continuous Improvement**

We are committed to demonstrating that our work provides value for money.

We continue to audit the advice given on the telephone advice line and our local visits. Results from these evaluations are fed back to the practitioners to improve practice and share any learning points.

The Board and executive team attended a strategic planning day in October, with a draft strategic plan discussed with staff and the Advisory Committee from January to March. We will consider any feedback from the stakeholder survey before final publication of the strategic plan.

We launched a revised and updated website to make it easier for different stakeholders to find relevant information

We have implemented our records management improvement plan and submitted a revised plan to National Records Scotland

We carried out a workforce planning and skills mix exercise to ensure the organisation is able to respond to future developments. This exercise should have been completed by the end of March 2020 but has been delayed due to other priorities through the Covid-19 pandemic

We conducted a stakeholder survey to elicit views of the Commission. The final report was received in June and we are currently working on an action plan

We conducted a survey of staff on the accommodation changes and were implementing some changes highlighted in the survey prior to all staff being required to work at home during Covid-19 pandemic

We carried out self-assessments of the Board, A,R & IG Committee, and Operational Management Group and implemented improvements

## **National Confidential Forum (NCF)**

The Forum welcomed a new Head, Jayne Laidlaw, in May 2019. The National Confidential Forum recorded 28 enquiries, received 26 applications and held 24 hearings during the year. The Scottish Government confirmed that the Forum will cease in March 2021 and this repeal will be part of the Redress Bill commencing in the spring of 2020. The Forum is working on two reports for publication in its final year, a findings report and My message for Scotland.

The NCF is required by legislation to produce a separate annual report to that of the Commission. It will be produced in the autumn 2020 and will be available on the Forum's website.

## **The independent review of learning disability and autism in the Mental Health Act**

The review completed its work in December 2019 and published its [final report](#). This work will now inform the overall review of the mental health act chaired by John Scott. The purpose of this overview is to give the reader a short summary of the Commission's purpose, how we have performed during the year, and the key risks to the achievement of our objectives.

The Commission's key performance indicators are reported in the [Business Plan 2019/20 end year report](#)

## **2. Performance Analysis**

### **Key Performance Indicators**

The Commission reports to the Board on a quarterly basis on the progress of the business plan including the key performance indicators set out in that plan.

### **Financial Performance**

The Commission's core revenue resource allocation from the Scottish Government for 2019/20 was £4,885,000 (prior year £4,861,000). The Commission received £nil capital allocation in 2019/20 (prior year up to £300,000).

The revenue resource allocation includes funding for Commission 'core activities', funding for the operation of the National Confidential Forum, the completion of the Review of Mental Health (Care and Treatment) (Scotland) Act 2003 for people with Learning Disability and Autism and the Reviews of Deaths in Detention and Homicide.

Details of the Commission's financial performance are given below and in the following statements and supporting notes.

	<b>Limit as set by SGHSCD £'000</b>	<b>Actual Outturn £'000</b>	<b>Variance (Deficit)/Surplus £'000</b>
<b>1 Core Revenue Resource Limit</b>			
• MWC Core	3,869	3,807	62
• NCF	775	649	126
• LDA*	153	160	(7)
• DIDAHR**	88	58	30
<b>Non-core Revenue Resource Limit</b>			
• MWC Core	60	58	2
• NCF	0	0	0
• LDA*	0	0	0
• DIDAHR**			
<b>Total</b>	<b>4,945</b>	<b>4,732</b>	<b>213</b>
<b>2 Core Capital Resource Limit</b>			
• MWC Core	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*The Review of the Mental Health (Care and Treatment) (Scotland) Act 2003 for people with Learning Disability and Autism.

\*\* The Reviews of Deaths in Detention and Mental Health Homicide

## **MEMORANDUM FOR IN YEAR OUTTURN**

	<b>£'000</b>
Reported Surplus in 2019-20	211
Financial flexibility: funding banked with / (provided by) Scottish Government	0
Surplus against in year total Revenue Resource Limit	211
Percentage	100%

The Commission is showing net liabilities of £141,000 (prior year: £70,000 net liabilities).

Under accounting arrangements Health Boards must show liabilities for future years in their accounts without showing funding anticipated from the Scottish Government Mental Health Directorate. This has resulted in net liabilities on the Statement of Financial Position. The Statement of Financial Position reflects liabilities falling due in future years that are expected to be met by the receipt of funding from the Scottish Government. Accordingly the accounts have been prepared on the going concern basis.'

Total current liabilities of £276k (note 9) are less than as at 31 March 2019.

There were no impairments of receivables (2018/19: nil)

There are no significant remote contingent liabilities.

There are no legal obligations as at 31 March 2020.

### **Performance against Key Non-Financial Targets**

The Commission had five key performance indicators (KPIs) outlined in its Business Plan for 2019/20. A report of performance against each of these KPIs can be found [here](#).

### **Payment policy**

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

- In 2019/20 average credit taken was 6.4 days (2018/19: 6.8 days)
- In 2019/20 the Commission paid 98.7% by value and 98.3% by volume within 30 days (2018/19: 99.7% and 98.9%)
- In 2019/20 the Commission paid 95.8% by value and 92.0% by volume within 10 days (2018/19: 86.9% and 88.0%)

### **Pension Liabilities**

The accounting policy note for pensions is provided in note 1 and disclosure of the costs is shown within note 15 and the Remuneration Report.

### **Approval and signing of the Performance Report**

*Julie Paterson*

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Julie Paterson  
Chief Executive Officer

Date: 26 November 2020

## **Accountability Report**

### **1. Corporate Governance Report**

#### **The Directors' Report**

##### **Date of Issue**

The Accountable Officer authorised these financial statements for issue on 25<sup>th</sup> August 2020.

##### **Appointment of auditors**

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Azets (formerly known as Scott Moncrieff) to undertake the audit of the Mental Welfare Commission. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

##### **Board Membership**

The Commission is a body corporate under the Mental Health (Care & Treatment) (Scotland) Act 2003 as amended by the Public Services Reform (Scotland) Act 2010. The Board members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice.

<b>Board Member</b>	<b>Date of appointment</b>	<b>Due to demit office</b>
Mr Alexander Riddell (Chair)	1 April 2019	31 March 2023
Mrs Safaa Baxter	1 September 2014	31 March 2022
Ms Mary Twaddle	1 April 2017	31 March 2021
Mr Gordon Johnston	1 April 2017	31 March 2021
Mr David Hall	1 April 2018	31 March 2022
Ms Cindy Mackie	1 April 2018	31 March 2022
Ms Nichola Brown	1 April 2019	31 March 2023
Ms Alison White	1 April 2020	31 March 2024

The Board members' responsibilities in relation to the accounts are set out in a statement below.

## **Statement of Board Members' Responsibilities**

Under the National Health Service (Scotland) Act 1978, the Commission is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Commission as at 31 March 2020 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

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

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

The Board Members confirm that they have discharged the above responsibilities during the financial year and in preparing the accounts.

## **Board members' and senior managers' interests**

During the year the Mental Welfare Commission for Scotland has not entered into any material related party transactions as per note 17.

Registers of interests are available on <https://www.mwscot.org.uk> and on <https://www.nationalconfidentialforum.org.uk>

## **Third party indemnity provisions**

There are no qualifying third party indemnity provisions in place for one or more of the Board members.

### **Remuneration for non-audit work**

Details of any remuneration paid to auditors in respect of any non audit work carried out on behalf of the Commission is disclosed in note 3.

### **Public Services Reform (Scotland) Act 2010**

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new 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. A statement on this is available on our website <https://www.mwcscot.org.uk>

### **Personal data related incidents reported to the Information Commissioner**

No personal data incidents were reported during the year (2018/19: None)

### **Disclosure of Information to Auditors**

The Board Members 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 Commission's auditor is unaware; and each Board Member has taken all the steps that he/she ought reasonably to have taken as a Board Member to make himself/herself aware of any relevant audit information and to establish that the Commission's auditor is aware of that information.

### **Statement of the Accountable Officer's responsibilities**

Under Section 15 of the Public Finance and Accountability (Scotland) Act 2000, the Principal Accountable Officer (PAO) of the Scottish Government has appointed me as Accountable Officer of the Mental Welfare Commission for Scotland.

This designation carries with it, responsibility for:

- the propriety and regularity of financial transactions under my control;
- the economical, efficient and effective use of resources placed at the Board's disposal; and
- safeguarding the assets of the Commission.

In preparing the Accounts I am required to comply with the requirements of the Government's Financial Reporting Manual and, in particular to;

- observe the accounts direction issued by the Scottish Ministers including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis;



- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government's Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the accounts on a going concern basis.

I confirm that the Annual Report and Accounts as a whole are fair, balanced and 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 3<sup>rd</sup> August 2020.

## **Governance Statement**

This governance statement is prepared for the Board in my role as accountable officer. I took up this position on 3 August 2020 and so am relying on the interim governance statement from Colin McKay to 25 February 2020 presented to the Board on that date, attached as appendix A, and handover discussions with Alison Thomson, Interim Chief Executive.

## **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. Also, I am responsible for safeguarding the public funds and assets assigned to the organisation.

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

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

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

## **Governance Framework**

The governance framework set out in the previous Chief Executive's document to 25 February is still relevant. At the beginning of March the Covid-19 pandemic occurred and this statement outlines the arrangements put in place to keep the organisation running through that period and to ensure appropriate governance throughout this period.

In early March the Head of Corporate Services worked with the established business continuity group to review our plans and identify any points of business failure. That allowed for all staff to be set up to work remotely.

By mid-March the enormity of the pandemic was realised and the executive team instigated new measures for planning for the organisation, led by the interim Chief Executive. From March to June the executive team met three times a week and the notes from those meetings were circulated to all staff and to the Board from mid-April. The meetings were reduced to twice a week in May and then to once a week in June.

All staff were able to work remotely from 20 March and the office was closed by the landlords on 24 March as per Scottish Government guidelines. There were no visits organised from that date although we retained the right to visit if we felt there was a business case to do so. Our advice line hours were reduced to 10-12 and 2-4 each day. Stakeholders were informed of our coronavirus plans.

From early on in the pandemic we worked closely with Scottish Government on the implications for emergency legislation for both the mental health act and the adults with incapacity act. We were able to influence policy and decisions where we felt the restriction of rights were going too far. We also developed coronavirus advice notes for practitioners and for service users and carers which were well received.

We issued guidance for DMPs on how to continue with second opinion assessments without face to face visits and have continued to organise these crucial safeguards.

Staff were provided with relevant equipment to continue to work from home as the realisation kicked in that remote working was going to last longer than originally thought. We also keep in touch with staff through on-line video meetings and established a whole team meeting in June. We identified that there is a need to upgrade our office broadband which has been ordered but with a three month lead time.

In early May the executive team started to review the business plan in light of the ongoing pandemic, some areas of work that could not be done and new priorities that were emerging. This was shared with the Board in May and finalised and approved at the Board meeting at the end of June.

The Board met formally in April and June. It also met informally in May and July to ask questions of the Chief Executive and relevant members of the executive team. The Chair also held meetings with Board members in June.

The Operational Management Group continued to meet throughout this period although one meeting in March was cancelled and replaced with discussions around coronavirus contingency plans.

The Audit, risk and information governance committee met in June. The annual accounts timescale was moved from end of June to end of September however the committee felt it was important to meet to discuss other issues including the revised strategic risk register which was approved at the Board meeting in June.

During the period March to August the National Confidential Forum has continued to progress its work including organising remote hearings. Much of the work of the

Forum is completed earlier than anticipated due to the pandemic and even fewer hearings than anticipated. The Interim Chief Executive has been closely involved in the work of the Forum over this time and has ensured that the Forum staff have adequate work to the end of their contracts in March 2021 by ensuring work within the Commission.

### **Disclosures**

During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control. There were no significant lapses in data security.

## **Appendix A**

### **Governance Statement**

This governance statement is prepared for the Board as part of my handover arrangements to the Interim Chief Executive to give assurance on the internal control arrangements to 25 February 2020.

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

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

The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

### **Governance Framework**

The Board is responsible for setting the overall strategic direction for the organisation and has corporate responsibility for ensuring that the organisation fulfils its strategic aims and objectives. The Board met six times during the year to progress the business of the Commission. The Board also had an away day with the executive team focussing on strategic planning.

The Board comprises a Chair and seven Board members. The Board members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. The

Chief Executive Officer and the executive team are not Board members but attend all meetings.

The Board completed a self-assessment in February 2020. The assessment identifies the key risks for the organisation and areas for improvement. The Board identified the key risks for the organisation as

- Organisational capacity to respond to the many legislative and policy changes in the mental health field and continue current business as usual
- A change of leadership in the organisation which could lead to a loss of impact and influence
- Ongoing financial uncertainty with late approval of budget allocation, fluctuating costs of DMP resource and uncertainty of future funding

Each Board member has an appraisal with the Chair. The Chair is subject to appraisal by the Scottish Government sponsor department. A pro forma for the Board appraisal is in operation and any development needs for individuals are identified through this process.

The Standing Orders of the Commission outline the scheme of delegation to the Audit, Risk and Information Governance Committee (A,R & IG committee), the executive managers of the Commission and the Head of NCF. There are two standing committees; the Audit, Risk and Information Governance Committee and the Advisory Committee. The Standing Orders and Standing Financial Instructions are reviewed and updated on an annual basis by the A,R & IG Committee and approved by the Board in February each year. The Procurement Policy is reviewed and approved annually by the A,R & IG Committee ensuring the Commission is compliant with procurement regulations.

The A, R & IG Committee remit and membership is outlined in the standing orders. The committee comprises two Board members: Gordon Johnston, Chair and David Hall and a co-opted member (Robin McNaught) who is an external person with expertise in NHS finance. It met three times during the year to consider the operational effectiveness of the internal control structure, to approve the strategic and annual internal audit plan and external audit arrangements, risk management and information governance and security. The committee undertakes an annual self-assessment of its effectiveness and the Chair formally reports to the Board recommending the annual accounts and providing an annual report of A,R & IG Committee activities and objectives for the following year. Minutes of each A,R & IG Committee meeting are presented to the Board

By statute the Commission is required to have an advisory committee and it meets twice a year. Its remit and membership is outlined in the standing orders and includes representatives from relevant stakeholder groups. The Advisory Committee gives the Board advice on the Commission's functions and how it exercises its functions.

The Board retains the scrutiny and decision making on appointments and remuneration. All staff, except medical consultants, are covered by the Scottish Government Pay Policy. The Chief Executive Officer is covered by the Scottish

Government Pay Policy for senior appointments. The Board approves the pay remit in line with the pay policy guidance for approval by Scottish Ministers. Medical consultants' pay mirror those in the NHS in Scotland.

The National Confidential Forum (NCF) is established as a committee of the Commission through amendments to the Mental Health (Care & Treatment)(Scotland) Act 2003 by the Victims and Witnesses (Scotland) Act 2014. The Standing Orders outline its remit and delegated authority to the Forum Head although the rules and procedures of committee meetings do not apply. There is a memorandum of understanding between the Scottish Government and the Commission on the operation of the NCF, including corporate governance arrangements.

The Forum comprises the Head and members. A new Head was appointed in May 2019 and there are four members. The Head and members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. The Head is accountable to the Commission Chair and reported to every Board meeting during the year. The Forum met six times during the year with minutes presented to the Board.

The Operational Management Group (OMG) assists the Chief Executive Officer on the day to day management of the organisation. It meets twice a month and covers all the key strategy areas in its remit. It is not a standing committee of the Board but the remit of the group is approved by the Board and it reports to the Board on a regular basis. The OMG carried out a light touch self-assessment of its effectiveness in May 2019 given that it had made significant improvements the prior year. The introduction of a non-minuted executive group was seen to have worked well. This was reported to the Board in June 2019.

The Chief Executive Officer is accountable to the Board through the Chair of the Commission. The Chair, along with the Board, agrees the Chief Executive Officer's annual objectives in line with the Commission's strategic and business plans. The members of the executive team set objectives with the Chief Executive Officer and identify any development needs.

The independent review of how the mental health act works for people with learning disability and autism reported in December 2019. Andrew Rome was appointed by Scottish Ministers to lead this review. The Secretariat for the review (two posts) were employed by the Commission and followed our corporate and business processes. The Chief Executive of the Commission is accountable for the public funds for the review.

The Commission has a Public Interest Disclosure policy to facilitate investigation of staff concerns and Complaints against the Commission policy to record and investigate complaints from the public.

The organisation strives to consult and involve all of its key stakeholders. We do this by

- Meeting with the Advisory Committee and consulting on our strategic priorities

- Implementing a stakeholder survey which will report in March 2020
- Ensuring that the composition of the Board reflects the breadth of stakeholder groups. We provided a [case study](#) of the effectiveness of Board diversity in incorporating lived experience for the Commissioner of Ethical Standards.
- Meeting with the Minister for Mental Health to discuss our strategic and operational plans and highlight the use of the Acts across Scotland and any areas of concern that the Commission has in mental health and learning disability care and treatment.
- Meeting senior staff in NHS Boards and local authorities on an annual basis. These meetings allow us to feedback to senior managers our activity over the year and to receive update reports on progress made.
- Meetings with professional, service user and carer groups nationally and locally.
- The development of good practice guides done through extensive involvement and consultation including consultation events to discuss the issues and circulation of drafts to relevant stakeholders.

The Commission has a statutory duty to consult with the Care Inspectorate and Healthcare Improvement Scotland. We have memoranda of understanding with both organisations. We have also had discussions around joint working and where this would add value.

### **Review of Adequacy and Effectiveness**

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

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Board meetings six times during the year;
- periodic reports from the chair of the organisation's A,R & IG Committee, to the Board, concerning internal control;
- the production of, and regular updating, the strategic risk register and business continuity plans and developing associated action plans to mitigate the identified risks;
- the development of a risk universe associated with the risks to the Commission from the operation of the NCF and an associated action plan;



- a corporate governance statement from the NCF outlining the internal control structure;
- the work of the internal auditors, who submit to the A,R & IG Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement; and
- comments by the external auditors in their management letters and other reports.

## **Risk Assessment**

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.

Scrutiny of the risk management strategy is delegated to the A,R & IG Committee. A strategic risk register is reviewed by the Operational Management Group and presented to the A,R & IG committee and Board three times a year. Our risk management policy outlines that we will develop operational risk registers for each individual business area: visits, investigations, engagement and participation, monitoring, and corporate services. These are presented to OMG twice a year by the executive director responsible.

Risks to information are considered in line with the process described above and are covered on both the strategic and the operational risk registers. Reports on information governance and IT security are presented to the A,R & IG Committee twice a year.

We adhere to the Scottish Government's cyber resilience strategy. In June 2019 we gained our cyber essentials re-accreditation. During the year there has been major upgrades to our IT infrastructure including new servers for our patient database and NCF. We are currently working towards cyber essentials plus accreditation.

The NCF has established a risk universe identifying the operational areas of NCF work. The Board requested, in October 2019, that NCF develops a strategic risk register.

The risk management group also review the business continuity strategy on an annual basis. This year we held a workshop facilitated by the consultants who had been involved in our IT infrastructure review which had highlighted a risk around our disaster recovery procedures. The workshop confirmed that our priorities for business continuity in the event of disaster were fit for purpose and that the focus should be on setting up new disaster recovery processes for the upgraded servers. The intention is to implement cloud based disaster recovery arrangements and work is progressing on this.

More generally, the organisation is committed to continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice. In particular, during the year the organisation has:

- Continued to audit the advice given on the telephone advice line and our local visits. Results from these evaluations are fed back to the practitioners to improve practice and share any learning points.
- Carried out a workforce planning and skills mix exercise to ensure the organisation is able to respond to future developments. This exercise should be completed by the end of March 2020
- Conducted a stakeholder survey to elicit views of the Commission. The results of this will be known in March 2020 and will inform the next strategic plan
- Conducted a survey of staff on the accommodation changes and are currently implementing some changes highlighted in the survey
- Carried out self-assessments of the Board, A,R & IG Committee, and Operational Management Group and implemented improvements

## **Disclosures**

During the previous financial year, no significant control weaknesses or issues have arisen, and no significant failures have arisen in the expected standards for good governance, risk management and control. There were no significant lapses in data security.

## **2. Remuneration Report**

The Commission determines pay and terms and conditions of employment for staff. This is governed by the Board which recommended the pay remit to Scottish Ministers. Scottish Ministers approved the Pay remit agreed for the year ended 31 March 2021, in May 2020. There have been no departures from the policy in the last five years.

There are no additional performance related bonuses. All staff with the exception of the Chief Executive Officer, Executive Director (Medical) and medical consultant are covered by the pay remit. Medical consultant pay mirrors those of the NHS in Scotland.

The remuneration of the Board, NCF Head of Forum, NCF Panel Members, and the Chief Executive Officer is covered by the Public Sector Pay Policy.

Duration of Board appointments can be found in the Accountability report. The Chief Executive Officer and Directors are employed on permanent contracts with three month notice periods. There have been no significant awards made to past senior managers (Prior year: Nil)

The remuneration of senior staff, Board members and other public appointees is outlined as follows and has been audited by the Commission's auditors:

**Remuneration Table**

	<b>Gross Salary (bands of £5,000)</b>	<b>Bonus Payments (bands of £5,000)</b>	<b>Benefits in Kind</b>	<b>Total Earnings In year</b>	<b>Pension Benefits Note 1</b>	<b>Total Remuneration (bands of £5,000)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Executive</b>						
Mrs A Thomson <i>Interim Chief Executive Officer From 02.03.20 Started 22.10.12</i>	65 - 70	-	-	65 - 70	-	65 - 70
Mr C McKay <i>Chief Executive Officer Until 02.03.20</i>	100 - 105	-	-	100 - 105	-	100 - 105
Dr G Morrison <i>Executive Director (Medical) Until 01.04.19</i>	15 - 20	-	-	15 - 20	-	15 - 20
Dr A Chopra <i>Executive Director (Medical) Started:06.01.20,</i>	25 - 30	-	-	25 - 30	32	60 - 65
Ms A McRae <i>(note 2) Head of Corporate Services Started:15.05.00</i>	50 - 55	-	-	50 - 55	7	55 - 60
Ms A K Fearnley <i>(note 2) Executive Director (Engagement and Participation) Started: 16.02.15</i>	40 - 45	-	-	40 - 45	9	50 - 55
Mr M Diamond <i>Executive Director (Social Work) Started:23.03.15</i>	70 - 75	-	-	70 - 75	18	90 - 95
Ms M Connolly <i>Interim Executive Director (Medical) Started:19.11.18</i>	50 - 55	-	-	50 - 55	-	50 - 55
Ms C Lamza <i>Interim Executive Director (Practitioners) Started: 02.03.20</i>	5 - 10	-	-	5 - 10	21	25 - 30

	<b>Gross Salary (bands of £5,000)</b>	<b>Bonus Payments (bands of £5,000)</b>	<b>Benefits in Kind</b>	<b>Total Earnings In year</b>	<b>Pension Benefits Note 1</b>	<b>Total Remuneration (bands of £5,000)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Board Members</b>					<i>note 3</i>	
Mr A Riddell (Chair)	10 - 15	-	-	10 - 15	-	10 - 15
Mrs S Baxter	5 - 10	-	-	5 - 10	-	5 - 10
Ms N Brown	0 - 5	-	-	0 - 5	-	0 - 5
Mr G Johnston	0 - 5	-	-	0 - 5	-	0 - 5
Mr D Hall	0 - 5	-	-	0 - 5	-	0 - 5
Ms C Mackie	0 - 5	-	-	0 - 5	-	0 - 5
Ms M Twaddle	0 - 5	-	-	0 - 5	-	0 - 5

<b>National Confidential Forum Public Appointees</b>	<b>Gross Fees (bands of £5,000)</b>	<b>Bonus Payment (bands of £5,000)</b>	<b>Benefits in Kind</b>	<b>Total Earnings In year (bands of £5,000)</b>	<b>Pension Benefits Note 3</b>	<b>Total Remuneration (bands of £5,000)</b>
Ms J Laidlaw Head of Forum (from 09.05.19)	60 - 65	-	-	60 - 65	-	60 - 65
Mr J Malcolm (Until 09.05.19)	5 - 10	-	-	5 - 10	-	5 - 10
Ms A Blower (Appointed 01.08.18)	0 - 5	-	-	0 - 5		0 - 5
Ms K Davidson (Appointed 01.08.18)	10 - 15	-	-	10 - 15		10 - 15
Ms M Ramage (Appointed 01.08.18)	5 - 10	-	-	5 - 10		5 - 10
Ms K Pennington – Twist (Appointed 01.12.18)	5 - 10	-	-	5 - 10		5 - 10

In accordance with the Financial Reporting Manual (FReM), and the Companies Act, 2013-14 was the first year that publication of 'pension benefits' was required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2019 -20

*Note 1:* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<i>Note 2</i>	<b>Full time equivalent Annualised Gross Salary (Bands of £5,000)</b>
Ms A McRae	70 – 75
Ms K Fearnley	70 – 75

*Note 3:* Board members and NCF public appointees are not in receipt of Pension benefits

**Pensions Values Table**

	Accrued Pension at age 60 as at 31/03/20 (bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2020 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31 March 2020 (bands of £2,500)	CETV At 31/03/20	CETV At 31/03/19	Real Increase In CETV
<b>Executive</b>	<b>£'000</b>		<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Dr A Chopra	5 - 10	0 - 5	0 – 2.5	0 – 2.5	87	61	26
Ms A McRae	15 - 20	50 - 55	0 – 2.5	0 – 2.5	294	277	8
Ms A K Fearnley	0 – 5	0 - 5	0 – 2.5	0 – 2.5	78	65	5
Mr M Diamond	50 - 55	0 – 5	0 – 2.5	0 – 2.5	841	799	32
Ms C Lamza	20-25	0 -5	0 –2.5	0 – 2.5	352	325	20

**Remuneration Report for the year ended 31 March 2019**

	<b>Gross Salary (bands of £5,000)</b>	<b>Bonus Payments (bands of £5,000)</b>	<b>Benefits in Kind</b>	<b>Total Earnings In year</b>	<b>Pension Benefits Note 1</b>	<b>Total Remuneration (bands of £5,000)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Executive</b>						
Mr C McKay <i>Chief Executive Officer</i> <i>Started: 11.04.14</i>	105 - 110	-	-	105 - 110	28	130 - 135
Dr G Morrison <i>Executive Director (Medical)</i> <i>Started: 01.11.13,</i>	130 - 135	-	-	130 - 135	44	175 - 180
Ms A McRae <i>(note 2)</i> <i>Head of Corporate Services</i> <i>Started: 15.05.00</i>	40 - 45	-	-	40 - 45	6	45 - 50
Mrs A Thomson <i>Executive Director (Nursing)</i> <i>Started 22.10.12</i>	70 - 75	-	-	70 - 75	29	100 - 105
Ms A K Fearnley <i>(note 2)</i> <i>Executive Director (Engagement and Participation)</i> <i>Started: 16.02.15</i>	40 - 45	-	-	40 - 45	10	50 - 55
Mr M Diamond <i>Executive Director (Social Work)</i> <i>Started: 23.03.15</i>	65 - 70	-	-	65 - 70	35	100 - 105
Ms M Connolly <i>Interim Executive Director (Medical)</i> <i>Started: 19.11.18</i>	15 - 20	-	-	15 - 20	-	15 - 20

**Mental Welfare Commission for Scotland  
Accountability Report**

**Annual Report and Accounts  
31 March 2020**

	<b>Gross Salary (bands of £5,000)</b>	<b>Bonus Payments (bands of £5,000)</b>	<b>Benefits in Kind</b>	<b>Total Earnings In year</b>	<b>Pension Benefits Note 1</b>	<b>Total Remuneration (bands of £5,000)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Board Members</b>					<i>note 3</i>	
Rev G Forbes (Chair until 31.03.19)	15 - 20	-	-	15 - 20	-	15 - 20
Mr A Riddell (Chair from 01.04.19)	0 - 5	-	-	0 - 5	-	0 - 5
Mrs S Baxter	0 - 5	-	-	0 - 5	-	0 - 5
Mr P Dumbleton	0 - 5	-	-	0 - 5	-	0 - 5
Mr G Johnston	0 - 5	-	-	0 - 5	-	0 - 5
Mr D Hall	0 - 5	-	-	0 - 5	-	0 - 5
Ms C Mackie	0 - 5	-	-	0 - 5	-	0 - 5
Ms M Twaddle	0 - 5	-	-	0 - 5	-	0 - 5

<b>National Confidential Forum Public Appointees</b>	<b>Gross Fees (bands of £5,000)</b>	<b>Bonus Payment (bands of £5,000)</b>	<b>Benefits in Kind</b>	<b>Total Earnings In year (bands of £5,000)</b>	<b>Pension Benefits Note 3</b>	<b>Total Remuneration (bands of £5,000)</b>
Dr R Happer Head of Forum (until 24.02.19)	50 - 55	-	-	50 - 55	-	50 - 55
Mr J Malcolm (Until 07.01.19)	10 - 15	-	-	10 - 15	-	10 - 15
Ms A Farrington (Until 28.02.19)	10 - 15	-	-	10 - 15	-	10 - 15
Ms A Blower (Appointed 01.08.18)	5 - 10	-	-	5 - 10		5 - 10
Ms K Davidson (Appointed 01.08.18)	10 - 15	-	-	10 - 15		10 - 15
Ms M Ramage (Appointed 01.08.18)	5 - 10	-	-	5 - 10		5 - 10
Ms K Pennington –Twist (Appointed 01.12.18)	0 - 5	-	-	0 - 5		0 - 5

In accordance with the Financial Reporting Manual (FRM), and the Companies Act, 2013-14 was the first year that publication of 'pension benefits' was required. This calculation aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period, which is the estimated life span following retirement.



The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2018 -19

*Note 1:* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) less (the contributions made by the individual). The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

<i>Note 2</i>	<b>Full time equivalent Annualised Gross Salary (Bands of £5,000)</b>
Ms A McRae	70 – 75
Ms K Fearnley	70 – 75

*Note 3:* Board members and NCF public appointees are not in receipt of Pension benefits.

	<b>Accrued Pension at age 60 as at 31/03/19 (bands of £5,000)</b>	<b>Total accrued lump sum at age 65 at 31 March 2019 (bands of £5,000)</b>	<b>Real Increase In pension At age 60 (bands of £2,500)</b>	<b>Real Increase in lump sum at age 65 at 31 March 2019 (bands of £2,500)</b>	<b>CETV At 31/03/19</b>	<b>CETV At 31/03/18</b>	<b>Real Increase In CETV</b>
<b>Executive</b>	<b>£'000</b>		<b>£'000</b>		<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Mr C McKay	60 - 65	0 – 5	0 – 2.5	0 – 2.5	1024	966	43
Dr G Morrison	50 - 55	155 - 160	2.5 – 5.0	7.5 – 10	1061	982	59
Ms A McRae	15 - 20	45 - 50	0 – 2.5	0 – 2.5	341	323	9
Mrs A Thomson	35 - 40	105 - 110	0 – 2.5	2.5 – 5	775	723	43
Ms A K Fearnley	0 – 5	0 - 5	0 – 2.5	0 – 2.5	64	50	5
Mr M Diamond	45 - 50	0 – 5	0 – 2.5	0 – 2.5	786	733	44

### **Fair Pay Disclosure**

The Commission is required to disclose the relationship between the remuneration of the highest paid executive and the median remuneration of the Commission's workforce as follows;

<b>2019-20</b>		<b>2018-19</b>	
Range of Staff Remuneration	18.7 – 122.5	Range of Staff Remuneration	17.6 – 133.0
Highest Earning Executive's Total Remuneration (£000s)	120 - 125	Highest Earning Executive's Total Remuneration (£000s)	130 - 135
Median Total Remuneration	38.3	Median Total Remuneration	39.0
Ratio	3.20	Ratio	3.40
<b>Commentary</b> These figures exclude employer pension contributions to improve comparability. The Executive remuneration disclosure is mid salary range using the £5k banding system. The ratio has decreased as the median salary has decreased slightly due to changes in staff composition. The highest earning Executive was a consultant psychiatrist and is remunerated in line with medical consultant pay of the NHS in Scotland.			

### **Staff Report**

#### **a) Higher Paid Employees' Remuneration**

<b>Band</b>	<b>2020 Number of Staff</b>	<b>2019 Number of Staff</b>
£70,001 to £80,000	6	
£80,001 to £90,000	-	
£90,001 to £100,000	-	1
£100,001 to £110,000	3	1
£110,001 to £120,000	-	-
£120,001 to £130,000	1	-
£130,001 to £140,000		1

b) Staff Costs and numbers

31 March 2019 Total £'000	STAFF COSTS	Executive £'000	Board Members £'000	Permanent Staff £'000	Other Staff £'000	NCF Head and Members £'000	31 March 2020 Total £'000
2,365	Salaries and fees	433	25	1,705	104	67	2,333
246	Taxation and social security costs	50	1	176	10	-	238
288	NHS scheme employers' pension costs	72	-	315	21	0	408
4	Other employers' pension costs	-	-	-	-	-	-
398	Second Opinion Doctors	-	-	-	426	-	426
10	Short term staff	-	-	-	86	-	86
<b>3,311</b>	<b>TOTAL</b>	<b>555</b>	<b>26</b>	<b>2,196</b>	<b>647</b>	<b>67</b>	<b>3,491</b>

**STAFF NUMBERS**

62.0	Whole Time Equivalent (WTE)	4.8	6.9	42.9	3.9	4.9	63.4
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**c) Staff Composition**

	<b>2020</b>			<b>2019</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Executive Directors	3	4	7	3	4	7
Board Members	4	4	8	5	3	8
NCF Staff	2	4	6	2	5	7
Other	19	37	56	19	40	59
<b>Total Headcount</b>	<b>28</b>	<b>49</b>	<b>77</b>	<b>29</b>	<b>52</b>	<b>81</b>

**d) Sickness absence data**

	<b>2020</b>	<b>2019</b>
Sickness Absence Rate	2.9%	5.1%

**e) Staff Policies**

As an equal opportunities employer the Commission welcomes applications for employment from people with disabilities and actively seeks to provide an environment where they and any employees who become disabled can continue to contribute to the work of the Commission. As such the Commission has been awarded the disability symbol employer status.

The Commission provides employees with information on matters of concern to them as employees by means of monthly team briefs, staff meetings and internal communications.

Employees are encouraged to participate in a variety of forums on matters affecting staff including sustainability, dignity at work and office accommodation. Our staff policies are regularly updated for any new legislation and recommended practice. Policies affected by legislation are a mandatory read for all staff.

Pay policy is approved annually by the Board and Scottish Government.

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. The regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation. The data is required to be published on a website maintained by or on behalf of the employer before 31st July each year. The Commission will be reporting a nil return for the year to 31<sup>st</sup> March 2020 (2018/19 Nil).

**f) Exit packages**

There were no exit packages agreed in year (Prior year: nil).

### **3. Parliamentary Accountability Report**

The Board were not required to approve the write off of any losses or make any large special payments during the financial year under review (2018/19 - £Nil)

#### **Approval and signing of the Accountability Report**

Signed.....*Julie Paterson*.....

Julie Paterson  
Chief Executive Officer  
Accountable Officer

Date: 26 November 2020

**Independent auditor's report to the members of Mental Welfare Commission for Scotland, the Auditor General for Scotland and the Scottish Parliament****Report on the audit of the financial statements****Opinion on financial statements**

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

In our opinion the accompanying financial statements:

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

**Basis of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 9 years. We are independent of the board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern basis of accounting**

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

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

**Independent Auditor's Report****31 March 2020**

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

**Risks of material misstatement**

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

**Responsibilities of the Accountable Officer for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

**Other information in the annual report and accounts**

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Report on regularity of expenditure and income****Opinion on regularity**

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

**Responsibilities for regularity**

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

**Report on other requirements****Opinions on matters prescribed by the Auditor General for Scotland**

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

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

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



**Independent Auditor's Report****31 March 2020**

report has been prepared in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

**Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

**Conclusions on wider scope responsibilities**

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

**Use of our report**

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

*Nick Bennett*

Nick Bennett (for and on behalf of Azets Audit Services)  
Exchange Place 3  
Semple Street  
Edinburgh  
EH3 8BL

03 December 2020

Date.....

Statement of Comprehensive Net Expenditure  
For the Year ended 31 March 2020

31 March 2019			31 March 2020
£'000		Note	£'000
3,311	Staff costs	3a	3,491
1,358	Other operating expenditure	3b	1,241
<u>4,669</u>	<b>Gross expenditure for the year</b>		<u>4,732</u>
-	Less: operating income		-
<u><b>4,669</b></u>	<b>Net expenditure for the year</b>		<u><b>4,732</b></u>
-	<b>Other Comprehensive Net Expenditure</b>		-
<u><b>4,669</b></u>	<b>Comprehensive Net Expenditure</b>		<u><b>4,732</b></u>

The Notes to the Accounts, numbered 1 to 17, form an integral part of these Accounts.

**Statement of Financial Position**

<b>31 March 2019 £'000</b>		<b>Note</b>	<b>31 March 2020 £'000</b>	<b>31 March 2020 £'000</b>
	<b>Non-current assets:</b>			
288	Property, plant and equipment	6(a)	230	
0	Intangible assets	5(a)	0	
<b>288</b>	<b>Total non-current assets</b>			<b>230</b>
	<b>Current Assets:</b>			
	Financial assets:			
40	Trade and other receivables	7	34	
4	Cash and cash equivalents	8	12	
<b>44</b>	<b>Total current assets</b>			<b>46</b>
<b>332</b>	<b>Total assets</b>			<b>276</b>
	<b>Current liabilities</b>			
	Financial liabilities:			
(368)	Trade and other payables	9	(276)	
<b>(368)</b>	<b>Total current liabilities</b>			
<b>(36)</b>	<b>Non-current assets plus/less net current assets/liabilities</b>			<b>0</b>
	<b>Non-current liabilities</b>			
(34)	Provisions	10	(141)	
<b>(34)</b>	<b>Total non-current liabilities</b>			<b>(141)</b>
<b>(70)</b>	<b>Assets less liabilities</b>			<b>(141)</b>
	<b>Taxpayers' Equity</b>			
(70)	General Fund	SOCTE		(141)
<b>(70)</b>	<b>Total taxpayers' equity</b>			<b>(141)</b>

The financial statements were approved by the Board on 25<sup>th</sup> August 2020 and signed on their behalf by

*Alexander Riddell*  
 Signed.....  
 Alexander Riddell  
 Chair

Date: 26 November 2020

*Julie Paterson*  
 Signed.....  
 Julie Paterson  
 Chief Executive Officer  
 Accountable Officer

Date: 26 November 2020

The notes to the Accounts, numbered 1 to 17, form an integral part of these Accounts.

**Statement of Cash Flow**  
**For the year ended 31 March 2020**

2019 £'000		Note	2020 £'000	2020 £'000
<b>Cash flows from operating activities</b>				
(4,669)	Net expenditure	SOCNE	(4,732)	
0	Adjustments for non-cash transactions	2 (a)	58	
47	Movements in working capital	2 (b)	21	
<b>(4,622)</b>	<b>Net cash outflow from operating activities</b>			<b>(4,653)</b>
<b>Cash flows from investing activities</b>				
288	Purchase of property, plant and equipment		0	0
<b>Cash flows from financing activities</b>				
4,911	Funding	SOCTE	4,661	
0	Movement in general fund working capital	SOCTE	0	
4,911	Cash drawn down			4,661
<b>4,911</b>	<b>Net Financing</b>			<b>4,661</b>
<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>				
1				8
<b>Cash and cash equivalents at the beginning of the period</b>				
3				4
<b>Cash and cash equivalents at the end of the period</b>				
4				12
<b>Reconciliation of net cash flow to movement in net debt/cash</b>				
1	Increase/(decrease) in cash in year			8
3	Net debt/cash at 1 April	8		4
<b>4</b>	<b>Net Cash at 31 March</b>	<b>8</b>		<b>12</b>

The notes to the Accounts, numbered 1 – 17, form an integral part of these Accounts.

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2020	Note	General Fund £'000	Total Reserves £'000
<b>Balance at 31 March 2019</b>		(70)	(70)
<b>Changes in taxpayers' equity for 2019/20</b>			
Net operating cost for the year	CFS	(4,732)	(4,732)
<b>Total recognised income and expense for 2019/20</b>		<b>(4,732)</b>	<b>(4,732)</b>
<b>Funding:</b>			
Drawn down	CFS	4,661	4,661
Movement in General Fund (Creditor) / Debtor		-	-
<b>Balance at 31 March 2020</b>	<b>SoFP</b>	<b>(141)</b>	<b>(141)</b>

  

Year ended 31 March 2019	Note	General Fund £'000	Total Reserves £'000
<b>Balance at 31 March 2018</b>		(312)	(312)
<b>Changes in taxpayers' equity for 2018/19</b>			
Net operating cost for the year	CFS	(4,669)	(4,669)
<b>Total recognised income and expense for 2018/19</b>		<b>(4,669)</b>	<b>(4,669)</b>
<b>Funding:</b>			
Drawn down	CFS	4,911	4,911
Movement in General Fund (Creditor) / Debtor		-	-
<b>Balance at 31 March 2019</b>	<b>SoFP</b>	<b>(70)</b>	<b>(70)</b>

The notes to the Accounts, numbered 1 – 17, form an integral part of these Accounts.

## **Notes to the Accounts**

### **1) Accounting Policies**

#### **a) Authority**

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 1(v) below.

#### **(i) Standards, amendments and interpretations effective in 2019/20**

There are no new standards, amendments or interpretations effective in current year

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

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

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

#### **b) Going Concern**

The accounts are prepared on the going concern basis, which provides that the Commission will continue in operational existence for the foreseeable future.

**c) Accounting Convention**

The Accounts are prepared on a historical cost basis.

**d) Funding**

The expenditure of the Commission 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 the Commission that is not classed as funding is recognised in the year in which it is receivable.

Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Non-discretionary expenditure is disclosed in the accounts and deducted from operating costs charged against the RRL in the Summary of Resource Outturn.

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

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

**e) 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.

**Recognition**

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

All assets falling into the following categories are capitalised:

- 1) Property, plant and equipment assets which are capable of being used for a period which could exceed one year, and have a cost equal to or greater than £5,000.
- 2) Assets of lesser value may be capitalised where they form part of 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.

All assets are measured subsequently at fair value as follows:

Specialised land, buildings, equipment, installations and fittings are stated at depreciated replacement cost, as a proxy for fair value as specified in the FReM.

Non specialised land and buildings, such as offices, are stated at fair value.

Non specialised equipment, installations and fittings are valued at fair value. The Commission values such assets using the most appropriate valuation methodology available (cost). A depreciated historical cost basis is used as a proxy for fair value in respect of such assets which have short useful lives or low values (or both).

Assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

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

## **Depreciation**

Items of Property, Plant and Equipment are depreciated to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

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

- 1) 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.
- 2) Assets in the course of construction are not depreciated until the asset is brought into use by the Commission.
- 3) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

Except for the assets of the National Confidential Forum which are dealt with separately below, the following asset lives have been used:



Computing equipment	: Servers	5 years
Computing equipment	: Laptops	3 years
Land & Buildings	: Alterations	5 years

#### National Confidential Forum (NCF) Assets

The NCF was established under the Victims and Witnesses (Scotland) Act 2014 which provided funding for three years. The assets of the NCF are fully depreciated

### **f) Intangible Assets**

#### **Recognition**

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the Commission'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, the Commission 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 a Commission's activities for more than one year and they have a cost of at least £5,000.

The main classes of intangible assets recognised are:

#### **Internally generated intangible assets:**

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:

- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use;
- the Commission intends to complete the asset and sell or use it;
- the Commission has the ability to sell or use the asset;
- how the intangible asset will generate probable future economic or service delivery benefits e.g. the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the Commission to complete the development and sell or use the asset; and
- the Commission can measure reliably the expenses attributable to the asset during development.

Expenditure so deferred is limited to the value of future benefits.

#### **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 fixed assets where expenditure of at least £5,000 is incurred.

### **Other:**

Other comprises capitalised software for internal use and video conferencing equipment.

### **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.

Subsequently intangible assets are measured at fair value. Where an active (homogeneous) market exists, intangible assets are carried at fair value. Where no active market exists, the intangible asset is revalued, using indices or some suitable model, to the lower of depreciated replacement cost and value in use where the asset is income generating. Where there is no value in use, the intangible asset is valued using depreciated replacement cost. These measures are a proxy for fair value.

Intangible assets under construction are valued at current cost. This is calculated by the expenditure incurred to which an appropriate index is applied to arrive at current value. These are also subject to impairment review.

#### **Revaluation and impairment:**

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse an impairment previously recognised in the Statement of Comprehensive Net Expenditure, in which case they are recognised in income.

Permanent decreases in asset values and impairments are charged gross to the Statement of Comprehensive Net Expenditure. Any related balance on the revaluation reserve is transferred to the General Fund.

Temporary decreases in asset values or impairments are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to the Statement of Comprehensive Net Expenditure.

Operational assets which are in use delivering front line services or back office functions, and surplus assets with restrictions on their disposal, are valued at current value in existing use. Assets have been assessed as surplus where there is no clear plan to bring the asset back into future use as an operational asset

### **Amortisation**

Intangible assets are amortised to their estimated residual value over their remaining useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Amortisation is charged to the Statement of Comprehensive Net Expenditure on each main class of intangible asset as follows:

- 1) Internally generated intangible assets: Amortised on a systematic basis over the period expected to benefit from the project.
- 2) Software. Amortised over their expected useful life
- 3) Software licenses: amortised over the shorter term of the license and their useful economic lives.
- 4) Intangible assets in the course of construction are not amortised until the asset is brought into use by the Commission

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Software	5 years
Licences	5 years

#### **g) Sale of Property, plant and equipment and intangible assets**

Disposal of non-current assets is accounted for as a reduction to the value of assets equal to the net book value of the assets disposed. When set against any sales proceeds, the resulting gain or loss on disposal will be recorded in the Statement of Comprehensive Net Expenditure.

#### **h) Leasing**

##### **Operating leases**

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

##### **Leases of land and buildings**

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

The Commission does not lease assets to others.

#### **i) General Fund Receivables and Payables**

Where the Commission has a positive net cash book balance at the year end, a corresponding payable is created and the general fund debited with the same amount to indicate that this cash is repayable to the SGHSCD. Where the Commission has a net overdrawn cash position at the year end, a corresponding receivable is created and the general fund credited with the same amount to indicate that additional cash is to be drawn down from the SGHSCD.

#### **j) Inventories**

Inventories of consumables are not material, are not carried on the Statement of Financial Position and have not been valued.

**k) Losses and Special Payments**

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

**l) 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 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**

The Commission participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Commission is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Commission'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 Commission commits itself to the retirement, regardless of the method of payment.

**m) 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 Boards from a central fund held as part of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) by the Scottish Government. The Commission participates in this scheme however medical staff do not operate in clinical environment and the risk of clinical negligence are therefore minimal.

**n) Related Party Transactions**

Material related party transactions are disclosed in line with the requirements of IAS 24 in note 19. Transactions with health bodies e.g. sharing administration costs or with individuals are disclosed if material.

**o) Value Added Tax**

The Mental Welfare Commission for Scotland was separately registered for VAT on 1<sup>st</sup> April 2016 (Registration Number 654463916) (2016: part of the Scottish Government VAT Group (Registration Number 888842551 (GD425))). The Commission remains able to reclaim input VAT under the Customs and Excise Contracting Out Direction published in the Edinburgh Gazette dated 10 January 2003.

**p) Provisions**

The Commission 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.

**q) Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the Commission's control) are not recognised as assets, but are disclosed in note 11 where an inflow of economic benefits is probable.

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.

**r) 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.

**s) Financial Instruments**

**Financial assets**

**Classification**

The Commission classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(a) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss comprise derivatives. Assets in this category are classified as current assets. The Commission does not trade in derivatives and does not apply hedge accounting.

**(b) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the Statement of Financial Position date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the Statement of Financial Position.

**Recognition and measurement**

Financial assets are recognised when the Commission becomes party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the rights to receive cash flows from the asset have expired or have been transferred and the Commission has transferred substantially all risks and rewards of ownership.

**(a) Financial assets at fair value through profit or loss**

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 assets carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

**(b) Loans and receivables**

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Commission will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the loan and receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Statement of Comprehensive Net Expenditure. When

a loan or receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the Statement of Comprehensive Net Expenditure.

## **Financial Liabilities**

### **Classification**

The Commission classifies its financial liabilities in the following categories: at fair value through profit or loss, and other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification of its financial liabilities at initial recognition.

#### **(a) Financial liabilities at fair value through profit or loss**

Financial liabilities at fair value through profit or loss comprise derivatives. Liabilities in this category are classified as current liabilities. The Commission does not trade in derivatives and does not apply hedge accounting.

#### **(b) Other financial liabilities**

Other financial liabilities are included 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 Commission's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

### **Recognition and measurement**

Financial liabilities are recognised when the Commission 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.

#### **(a) Financial liabilities at fair value through profit or loss**

Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement.

Financial liabilities carried at fair value through profit or loss are subsequently measured at fair value. Gains or losses arising from changes in the fair value are presented in the Statement of Comprehensive Net Expenditure.

#### **(b) Other financial liabilities**

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

#### **t) Segmental reporting**

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

Operating segments are unlikely to directly relate to the analysis of expenditure shown in note 4.

**u) Cash and cash equivalents**

Cash and cash equivalents, includes cash in hand and deposits held at call with banks. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

**v) 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.

No estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities are included within the financial statements (2018/19: Nil)

**2 a) Summary of Resource Outturn**

<b>Summary of Resource Outturn</b>	<b>Note</b>	<b>£'000</b>	<b>£'000</b>
<b>Net Expenditure</b>	SOCNE		4,732
Total Non Core Expenditure			(58)
<b>Total Core Expenditure</b>			4,674
Core Revenue Resource Limit			4,885
<b>Saving/ (excess) against Core Revenue Resource Limit</b>			211

<b>Summary of Resource Outturn</b>	<b>Resource</b>	<b>Expenditure</b>	<b>Saving/ (Excess)</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Core	4,885	4,674	211
Non Core	60	58	2
<b>Total</b>	<b>4,945</b>	<b>4,732</b>	<b>213</b>



## 2 b) Notes to the Cash Flow Statement

### a) Consolidated adjustments for non-cash transactions

2019 £'000	Note	2020 £'000
<b>Expenditure not paid in cash</b>		
- Depreciation	6	58
<b>- Total expenditure not paid in cash</b>	<b>CFS</b>	<b>58</b>

### b) Consolidated movements in working capital

2019 Net Movement £'000	Note	2020 Opening Balances £'000	2020 Closing Balances £'000	2020 Net Movement £'000
<b>TRADE AND OTHER RECEIVABLES</b>				
(12) Due within one year	7	40	34	
		40	34	
<b>(12) Net Decrease/(Increase)</b>				<b>6</b>
<b>TRADE AND OTHER PAYABLES</b>				
59 Due within one year	9	368	276	
Less: General Fund	9			
- Creditor included in above		-	-	
		368	276	
<b>59 Net (Decrease)/Increase</b>				<b>(92)</b>
<b>PROVISIONS</b>				
- Balance Sheet		34	141	
<b>- Net (Decrease)/Increase</b>		<b>34</b>	<b>141</b>	<b>107</b>
<b>NET MOVEMENT</b>				
<b>47 (Decrease)/Increase</b>				<b>21</b>

### 3) Operating Expenses

#### a) Staff Costs

<b>2019 Total £'000</b>	<b>Note</b>	<b>2020 Total £'000</b>
643 Board and Executive		581
970 Practitioner staff Costs		1106
Casework Administration and Corporate		
928 Services		921
398 Second Opinion Doctors Fees		426
NCF: Head, Members, Administration and short		
268 term staff		297
104 LDA : Administration staff		118
0 DIDAHR : Administration Staff		42
<b><u>3,311 Total</u></b>	<b>SOCNE</b>	<b><u>3,491</u></b>

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

#### b) Other Operating Expenditure

<b>31 March 2019 £'000</b>	<b>31 March 2020 £'000</b>
120 Travel and Subsistence	108
395 Accommodation Costs	212
0 Depreciation / Amortisation	58
252 Computer Equipment and Supplies	257
93 Office administration costs	144
42 Human Resources	56
341 Communications	38
51 Legal and Professional	135
47 Good Practice Projects	109
NCF Closure Provision	107
<b><u>1,341 Total</u></b>	<b><u>1,224</u></b>

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£'000</b>		<b>£'000</b>
	<b>Other health care expenditure</b>	
	External auditor's remuneration	
17	- Statutory audit fee	17
<b>17</b>	<b>Total</b>	<b>17</b>
<b>4,669</b>	<b>Total</b>	<b>4,732</b>

#### **4) Segmental Information**

Segmental information as required under IFRS has been reported based on Financial Information used by Management to operate the Commission.

	<b>2019/20</b>					<b>2018/19</b>			
	<b>MWC</b>	<b>NCF</b>	<b>DID/HR</b>	<b>LDA</b>	<b>Total</b>	<b>MWC</b>	<b>NCF</b>	<b>LDA</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£000</b>
<b>Net operating cost</b>	<b>3,807</b>	<b>649</b>	<b>58</b>	<b>160</b>	<b>4,674</b>	<b>3,737</b>	<b>788</b>	<b>144</b>	<b>4,669</b>
Depreciation and amortisation	58	-	-	-	58	-	-	-	-

The Commission considers that the Board is the Chief Operating decision maker as it is the highest level of authority within the Commission.

Four (18/19, three) segments have been reported as follows;

- 1) The Operational Management Group is presented with monthly segment accounts for the 'Core' operations of the Commission.
- 2) The National Confidential Forum for Scotland (NCF) is a Committee of the Commission and operates independently, led by a Forum Head.
- 3) The Review of Learning, Disability and Autism is an independent review, hosted by the Commission. The budget for the review is part of the Commission's allocation from the Scottish Government and the Chief Executive is therefore accountable for the appropriate use of these public funds.
- 4) The Reviews of Deaths in Detention and Homicides.

The following financial results for the year were presented to the June 2020 Management Groups:

<b>Current year - 2019/20</b>	<b>MWC 'Core' £'000</b>	<b>NCF £'000</b>	<b>LDA £'000</b>	<b>DIDAHR £'000</b>	<b>Total £'000</b>
Reported to Board 26.06.20	3,808	698	160	58	4,724
Late adjustments	57	(49)	-	-	8
Per Annual Accounts	3,865	649	160	58	4,732

<b>Prior year - 2018/19</b>	<b>MWC 'Core' £'000</b>	<b>NCF £'000</b>	<b>LDA £'000</b>	<b>Total £'000</b>
Reported to Board 30.04.19	3,766	773	-	
Late adjustments	(29)	15	-	
Per Annual Accounts	3,737	788	144	4,669

#### **5a) Intangible Assets**

	<b>Software Licences £'000</b>	<b>Information Technology £'000</b>	<b>Other Intangible £'000</b>	<b>Total £'000</b>
<b>Cost or Valuation:</b>				
As at 1 April 2019	14	796	13	823
<b>At 31 March 2020</b>	<b>14</b>	<b>796</b>	<b>13</b>	<b>823</b>
<b>Amortisation</b>				
At 1 April 2019	14	796	13	823
Provided during the year	-	-	-	-
<b>At 31 March 2020</b>	<b>14</b>	<b>796</b>	<b>13</b>	<b>823</b>
<b>Net Book Value at 1 April 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**5a) Intangible Assets (Prior Year)**

	Software Licences £'000	Information Technology £'000	Other Intangible £'000	Total £'000
<b>Cost or Valuation:</b>				
As at 1 April 2018	14	796	13	823
<b>At 31 March 2019</b>	<b>14</b>	<b>796</b>	<b>13</b>	<b>823</b>
<b>Amortisation</b>				
At 1 April 2018	14	796	13	823
Provided during the year	-	-	-	-
<b>At 31 March 2019</b>	<b>14</b>	<b>796</b>	<b>13</b>	<b>823</b>
<b>Net Book Value at 1 April 2018</b>	-	-	-	-
<b>Net Book Value at 31 March 2019</b>	-	-	-	-

**6a) Property, Plant and Equipment (Purchased Assets)**

Year ended 31 March 2020	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2019	620	205	825
Additions	-	-	-
<b>At 31 March 2020</b>	<b>620</b>	<b>205</b>	<b>825</b>
<b>Depreciation</b>			
At 1 April 2019	332	205	537
Provided during the year	58	-	58
<b>At 31 March 2020</b>	<b>390</b>	<b>205</b>	<b>595</b>
<b>Net book value at 1 April 2019</b>	<b>288</b>	<b>-</b>	<b>288</b>
<b>Net book value at 31 March 2020</b>	<b>230</b>	<b>-</b>	<b>230</b>
<b>Asset Financing</b>			
Owned	230	-	230
<b>Net Book value at 31 March 2020</b>	<b>230</b>	<b>-</b>	<b>230</b>

## 6a) Property, Plant and Equipment (Purchased Assets)

Prior year ended 31 March 2019	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2018	332	205	537
Additions	288	-	288
<b>At 31 March 2019</b>	<b>620</b>	<b>205</b>	<b>825</b>
<b>Depreciation</b>			
At 1 April 2018	332	205	537
Provided during the year	-	-	-
<b>At 31 March 2019</b>	<b>332</b>	<b>205</b>	<b>537</b>
<b>Net book value at 1 April 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book value at 31 March 2019</b>	<b>288</b>	<b>-</b>	<b>288</b>
<b>Asset Financing</b>			
Owned	288	-	288
<b>Net Book value at 31 March 2018</b>	<b>288</b>	<b>-</b>	<b>288</b>

## 6b) Donated Assets

All Property, Plant and Equipment is purchased and there are no donated assets (prior year: £nil).

## 6c) Analysis of Capital Expenditure

31 March 2019 £'000		31 March 2020 £'000
	<b>Expenditure</b>	
288	Acquisition of property, plant and equipment	-
<b>288</b>	<b>Gross capital expenditure</b>	<b>-</b>
<b>288</b>	<b>Net capital expenditure</b>	<b>-</b>
	<b>Summary of Capital Resource Outturn</b>	
288	Core capital expenditure included above	-
300	Core capital resource limit	-
<b>12</b>	<b>Saving/(excess) against core capital resource limit</b>	<b>-</b>

## 7) Trade and Other Receivables

31 March 2019 £'000		31 March 2020 £'000
	Receivables due within one year	
40	Prepayments	34
<b>40</b>	<b>Total Receivables due within one year</b>	<b>34</b>
<b>40</b>	<b>TOTAL RECEIVABLES</b>	<b>34</b>
	<b>WGA Classification</b>	
40	Balances with bodies external to Government	34
<b>40</b>	<b>Total</b>	<b>34</b>

There is no provision for impairment of receivables (2018/19: £nil)

There are no receivables assessed as individually impaired.

Receivables that are less than three months past their due date are not considered impaired. As at 31 March 2020, receivables of carrying value of £nil (2018/19: £nil) 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.

The maximum exposure to credit risk is the fair value of each class of receivable. The Commission does not hold any collateral as security.

31 March 2019 £'000		31 March 2020 £'000
	The carrying amount of receivables are denominated in the following currencies:	
40	Pounds	34
<b>40</b>		<b>34</b>

8) Cash and Cash Equivalents

	Note	2020 £000	2019 £000
Balance at 1 April		4	3
Net change in cash and cash equivalent balances	CFS	8	1
<b>Balance at 31 March</b>	<b>SoFP</b>	<b>12</b>	<b>4</b>
Overdrafts		0	0
<b>Total Cash - Cash Flow Statement</b>		<b>12</b>	<b>4</b>

The following balances at 31 March were held at:

Commercial banks and cash in hand	12	4
<b>Balance at 31 March</b>	<b>12</b>	<b>4</b>

Cash at bank is with a major UK bank. The credit risk associated with cash at bank is considered to be low.

9) Trade and Other Payables

31 March 2019 £'000	31 March 2020 £'000
<b>Payables due within one year</b>	
<b>NHS Scotland</b>	
0 Boards	0
<b>0 Total NHS Scotland Payables</b>	<b>0</b>
5 General Fund Payable	0
0 Trade Payables	104
358 Accruals	167
5 Income tax and social security	5
<b>368 Total Payables due within one year</b>	<b>276</b>
<b>368 TOTAL PAYABLES</b>	<b>276</b>
<b>WGA Classification</b>	
0 NHS Scotland	
63 Central Government Bodies	38
0 Whole of Government Bodies	
305 Balances with bodies external to Government	238
<b>368 Total</b>	<b>276</b>

There are no borrowings in either 2019/20 or 2018/19.



The carrying value of short term payables approximates their fair value. The carrying amount of payables is denominated in the following currencies;

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£'000</b>		<b>£'000</b>
368	Pounds	276
<b>368</b>		<b>276</b>

<b>10) Provisions</b>	<b>Participation in CNORIS</b>	<b>Other provisions</b>	<b>2020 Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 April 2019	34	-	34
Arising during the year	-	107	107
<b>At 31 March 2020</b>	<b>34</b>	<b>107</b>	<b>141</b>

**Analysis of expected timing of  
discounted flows to 31 March  
2020**

	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Payable in one year	0	107	107
Payable between 2 - 5 years	0	0	0
Payable between 6 - 10 years	0	0	0
Thereafter	34	0	34
<b>At 31 March 2020</b>	<b>34</b>	<b>107</b>	<b>141</b>

**Participation in CNORIS**

The Commission holds a provision for its share of CNORIS liability for NHS Scotland and the charge for 2019/20 is £34,000 (2018/19: £34,000)

**Other**

The Scottish Government confirmed that the National Confidential Forum will cease in March 2021 and this repeal will be part of the Redress Bill commencing in 2020. A provision has been created in respect of the costs associated with the cessation of NCF.

<b>PROVISIONS (PRIOR YEAR)</b>	<b>Participation in CNORIS</b>	<b>2019 Total</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April 2018	34	34
<b>At 31 March 2019</b>	<b>34</b>	<b>34</b>

**Analysis of expected timing of discounted  
flows to 31 March 2019**

	<b>£'000</b>	<b>£'000</b>
Payable in one year	0	0
Payable between 2 - 5 years	0	0
Payable between 6 - 10 years	0	0
Thereafter	34	34
<b>At 31 March 2019</b>	<b>34</b>	<b>34</b>

**10b) Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)**

<b>2019</b>	<b>Note</b>	<b>2020</b>
<b>£000</b>		<b>£000</b>
0	Provision recognising individual claims against the Commission as at 31 March	0
0	Associated CNORIS receivable at 31 March	0
34	Provision recognising the Commission's liability from participating in the scheme at 31 March	34
<b>34</b>	<b>Net Total Provision relating to CNORIS at 31 March</b>	<b>34</b>

The Clinical Negligence and Other Risks Scheme (CNORIS) has been in operation since 2000. Participation in the scheme is mandatory for all NHS boards in Scotland. The scheme allows for risk pooling of legal claims in relation to clinical negligence and other risks and works in a similar manner to an insurance scheme. CNORIS has an agreed threshold of £25k and any claims with a value less than this are met directly from within boards' own budgets. Participants e.g. NHS boards contribute to the CNORIS pool each financial year at a pre-agreed contribution rate based on the risks associated with their individual NHS board. If a claim is settled the board will be reimbursed by the scheme for the value of the settlement, less a £25k "excess" fee. The scheme allows for the risk associated with any large or late in the financial year

legal claims to be managed and reduces the level of volatility that individual boards are exposed to.

When a legal claim is made against an individual board, the board will assess whether a provision or contingent liability for that legal claim is required. If a provision is required then the board will also create an associated receivable recognising reimbursement from the scheme if the legal claim settles. The receivable is netted off against the provision to reflect reimbursement from the scheme.

As a result of participation in the scheme, boards also recognise that they will be required to make contributions to the scheme in future years. Therefore a second provision that recognises the board's share of the total CNORIS liability of NHS Scotland has been made and this is reflected in the table above.

Therefore there are two related but distinct provisions required as a result of participation in the scheme. Both of these provisions as well as the associated receivable have been shown in the note above to aid the reader's understanding of CNORIS.

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

## **11) Contingent Assets and Liabilities**

There are no Contingent Assets or Liabilities that have not been provided for in the accounts (2018/19: £nil).

## **12) Events after the end of the reporting year**

The Commission has no events after the reporting period which have a material effect on the accounts.

## **13) Commitments**

The Commission has no Capital Commitments as at 31 March 2020 (2018/19: £nil).

### **Other financial commitments**

The Commission has entered into non-cancellable contracts (which are not leases or PFI contracts), for the provision of professional support and software support services.

The payments to which the Commission is committed during 2019/20, analysed by the period during which the commitments expire are as follows:

	<b>31 March 2020</b>	<b>31 March 2019</b>
	<b>£'000</b>	<b>£'000</b>
Expiry within 1 year	78	71
Expiry within 2 to 5 years	105	180
<b>Total</b>	<b>183</b>	<b>251</b>

The Commission has not entered into any Financial Guarantees, Indemnities or provided any letters of Comfort.

#### **14) Commitments under Leases**

##### **Operating Leases**

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

<b>31 March 2019</b>		<b>31 March 2020</b>
<b>£'000</b>	<b>Operating Leases</b>	<b>£'000</b>
Total future minimum lease payments under operating leases are given in the table below for each of the following periods.		
<b>Obligations under operating leases comprise:</b>		
<b>Land</b>		
17	Not later than one year	16
33	Later than one year, not later than two years	39
23	Later than two years not later than five years	-
<b>Buildings</b>		
150	Not later than one year	148
299	Later than one year, not later than two years	353
211	Later than two years not later than five years	-
<b>Other</b>		
2	Not later than one year	3
2	Later than one year, not later than two years	4
-	Later than two years not later than five years	-
<b>Amounts charged to Operating Costs in the year were:</b>		
4	Hire of equipment (including vehicles)	3
255	Other operating leases	165
<b>259</b>	<b>Total</b>	<b>168</b>

There are no contingent rents or Finance Leases.

## **15) Pension Costs**

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

The Commission has no liability for other employers' obligations to the multi-employer scheme.

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.

The scheme is an unfunded multi-employer defined benefit scheme.

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

The employer contribution rate for the period from 1 April 2019 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.6% of pensionable pay.

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

The Commission's level of participation in the scheme is 0.05% based on the proportion of employer contributions paid in 2018-19.

### **The new NHS Pension Scheme (Scotland) 2015**

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18

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

**The existing NHS Superannuation Scheme (Scotland)**

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

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

Further information is available on the Scottish Public Pensions Agency (SPPA) web site at [www.sppa.gov.uk](http://www.sppa.gov.uk).

**16) Financial Instruments**

**(a) Financial Instruments by category**

<b>2019 Total £'000</b>	<b>AT 31 March</b>	<b>Note</b>	<b>Loans and Receivables £'000</b>	<b>2020 Total £'000</b>
	<b>Assets per Statement of Financial Position</b>			
4	Cash and cash equivalents	8	12	12
<hr/> 4			<hr/> 12	<hr/> 12

<b>2019 Total £'000</b>	<b>AT 31 March</b>	<b>Note</b>	<b>Other financial liabilities £'000</b>	<b>2020 Total £'000</b>
	<b>Liabilities per Statement of Financial Position</b>			
362	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	9	271	271
<hr/> 362			<hr/> 271	<hr/> 271

## **Exposure to Risk**

The Commission's activities expose it to a variety of risks:

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

Liquidity risk – the possibility that the Commission 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 health bodies are financed, the Commission is not exposed to the degree of financial risk faced by business entities.

## **Financial Risk Factors**

**Risk Management policies:** The Commission provides written principles for overall risk management, as well as written policies covering standing financial Instructions and Financial Operating procedures.

### **(a) Credit Risk**

Credit risk arises from cash and cash equivalents, deposits with banks and other institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and other institutions, only independently rated parties with a minimum rating of 'A' are accepted.

Customers are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings in accordance with parameters set by the Commission.

No losses are expected from non-performance by any counterparties in relation to deposits.

### **(b) Liquidity Risk**

The Scottish Parliament makes provision for the use of resources by the Commission 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. The Commission 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 Statement of Financial Position to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

<b>31 March 2020</b>	<b>Less than 1 year</b> <b>£'000</b>
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Trade and other payables excluding statutory liabilities	271
<b>Total</b>	

<b>31 March 2019</b>	<b>Less than 1 year</b> <b>£'000</b>
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Trade and other payables excluding statutory liabilities	362
<b>Total</b>	<b>362</b>

**(c) Market Risk**

The Commission has no powers 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 the Commission in undertaking its activities.

**Cash flow and fair value interest rate risk**

The Commission has no significant interest bearing assets or liabilities and as such income and expenditure cash flows are substantially independent of changes in market interest rates.

**Foreign Currency Risk**

The Commission is not exposed to foreign exchange rates.

**Price risk**

The Commission is not exposed to equity security price risk.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair value.

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.

**17) Related Party Transactions**

The Commission has not entered into any material transactions with other Government departments and other Central Government organisations.



No Board Member, key manager or other related party has undertaken any material transaction with the Commission during the year.

## Direction by the Scottish Ministers



### MENTAL WELFARE COMMISSION FOR SCOTLAND

#### DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of sections 86(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as applied by Schedule 1 paragraph 8(c) of the Mental Health (Care and Treatment) (Scotland) Act 2003, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.



Signed by the authority of the Scottish Ministers

Dated 10/2/2006