



# **MENTAL WELFARE COMMISSION FOR SCOTLAND**

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

**31 March 2023**

Thistle House  
91 Haymarket Terrace  
Edinburgh  
EH12 5HE

# MENTAL WELFARE COMMISSION FOR SCOTLAND

## Annual Report and Accounts for year ended 31 March 2023

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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 2022-23, and the key risks to the achievement of our objectives.

The Commission's key performance indicators are outlined on page 11.

### 1.1. Statement from the Chief Executive

Our staff and the organisation have continued to adapt to remote and hybrid working and we are nearing the completion of a hybrid working policy to support new working practices. Throughout 2022-23, we continued to be able to influence and promote the rights, safeguards and welfare of people with mental illness, learning disabilities, dementia and other related conditions.

We remained actively involved in influencing the review of mental health and incapacity legislation and welcomed the Scottish Mental Health Law Review's final report in September 2022. We support the direction of this review in promoting rights based care for individuals and suggesting an increased role and powers for the Commission. The Scottish Government published its initial response to the recommendations made on 28 June 2023 and the Commission remains committed to working in partnership to advance human rights and drive forward the transformation that is needed in Scotland now and in the future.

We presented two proposals to the Scottish Government on appropriate levels of review when:

- someone dies when subject to an order of the mental health act
- someone receiving mental health care commits a homicide.

Our recommendation was that the Commission oversees these new systems and carries out investigations as appropriate. During this year we have undertaken four 'pilot' investigations to test out these proposals, the first of which was published on 9 March 2023 [Investigation into the care and treatment of Mr TU](#). Our project proposals have not been agreed by Scottish Government at this stage, however we continue to work on completing the other three pilot projects, to publish them in 2023 and to reflect on learning from this pilot work. This learning will further inform the proposals we made at the outset in relation to this important investigation work. Should these project proposals be agreed in due course, we think that they fit well into our overall investigations function.

Our work on a new information and casework management system is a detailed and complicated project for an organisation of our size and we are working with various partners to elicit the expertise we need.

The project was delayed in May 2022 in order to ensure that all appropriate actions were being taken in advance of procurement to ensure successful delivery.

During this time, our staff engaged and fed back on their 'blue sky' thinking around how the Commission could digitalise and transform and after addressing a number of recommendations, the project is now in a strong position to move towards the procurement phase of this critically important work.

We celebrated the 60<sup>th</sup> anniversary of the Commission in its current format with a parliamentary reception held on 16 June 2022.

Our Chair said, "Reflecting on our 60 years, there are elements of both continuity and change. Change in the way services are delivered, and we've adapted to that. But continuity in that the Mental Welfare Commission has always approached it from the individual first. For the future, we are intent on increasing our work in the community and building our team of people with lived experience."

The Commission looks forward to the next 60 years of making a difference.

The Commission is nearing the end of its current three-year Strategic Plan for 2020 to 2023. We launched a consultation in June 2022 to gather views on our current strategic priorities and our statutory functions to inform our new strategic plan for 2023 to 2026. We informed, engaged and consulted with stakeholders. Based on what we heard, we developed a new [strategic plan for 2023 to 2026](#) which was approved by our Board in February 2023.

This year we report an overall budget underspend of 3.68%, mainly due to the late receipt of budget confirmation in September 2020.

## **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 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 Annual 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 for 2020 to 2023 are available on the website; they will soon be replaced by our new strategic plan 2023 to 2026 and associated business plan for the first year.

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:

- The impact of significant national reviews and other legislative and policy changes in the mental health field and the organisational capacity to respond and influence these reviews
- Mismatch between resource and expenditure given the delay in the Commission receiving confirmation of its budget for 2022-23 (this was not confirmed until 30 September 2022).
- The replacement of the Commission's information management system

Our strategic risk register was updated in October 2022 and it was agreed that the time was right to refresh the risk register in its entirety rather than simply review existing risks going forward. The register and the policy will therefore be refreshed in 2023.

### 1.4. Performance summary

#### Influencing and Empowering

The main focus during the year has been contributing to and influencing the various strands of the Scottish Mental Health Law Review (SMHLR, known as the Scott review), consultation on the National Care Service (NCS), responding to the Tayside Oversight Group in relation to Strang and ensuring that, in the midst of winter pressures, [the rights of those lacking capacity were retained and respected in the context of delayed discharges in hospital.](#)

A key strand of the Scott review was to review the role and powers of the Commission as the safeguarding body set up and enhanced under successive mental health legislation (1960, 1984 and 2003). The Chief Executive and executive directors had several meetings with the Scott review team during the year. There were also several meetings with ourselves and partner organisations reviewing the assurance mechanisms for the mental health and learning disability landscape. We welcome the proposals in the Scott review's final report published in September 2022, outlining enhanced leadership and expanded powers for the Commission.

We produced a statistical monitoring report in June 2022 looking at information about [hospital based and community based compulsory treatment orders](#) to understand how these types of intervention have been used over the past 14 years in Scotland. We specifically produced this to assist the Scott review team in their work. Our intention,

in 2023, is to meet people who are subject to these orders in the community in order to hear their views about these orders in practice.

During 2022, we published three closure reports relating to previously published themed visits reports: [Authority to Discharge](#), [Racial Equality and Mental Health in Scotland](#) and [Care and Treatment for People with Alcohol Related Brain Damage](#). Closure reports had not been published by the Commission previously however the decision was taken to do so from April 2022 to evidence the work done to address recommendations and learning identified to aim towards improvement. The intention of closure reports is to answer the 'so what' or 'what happened next' questions for individuals and services.

Following our Authority to Discharge report published in May 2021 and our closure report published in May 2022, we supported the Care Inspectorate, as regulator of strategic social work services, in their inspection of Edinburgh City Health and Social Care Partnership. The [outcome report](#) was published in March 2023. We have also collaborated with NHS Education for Scotland throughout the year as part of a 16 month project (funded by Scottish Government) to support a national approach to learning and applying the principles and requirements of the Adults with Incapacity (Scotland) Act 2000 in practice. We continue to maintain a focus on discharges of vulnerable people from hospital who are unable to consent to their move.

The Mental Health (Care and Treatment) (Scotland) Act 2003 imposed a duty on local authorities and health boards to collaborate to ensure the availability of independent advocacy services in their area. The Mental Health (Scotland) Act 2015 builds on the right in the 2003 Act to independent advocacy support, by requiring health boards and local authorities to tell the Mental Welfare Commission how they have ensured access to services up to now, and how they plan to do so in the future.

In 2022, we asked about the provision of advocacy services available in each area, planning for future provision and what was being done to improve access to advocacy services. We specifically asked local authorities to tell us if their integrated children's services plans covered the provision of independent advocacy services for children and young people with mental illness, learning disability or related conditions as we have raised this as a concern through our annual children and young people monitoring reports. We are grateful to the Scottish Independent Advocacy Alliance for the support given to produce this [report](#) with its six recommendations, the progress of which will be monitored by the Commission.

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.

A new group has been set up involving the Commission, Health Improvement Scotland and the Care Inspectorate called the National Mental Health and Learning Disability

Coordination Group. The Commission chairs this group and the Tayside Oversight group have welcomed this coordinated approach.

We have attended parliamentary committees to give evidence when requested to do so and we have continued to attend meetings of the Scottish Mental Health Partnership working with other organisations to promote a rights-based approach to the Government's new [Mental Health and Wellbeing Strategy](#) which was published in the June 2023. We remain an active member of the National Preventive Mechanism attending both the UK and Scottish groups. We also continue to 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. Our engagement and participation officers continue to build their networks across Scotland, meeting carers and people with experience both virtually and face to face (294 contacts this year against a target of 250) and this will inform our revised engagement and participation strategy of 2023.

## Visiting

We were able to plan a programme of local visits throughout the year, with only a few cancelled at short notice if the service had an outbreak of Covid and was restricting all visitors. We recommenced our unannounced visits but have not managed to reach the full 25% target this year. 40% of the visits during our last quarter were unannounced however the full year total is 18%. Advance planning of visits will ensure this target of 25% is met in 2023-24.

We visit people who are being treated under mental health and incapacity law or who are otherwise receiving care and treatment in hospital, in the 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 and outcomes are met and their rights respected. If not, we make recommendations for improvement.

This year we have focussed on two national themed visits. These visits were to individuals subject to similar orders and/or receiving similar services across Scotland. We will produce national reports comparing issues for individuals receiving care and treatment across Scotland and we will make recommendations for each themed visit in published reports in 2023. The themed visits were to:

- Individuals subject to community based compulsory treatment orders
- Individuals receiving health care and treatment out with NHS Scotland services.

As part of this work, we spoke with 156 individuals and given the importance of speaking to staff involved, carers etc, the total number of contacts made to undertake these two themed visits was 562.

In April 2022, we published our [Mental Health in Scotland's prisons](#) report and in September 2022 we published our report on [Ending the exclusion: care, treatment and support for people with mental ill health and problem substance use in Scotland](#). The work for both reports had been completed in the previous year. Follow up on all recommendations in both reports has been pursued throughout the year and closure reports will be published in due course.

We also carried out 142 local visits to hospitals and care services (compared to 91 last year). We met 790 individuals and this exceeded our target of 650. We particularly focus on units where there is a major deprivation of liberty, where intelligence gathered from themed visits, previous visits, concerns from people in receipt of services 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 (where indicated). The [local visit reports](#) are published on our website. A report summarising the findings and recommendations from our local visits in 2022-23 will be published later in 2023.

## **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 2022-23 we processed 44,579 (21-22: 38,163) forms and other notifications related to mental health and incapacity legislation; 4,158 (21-22: 3,688) Guardianship and Intervention Orders. We published our monitoring review of how the [Mental Health Act](#) is used for services to compare practice across the country and the [report on young people admitted to non-specialist services](#).

Our [report on the use of the Adults with Incapacity Act across Scotland](#) highlighted that a total of 3,371 guardianship orders were granted in 2021-22, 52% more than in 2020-21. The 30% decrease seen in 2020-21, presumably linked to the COVID-19 pandemic, appears to be distorting comparisons with the previous year. The 2021-22 figure is in line with a 2% annual increase seen in the two years prior to the pandemic (2018-19 and 2019-20).

During the year we visited 189 people subject to guardianship orders. We will be prioritising more visits to people subject to guardianship orders in 2023-24, the target will be a minimum of 350.

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). 2,571 contacts were made (2,545 in relation to the MHCT Act and 26 under the AWI Act) during this year. These

are important safeguards and are the highest priority for recovery under our business continuity plans.

## **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. 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. We published a report titled [Learning through review: a summary of our investigative role](#) in June 2022 to aim to provide the context of this work.

A major project for us during the year was to test out a proposed process to ensure appropriate levels of review when a person dies whilst subject to an order of the mental health act and also where someone who is receiving, or has received within the last year, mental health services, commits homicide. Four 'pilot' investigations have been completed to test these proposals. One investigation, Mr TU was published in March 2023, the others will be published later in 2023. There will be reflection on this work and learning identified to further inform the original proposals made to Scottish Government.

We do hope that the completion of the pilot investigations and associated learning during 2022-23 leads to the Scottish Government's acceptance of both of these proposals which will mean the Commission oversees and carries out appropriate reviews of deaths in detention and homicides in future.

## **Information and Advice**

The Commission operates a telephone advice line aimed at helping people with experience of care and treatment, carers, practitioners and others to understand more about individuals' rights and effective use of mental health and incapacity law. This year the advice line extended its hours of operation again having been reduced during the time of the pandemic. The advice line is now operational daily, 9am-12 noon and 1pm-4pm. The number of telephone calls logged this year was 3,476 (against a target of 3,500), with the top number of calls received from relatives/carers/guardians, followed by people with experience of using services with the third highest caller group being psychiatrists. 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. The uniqueness of this service was highlighted in the report completed for the SMHLR, mentioned above.

We regularly carry out a sample audit of advice given out by individual practitioners and this year the accuracy rate was 98% against a target of 97.5%.

In the latter part of the year, we hosted a Masterclass webinar with NHS Education Scotland on AWI legislation and practice. 2,612 individuals from across social work,

social care, health, the third sector and partner bodies such as the Care Inspectorate registered, with 1,412 attendees on the day of the Masterclass, delivered online via Teams.

We reviewed five existing good practice guides and published a new good practice guide relating to [tenancies for people with additional support needs](#). We also published an advice note in December 2022 providing information about [ICD11](#) which was introduced in Scotland as a way in which diagnoses are recorded.

## **Continuous Improvement**

We are committed to demonstrating that our work provides value for money and that we strive for improvement. Our work in this area is outlined in the governance report on page 19.

## **Social Matters**

The Commission strives to continually improve inclusiveness by creating a work environment that not only welcomes individuals of all backgrounds, but actively highlights and celebrates the unique mix of people who work for us and use our services.

In accordance with the Equality Act 2010 and regulations, the Commission promotes equality and celebrates the diversity of the people it serves. The development of equality outcomes provides assurance that the Board meets the equality and diversity needs of people with the nine relevant protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation). We recognise the value a diverse workforce brings in offering different perspectives in how we deliver high quality, safe, effective, person-centred care and maintain a healthy, vibrant, and inclusive culture throughout our organisation.

The Fraud Prevention and Investigation Policy covers detailed guidance on key elements of the Bribery Act (2010) and staff conduct with regard to reporting any issues. No matters have been raised this year relating to fraud or anti-bribery legislation.

We extended our consultation on our 2023-26 strategic plan beyond our Advisory Committee and staff team and included everyone who had registered an interest in the work of the Commission through our website. This meant we consulted with 2005 external contacts as part of this process, a much broader reach than previous consultations.

We remain committed to having children and young people involved, advising on our work and on how best we can communicate. Three young people engagement officers across three local authorities are supporting us to make progress.

## 2. Performance Analysis

This Performance Analysis summarises the key indicators on how the Commission has performed during 2022-23. Despite the continuing challenges of the pandemic, the Commission continued to perform well against its targets.

### 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 2022-23 was £5,174,000 (prior year £4,587,000). The Commission received £nil capital allocation in 2022-23 (prior year up to £nil).

The revenue resource allocation includes funding for Commission 'core activities', funding for the operation of the National Confidential Forum, for the Reviews of Deaths in Detention and Homicide and for the Information Management System project.

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

	<b>Limit as set by SGMWASCD £'000</b>	<b>Actual Outturn £'000</b>	<b>Variance (Deficit)/Surplus £'000</b>
<b>1 Core Revenue Resource Limit</b>			
• MWC Core	4,658	4,526	190
• DIDAHR*	286	286	0
• IMS	172	172	0
<b>Non-core Revenue Resource Limit</b>			
• MWC Core	58	58	0
• NCF	0	0	0
• DIDAHR*	0	0	0
• IMS	0	0	0
<b>Total</b>	<b>5,174</b>	<b>4,984</b>	<b>190</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 Reviews of Deaths in Detention and Mental Health Homicide*

## MEMORANDUM FOR IN YEAR OUTTURN

	<b>£'000</b>
Reported Surplus in 2022-23	190
Financial flexibility: funding banked with / (provided by) Scottish Government	0
Surplus against in year total Revenue Resource Limit	<u>190</u>
Percentage	<u>100%</u>

The Commission is showing net liabilities of £416,000 (prior year: £289,000 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 £688k (notes 10 and 15) are £323k higher than as at 31 March 2022.

There were no impairments of receivables (2021-22: nil)

There are no significant remote contingent liabilities.

There are no legal obligations as at 31 March 2023.

### Performance against Key Non-Financial Targets

The Commission had eight key performance indicators (KPIs) outlined in its Business Plan for 2022-23. These are outlined below

#### **KPI1 To visit a minimum of 1,200 individuals during 2022 – 2023**

We met with 1,135 individuals during 2022-2023:

- 189 individuals on our guardianship visits (*full year 350*)
- 790 individuals on our local visits (*full year 650*)
- 156 individual meetings arranged for Themed Visits (*full year 150*)

#### **KPI2 To produce the MHA monitoring report by 30 September 2022**

Complete - Final report was produced by 30 September and published on 3 November 2022

**KPI3 To produce a monitoring report on young people admitted to adult wards by 31 October 2022**

Complete – Final report was produced by 31 October and published on 1 December 2022

**KPI4 To produce the Adults with Incapacity Act (AWI) monitoring report by 30 September 2022**

Complete - Final report was produced by 30 September and published on 27 October 2022

**KPI5 To publish one major investigation report during the year**

Complete – Final report was published on 9 March 2023 – Investigation into the care and treatment of Mr TU: Homicide by a person in receipt of mental health services.

**KPI6 To publish, in March 2023, our investigations lessons learned report on areas for improvement and recommendations from a wider range of our investigations work and promote areas of good practice.**

Complete – Final report was submitted to the Board on 25 April 2023.

**KPI7 We will follow-up all our recommendations to services arising out of local visits and achieve satisfactory responses in no less than 95% of cases within the agreed timescale.**

Since 1<sup>st</sup> April 2022 we have issued 119 reports to services, with the three month turnaround for a reply, 109 services met this return date (88%).

## **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 2022-23 average credit taken was 8.0 days (2021-22: 2.3 days)
- In 2022-23 the Commission paid 98.09% by value and 95.09% by volume within 30 days (2021-22: 100% and 100%)
- In 2022-23 the Commission paid 74.73% by value and 78.57% by volume within 10 days (2021-22: 100% and 100%)

## **Pension Liabilities**

The accounting policy note for pensions is provided in note 1 and disclosure of the costs is shown within note 16 and the Remuneration Report.

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

*Julie Paterson*

.....  
Julie Paterson  
Chief Executive Officer  
Accountable Officer

28 July 2023  
Date: .....

## **Accountability Report**

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

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

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

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

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

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland to decide who is to undertake the audit of each health body in Scotland. The Auditor General appointed Grant Thornton UK LLP 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 2027
Mrs Safaa Baxter	1 September 2014	31 March 2023 <sup>1</sup>
Ms Mary Twaddle	1 April 2017	31 March 2025
Mr Gordon Johnston	1 April 2017	31 March 2025
Mr David Hall	1 April 2018	31 March 2026
Ms Cindy Mackie	1 April 2018	31 March 2026
Ms Nichola Brown	1 April 2019	31 March 2027
Ms Alison Whyte	1 April 2020	31 October 2027
Ms Kathy Henwood	1 April 2023	31 March 2027

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

<sup>1</sup> Mrs Baxter resigned on 31 March 2023

## **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 2023 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

- Apply on a consistent basis the accounting policies and standards approved for the NHS Scotland by Scottish Ministers.
- Make judgements and estimates that are reasonable.
- 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 18.

Registers of interests are available on <https://www.mwscot.org.uk/about-us/freedom-information#181>

## **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. There was no remuneration for non-audit work during 2022-23.

### **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 (2021-22: 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 dated 3<sup>rd</sup> August 2020.

## **Governance Statement**

### **Scope of Responsibility**

As Accountable Officer, I am responsible for maintaining an adequate and effective system of internal control that supports compliance with the organisation's policies and promotes achievement of the organisation's aims and objectives, including those set by Scottish Ministers. 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 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 regularly met throughout the year with members attending both informal 'question and answer' sessions which included development opportunities and also formal board meetings (six formal meetings) to progress the business of the Commission.

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

The Board completed a self-assessment during the year, the outcome report of which was tabled and discussed at the Board meeting held in April 2023.

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, Performance and Risk Committee (AP&R Committee) and the executive directors of the Commission. There are two standing committees; the Audit, Performance and Risk Committee (renamed as such from June 2022) and the Advisory Committee. The Standing Orders and Standing Financial Instructions are reviewed and updated on an annual basis by the AP&R Committee and approved by the Board in February each year. The Procurement Policy is reviewed and approved annually by the AP&R Committee ensuring the Commission is compliant with procurement regulations.

The AP&R Committee remit and membership is outlined in the standing orders. The committee comprises three Board members: Gordon Johnston, Chair, David Hall and Cindy Mackie. The co-opted member (Robin McNaught) who was an external person with expertise in NHS finance has since retired and the Commission is actively looking for a replacement. The Committee met four 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, performance management, risk management and information governance and security. The project to implement the new information management system reports to each committee meeting. 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 AP&R Committee activities and objectives for the following year. This year the annual accounts was extended again to August from June and Azets completed their final year as the Commission's auditors. Audit Scotland announced the appointment of Grant Thornton UK LLP as the Commission's new auditors in November 2022. Minutes of each AP&R Committee meeting are presented to the Board. In February 2023 the AP&R Committee approved the extension of the internal auditors for one further year.

By statute the Commission is required to have an advisory committee and it meets twice a year. During this year, the Committee has also held 'ad hoc' meetings to discuss key topics e.g. the Scottish Mental Health Law Review, the Commission's themed visits work. Its remit and membership are 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 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 Executive Leadership Team (ELT) assists the Chief Executive on the day to day management of the organisation. It meets fortnightly 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.

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 leadership team set objectives with the Chief Executive and identify any development needs.

The Commission has a Public Interest Disclosure policy to facilitate investigation of staff concerns and a 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:

- Creating opportunities to bring our staff together (events held in August 2022 and January 2023).
- Seeking Commission staff's views on specific topics (e.g., casework administration review throughout 2023; the Scottish Mental Health Law Review; both of which involved all staff).
- Meeting with the Advisory Committee and consulting on our strategic priorities.
- Our Engagement and Participation officers meet with individuals and groups with lived experience and carers.
- Ensuring that the composition of the Board reflects the breadth of stakeholder groups.
- Meeting with the relevant Minister 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 (Maree Todd is the new Minister for Social Care, Mental Wellbeing and Sport; a first meeting is arranged for August 2023).
- Meetings with professional, lived experience and carer groups nationally and locally
- Widening the scope of our themed visits by producing surveys on the areas of concern and distributing widely to individuals with lived experience, carers and professionals working in the services

- Consulting with all relevant stakeholders to inform our new strategic plan 2023 to 26 (we consulted with 2,005 external contacts as part of this process, a much broader reach than previous consultations).
- Attending roadshows and ‘pop up’ events (e.g., Pride Aberdeen, Pride Fife and Young Carers Festival Event in August 2023).

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; this has led to the joint strategic social work inspection done with the Care Inspectorate (report published March 2023) and the creation of the national coordination group referred to earlier in this report.

### **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 AP&R Committee, to the Board, concerning internal control;
- the production of, and regular updating of, the strategic risk register and developing associated action plans to mitigate the identified risks;
- the work of the internal auditors, who submit to the AP&R 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;
- comments by the external auditors in their management letters and other reports; and
- feedback from the delegation chains within the Commission about our business and its use of resources. All staff (including those attached to the Commission as part of their professional training, secondees and Board members) are able to voice any concerns in a responsible and effective manner without fear of reprisal.

### **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 AP&R Committee. A strategic risk register is reviewed by the Executive Leadership Team and presented to the AP&R committee and Board three times a year. The Board agreed the key risks for the organisation as:

- The impact of significant national reviews and other legislative and policy changes in the mental health field and the organisational capacity to respond and influence these reviews
- The impact of the pandemic to the organisational ability to continue to focus on the most vulnerable
- The impact of ongoing remote working and the move to hybrid working on staff wellbeing and productivity.

These risks are incorporated into the strategic risk register. The strategic risk register was reviewed in October 2022 and agreement given to refresh the register in full rather than provide updates. This was presented to the AP&R Committee in June 2023.

Risks to information are considered in line with the process described above. All projects need to consider a data protection impact assessment (DPIA) as part of the approval documentation. Reports on information governance and IT security are presented to the AP&R Committee twice a year.

We adhere to the Scottish Government's cyber resilience strategy and we have cyber essentials accreditation. In March 2022 we contracted with an external company to carry out a penetration test of our systems. There were no critical recommendations from this and all recommendations were implemented.

The lessons learned from the two years of the pandemic were used to revise and update the business continuity strategy which was finalised in June 2022.

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 develop and improve a comprehensive corporate performance management framework with the aim to contain more qualitative features in future. The Audit, Performance and Risk Committee continues to provide scrutiny and assurance that this is operating effectively.
- Continued to audit the advice given on the telephone advice line. Results from these evaluations are fed back to the practitioners to improve practice and share any learning points.

- Continued to audit local visit reports for discussion at 1:1 meetings with senior managers and practitioners.
- Followed the Scottish Government assurance process to evaluate each stage of the project for a new transformational information management and casework system
- Carried out self-assessment of the AP&R Committee and with the Board and reviewed the purpose and membership of the Advisory Committee and continuing to improve based on feedback.

### **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 and Staff 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 2023, in February 2022 however economic conditions subsequently results in a higher award across the public sector.

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 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 policy, staff gender composition, sickness absence data, disability policy, diversity and equality, and disclosures under The Trade Union (Facility Time Publication Requirements) Regulations 2017 are not subject to audit

### **Remuneration Table**

Ms S McGuinness chose not to participate in the pension scheme during the reporting year.

**Mental Welfare Commission for Scotland  
Accountability Report**

**Annual Report and Accounts  
31 March 2023**

	Gross Salary (bands of £5,000)		Bonus Payments (bands of £5,000)		Benefits in Kind		Pension Benefits Note 1		Total Remuneration (bands of £5,000)	
	£'000		£'000		£		£'000		£'000	
	(Subject to audit)		(Subject to audit)		(Subject to audit)		(Subject to audit)		(Not subject to audit)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
<b>Executive</b>										
Ms J Paterson <i>Chief Executive</i>	105 - 110	105 - 110	-	-	-	-	30	27	135 - 140	130 - 135
Mrs A Thomson (note 2) <i>Executive Director (Nursing)</i> <i>Left 29.04.22</i>	5 - 10	75 - 80	-	-	-	-	-	-	5 - 10	75 - 80
Dr A Chopra <i>Executive Director (Medical)</i>	140 - 145	130 - 135	-	-	-	-	42	35	180 - 185	165 - 170
Ms A McRae (note 2) <i>Head of Corporate Services</i> <i>Left 04.08.22</i>	20 - 25	60 - 65	-	-	-	-	8	1	25 - 30	60 - 65
Ms S McGuinness <i>Executive Director (Social Work)</i> <i>Started 17.05.21</i>	75 - 80	60 - 65	-	-	-	-	-	-	75 - 80	60 - 65
Ms C Lamza (note 2) <i>Executive Director (Nursing)</i> <i>Started 23.05.22</i>	60 - 65	5 - 10	-	-	-	-	19	0	80 - 85	5 - 10
Ms J O'Neill <i>Business Change and Improvement Manager</i> <i>Started 01.04.22</i>	50 - 55	N/A	-	N/A	-	N/A	14	N/A	65 - 70	N/A

**Mental Welfare Commission for Scotland  
Accountability Report**

**Annual Report and Accounts  
31 March 2023**

	Gross Salary (bands of £5,000)		Bonus Payments (bands of £5,000)		Benefits in Kind		Pension Benefits Note 1		Total Remuneration (bands of £5,000)	
	£'000		£'000		£		£'000		£'000	
	(Subject to audit)		(Subject to audit)		(Subject to audit)		(Subject to audit)		(Not subject to audit)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
<b>Board Members</b>							<i>note 3</i>			
Mr A Riddell (Chair)	15 - 20	15 - 20							15 - 20	15 - 20
Mrs S Baxter	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5
Ms N Brown	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5
Mr D Hall	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5
Mr G Johnston	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5
Ms C Mackie	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5
Ms M Twaddle	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5
Ms A White	0 - 5	0 - 5	-	-	-	-	-	-	0 - 5	0 - 5

	Gross Salary (bands of £5,000)		Bonus Payments (bands of £5,000)		Benefits in Kind		Pension Benefits Note 1		Total Remuneration (bands of £5,000)	
	£'000		£'000		£		£'000		£'000	
	(Subject to audit)		(Subject to audit)		(Subject to audit)		(Subject to audit)		(Not subject to audit)	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
<b>National Confidential Forum Public Appointees</b>										
Ms J Laidlaw Head of Forum	-	10 - 15	-	-	-	-	-	-	-	10 - 15
Ms A Blower	-	0 - 5	-	-	-	-	-	-	-	0 - 5
Ms K Davidson	-	0 - 5	-	-	-	-	-	-	-	0 - 5
Ms K Pennington –Twist	-	0 - 5	-	-	-	-	-	-	-	0 - 5

In accordance with the Financial Reporting Manual (FRoM), 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 2022-23.

*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>	
	<b>2022-23</b>	<b>2021-22</b>
Mrs A Thomson	65 - 70	75 - 80
Ms A McRae	75 - 80	70 - 75
Ms C Lamza	70 - 75	70 - 75

*Note 3:* Board members are not in receipt of Pension benefits.

Pensions Values Table (Subject to Audit)

	Total accrued Pension at age 60 as at 31/03/23 (bands of £5,000)	Total accrued lump sum at age 65 at 31/03/23 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31/03/23 (bands of £2,500)	CETV At 31/03/23	CETV At 31/03/22	Real Increase In CETV in year
<b>Executive</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Ms J Paterson	5 - 10	0 - 5	0 - 2.5	0 - 2.5	81	49	32
Dr A Chopra	15 - 20	0 - 5	2.5 – 5.0	0 - 2.5	197	159	38
Ms A McRae	5 - 10	0 - 5	0 - 2.5	0 – 2.5	125	114	11
Ms C Lamza	10 - 15	0 - 5	0 - 2.5	0 - 2.5	151	129	22
Ms J O'Neill	0 - 5	0 - 5	0 - 2.5	0 - 2.5	19	4	15

Pensions Values Table (31 March 2022)

	Accrued Pension at age 60 as at 31/03/22 (bands of £5,000)	Total accrued lump sum at age 65 at 31/03/22 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31/03/22 (bands of £2,500)	CETV At 31/03/22	CETV At 31/03/21	Real Increase In CETV
<b>Executive</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Ms J Paterson	0 - 5	0 - 5	0 - 2.5	0 - 2.5	45	17	28
Dr A Chopra	10 - 15	0 - 5	2.5 – 5.0	0 - 2.5	144	113	31
Ms A McRae	15 - 20	55 - 60	0 - 2.5	0 – 2.5	344	330	5
Ms C Lamza	25 -30	0 - 5	0 - 2.5	0 - 2.5	418	410	6

**Fair Pay Disclosure (Subject to Audit)**

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>2022-23</b>	<b>2021-22</b>	<b>Change</b>
	<b>£000's</b>	<b>£000's</b>	<b>%</b>
Range of Staff Remuneration	21.1 – 135.6	19.9 – 131.5	6% - 3%
Highest Earning Executive's Total Remuneration (£000s)	135 - 140	130 - 135	4%
Median ( <i>Total Pay &amp; Benefits</i> )	48.9	42.9	14%
Ratio	2.81	3.09	-9%
25 <sup>th</sup> Percentile ( <i>Total Pay &amp; Benefits</i> )	29.8	27.2	10%
Ratio	4.61	4.87	-5%
75 <sup>th</sup> Percentile ( <i>Total Pay &amp; Benefits</i> )	63.1	60.1	5%
Ratio	2.18	2.21	-1%
<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 median ratio 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. The total pay & benefits calculations are also based on salary only as Commission staff are not in receipt of any additional benefits.			

**Staff Report**

**a) Higher Paid Employees' Remuneration**

<b>Band (bands of £5,000)</b>	<b>2023</b> <b>Number of Staff</b>	<b>2022</b> <b>Number of Staff</b>
<b>Clinicians</b>		
£70,001 to £80,000	5	4
£80,001 to £90,000	1	-
£90,001 to £100,000	-	-
£100,001 to £110,000	1	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
£130,001 to £140,000	2	1
<b>Other</b>		
£70,001 to £80,000	1	3
£80,001 to £90,000	-	-
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1

b) Staff Costs and Numbers (Subject to Audit)

31 March 2022 Total £'000	STAFF COSTS	Executive £'000	Board Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	31 March 2023 Total £'000
2,617	Salaries and fees	425	31	2,210	157	-	2,823
274	Taxation and social security costs	56	2	257	20	-	335
411	NHS scheme employers' pension costs	71	-	350	33	-	454
416	Second Opinion Doctors	-	-	-	-	537	537
92	Short term staff	-	-	-	-	201	201
<b>3,810</b>	<b>TOTAL</b>	<b>552</b>	<b>33</b>	<b>2,817</b>	<b>210</b>	<b>738</b>	<b>4,350</b>

**STAFF NUMBERS**

59.7	Whole Time Equivalent (WTE)	5.4	8.0	46.3	5.9	0.0	65.6
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**c) Staff Composition**

	<b>2023</b>			<b>2022</b>		
	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>
Executive Directors	1	6	7	1	4	5
Board Members	3	5	8	3	5	8
Other	24	54	78	19	49	68
<b>Total Headcount</b>	<b>28</b>	<b>65</b>	<b>93</b>	<b>23</b>	<b>58</b>	<b>81</b>

**d) Sickness absence data**

	<b>2023</b>	<b>2022</b>
Sickness Absence Rate	2.15%	1.17%

**e) Staff turnover data**

	<b>2023</b>	<b>2022</b>
Staff Turnover Rate	16.92%	20.44%

**f) 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.

**g) Trade Union Regulations**

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 2023 (2021-22 Nil).

**h) Exit Packages (Subject to Audit)**

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 (2021-22 - £Nil).

**Approval and signing of the Accountability Report**

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

Julie Paterson  
Chief Executive Officer  
Accountable Officer

28 July 2023  
Date: .....

## Independent auditor's report to the members of Mental Welfare Commission for Scotland, the Auditor General for Scotland and the Scottish Parliament

### Reporting 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 2023 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view of the state of the board's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

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 18 May 2022. Our period of appointment is five years, covering 2022/23 to 2026/27. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### **Risks of material misstatement**

We report in our Annual Audit Report the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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

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

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

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

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

## Independent Auditor's Report

31 March 2023

error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

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

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

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

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

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

**Reporting 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. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, 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.

**Reporting on other requirements**

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

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

**Other information**

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

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

In 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 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 parts 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; or
- 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 108 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.

*Angela Pieri*

Angela Pieri, (for and on behalf of Grant Thornton UK LLP),  
110 Queen Street  
Glasgow  
G1 3BX

28 July 2023

Date.....

**Statement of Comprehensive Net Expenditure  
For the Year ended 31 March 2023**

<b>31 March 2022</b>		<b>Note</b>	<b>31 March 2023</b>
<b>£'000</b>			<b>£'000</b>
3,810	Staff costs	<b>3a</b>	4,350
682	Other operating expenditure	<b>3b</b>	704
0	Finance costs	<b>15</b>	2
<u>4,492</u>	<b>Gross expenditure for the year</b>		<u>5,056</u>
-	Less: operating income	<b>4</b>	72
<u><b>4,492</b></u>	<b>Net expenditure for the year</b>		<u><b>4,984</b></u>
<u>-</u>	<b>Other Comprehensive Net Expenditure</b>		<u>-</u>
<u><b>4,492</b></u>	<b>Comprehensive Net Expenditure</b>		<u><b>4,984</b></u>

The Notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

Statement of Financial Position

31 March 2022 £'000		Note	31 March 2023 £'000	31 March 2023 £'000
	<b>Non-current assets:</b>			
114	Property, plant and equipment	7(a)	210	
0	Intangible assets	6(a)	0	
<b>114</b>	<b>Total non-current assets</b>			<b>210</b>
	<b>Current Assets:</b>			
	Financial assets:			
29	Trade and other receivables	8	90	
7	Cash and cash equivalents	9	6	
<b>36</b>	<b>Total current assets</b>			<b>96</b>
<b>150</b>	<b>Total assets</b>			<b>306</b>
	<b>Current liabilities</b>			
	Financial liabilities:			
(365)	Trade and other payables	10	(532)	
0	Lease Liabilities	15	(156)	
<b>(365)</b>	<b>Total current liabilities</b>			<b>(688)</b>
<b>(215)</b>	<b>Non-current assets plus/less net current assets/liabilities</b>			<b>(382)</b>
	<b>Non-current liabilities</b>			
(74)	Provisions	11	(34)	
<b>(74)</b>	<b>Total non-current liabilities</b>			<b>(34)</b>
<b>(289)</b>	<b>Assets less liabilities</b>			<b>(416)</b>
	<b>Taxpayers' Equity</b>			
(289)	General Fund	SOCTE		(416)
<b>(289)</b>	<b>Total taxpayers' equity</b>			<b>(416)</b>

The financial statements on pages 42 to 74 were approved by the Board on 28<sup>th</sup> July 2023 and signed on their behalf by

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

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

The notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

Statement of Cash Flow  
For the year ended 31 March 2023

2022 £'000	Note	2023 £'000	2023 £'000
<b>Cash flows from operating activities</b>			
(4,492)	SOCNE	(4,984)	
58	2 (b)	212	
(8)	2 (b)	65	
<b>(4,442)</b>			<b>(4,707)</b>
<b>Cash flows from investing activities</b>			
		0	0
<b>Cash flows from financing activities</b>			
4,443	SOCTE	4,857	
0	SOCTE	0	
0	15	(154)	
0	15	2	
4,443			
<b>4,443</b>			<b>4,706</b>
<b>Net Increase / (decrease) in cash and cash equivalents in the period</b>			
1			(1)
<b>Cash and cash equivalents at the beginning of the period</b>			
6			7
<b>Cash and cash equivalents at the end of the period</b>			
7			6
<b>Reconciliation of net cash flow to movement in net debt/cash</b>			
1			(1)
6	9		7
<b>7</b>	<b>9</b>		<b>6</b>

The notes to the Accounts, numbered 1 to 18, form an integral part of these Accounts.

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2023	Note	General Fund £'000	Total Reserves £'000
<b>Balance at 31 March 2022</b>		(289)	(289)
<b>Changes in taxpayers' equity for 2022-23</b>			
Net operating cost for the year	CFS	(4,984)	(4,984)
<b>Total recognised income and expense for 2022-23</b>			
<b>Funding:</b>			
Drawn down	CFS	4,857	4,857
<b>Balance at 31 March 2023</b>	<b>SoFP</b>	<b>(416)</b>	<b>(416)</b>
Year ended 31 March 2022	Note	General Fund £'000	Total Reserves £'000
<b>Balance at 31 March 2021</b>		(240)	(240)
<b>Changes in taxpayers' equity for 2021-22</b>			
Net operating cost for the year	CFS	(4,492)	(4,492)
<b>Total recognised income and expense for 2021-22</b>			
<b>Funding:</b>			
Drawn down	CFS	4,443	4,443
<b>Balance at 31 March 2022</b>	<b>SoFP</b>	<b>(289)</b>	<b>(289)</b>

The notes to the Accounts, numbered 1 to 18, 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 United Kingdom, Interpretations issued by the IFRS Interpretations Committee (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 current year**

The Commission has adopted the new accounting pronouncements which have become effective this year, and are as follows: IFRS 16 'Leases' IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Commission recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Commission has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Commission has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2022. At this date, the Commission has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Commission has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Commission has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 0.95%.

The Commission has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

**(ii) Standards, amendments and interpretation early adopted this year**

There are no new standards, amendments or interpretations early adopted the 2022-23 financial year

**(iii) Standards, amendments and interpretation issued but not adopted this year**

There are no new standards, amendments or interpretations issued but not adopted in the 2022-23 financial year.

**b) Going Concern**

The accounts are prepared on a going concern basis, which provides that the Commission will continue in operational existence for the foreseeable future, unless informed by Scottish Ministers of the intention for dissolution without transfer of services or functions to another entity

**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 and the following asset lives have been used:

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

## **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.

### **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**

#### Accounting Policies

IFRS 16 Leases became effective for periods beginning on or after 1 January 2019, however the FReM deferred adoption until 2021. The cumulative catch-up method has been mandated by the FReM. Consequently, the comparatives for 2021-22 reflect the requirements of IAS 17 Leases.

#### Scope and Classification

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

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

The following are excluded:

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

#### Initial recognition

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

#### Subsequent measurement

The asset is subsequently measured using the fair value model. The cost model is considered to be a reasonable proxy except for leases of land and property without regular rent reviews. For these leases, the asset is carried at a revalued amount. In these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration have been valued using market prices or rentals for equivalent land and properties. The liability is adjusted for the accrual of interest, repayments, and reassessments and modifications. These are measured by re-discounting the revised cash flows.

#### Lease expenditure

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

#### 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.

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 SGMWASCD. 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 SGMWASCD.

**j) 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.

**k) 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.

**l) 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.

**m) Related Party Transactions**

Material related party transactions are disclosed in line with the requirements of IAS 24 in note 18. Transactions with health bodies e.g. sharing administration costs or with individuals are disclosed if material.

**n) 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.

**o) 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.

**p) 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 12 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 12, 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.

**q) 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.

r) **Financial Instruments**

**Financial Assets**

Business model

The Commission's business model refers to how it manages its financial assets in order to generate cash flows and is determined at a level which reflects how groups of financial assets are managed to achieve a business objective, rather than assessment of individual instruments.

Classification

When the Commission first recognises a financial asset, it classifies it based on its business model for managing the asset and the asset's contractual flow characteristics. The Commission classifies its financial assets in the following categories: at fair value through profit or loss, amortised cost, and fair value through other comprehensive income. The default basis for financial assets is to be held at fair value through profit or loss, although alternative treatment may be designated where receivables are held to collect principal and interest and/or for sale.

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

This is the default basis for financial assets.

(b) Financial assets held at amortised cost

A financial asset may be held at amortised cost where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

(c) Financial assets at fair value through other comprehensive income

A financial asset may be held at fair value through other comprehensive income where both of the following conditions are met:

- i. the financial asset is held within a business model where the objective is to collect contractual cash flows *and* sell the asset; and
- ii. the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and related interest.

Impairment of financial assets

Provisions for impairment of financial assets are made on the basis of expected credit losses. The Commission recognises a loss allowance for expected credit losses on financial assets and this is recognised in other comprehensive income, rather than reducing the carrying amount of the asset in the Statement of Financial Position.

Lifetime expected credit losses are recognised and applied to financial assets by the Commission where there has been a significant increase in credit risk since the asset's initial recognition. Where the Commission does not hold reasonable and supportable information to measure lifetime expected credit losses on an individual instrument basis, the losses are recognised on a collective basis which considers comprehensive credit risk information.

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) Financial assets held at amortised cost

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. This is calculated by applying the effective interest rate to the gross carrying amount of the asset.

(c) Financial assets held at fair value through other comprehensive income

**Financial Liabilities**

Classification

The Commission classifies its financial liabilities in the following categories: at fair value through profit or loss, and amortised cost. The Commission classifies all financial liabilities as measured at amortised cost, unless:

- i. these are measured at fair value on a portfolio basis in accordance with a documented risk management or investment strategy;
- ii. they contain embedded derivatives; and/or
- iii. it eliminates or reduces 'accounting mismatch' that would otherwise arise from measurement or recognition on an amortised costs basis.

(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) Financial liabilities held at amortised cost

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

Recognition and measurement

Financial liabilities are recognised when the 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) Amortised costs

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

**s) 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 5.

**t) 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.

**u) Critical accounting judgements**

The Board makes subjective and complex judgements in applying its accounting policies and relies on a range of estimation techniques and assumptions concerning the uncertain future events. It is recognised that sources of estimation uncertainty are likely to vary from year to year and the resulting accounting estimates will, by definition, seldom equal the related actual results. As such, key judgements and estimates are continually reviewed, based on historical experience and other factors, including changes to past assumptions and expectations of future events that are believed to be reasonable under the circumstances.

**v) Key sources of estimation uncertainty**

The key estimates and assumptions that are deemed to present a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are summarised below.

The 21-22 financial statements included an estimate of the exit liabilities relating to the lease held on the office space used by the National Confidential Forum until 31<sup>st</sup> March 2021. The provision relating to this potential liability at 31<sup>st</sup> March 2022 was as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000's</b>	<b>£000's</b>
Rent	0	43
Dilapidations	41	50
<b>Total</b>	<b>41</b>	<b>93</b>

This liability was fully resolved in the financial year to 31<sup>st</sup> March 2023.

## 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		4,984
Total Non Core Expenditure *			(58)
<b>Total Core Expenditure</b>			4,926
Core Revenue Resource Limit			5,116
<b>Saving/ (excess) against Core Revenue Resource Limit</b>			<b>190</b>

\* Depreciation

<b>Summary of Resource Outturn</b>	<b>Resource</b>	<b>Expenditure</b>	<b>Saving/ (Excess)</b>
Core	5,116	4,926	190
Non Core	58	58	-
<b>Total</b>	<b>5,174</b>	<b>4,984</b>	<b>190</b>

## 2 b) Notes to the Cash Flow Statement

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

<b>2022</b>		<b>2023</b>
<b>£'000</b>	<b>Note</b>	<b>£'000</b>
<b>Expenditure not paid in cash</b>		
58 Depreciation	7	212
<b>58 Total expenditure not paid in cash</b>	<b>CFS</b>	<b>212</b>

b) Consolidated movements in working capital

2022 Net Movement £'000	Note	2023 Opening Balances £'000	2023 Closing Balances £'000	2023 Net Movement £'000
<b>TRADE AND OTHER RECEIVABLES</b>				
3 Due within one year	8	29	90	
		<u>29</u>	<u>90</u>	
<b>3 Net Decrease/(Increase)</b>				<b>(61)</b>
<b>TRADE AND OTHER PAYABLES</b>				
41 Due within one year	10	365	532	
Less: General Fund Creditor - included in above	10	(4)	(4)	
		<u>361</u>	<u>528</u>	
<b>41 Net (Decrease)/Increase</b>				<b>167</b>
<b>PROVISIONS</b>				
(52) Balance Sheet	11	74	33	
<b>(52) Net (Decrease)/Increase</b>		<b>74</b>	<b>33</b>	<b>(41)</b>
<b>NET MOVEMENT</b>				
<b>(8) (Decrease)/Increase</b>				<b>65</b>

3) Operating Expenses

a) Staff Costs

2022 Total £'000	Note	2023 Total £'000
581 Board and Executive		585
1,327 Practitioner staff Costs		1,435
1,091 Casework Administration and Corporate Services		1,355
416 Second Opinion Doctors Fees		537
12 NCF: Head and Members		0
146 IMS: Administration staff		158
237 DIDAHR: Administration Staff		280
<b>3,810 Total</b>	<b>SOCNE</b>	<b>4,350</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

31 March 2022 £'000		31 March 2023 £'000
57	Travel and Subsistence	74
175	Accommodation Costs	48
58	Depreciation / Amortisation	212
196	Computer Equipment and Supplies	196
59	Office administration costs	88
33	Human Resources	33
15	Communications	39
51	Legal and Professional	39
30	Good Practice Projects	(6)
(9)	NCF Closure Provision	(41)
<u>665</u>	<b>Total</b>	<u>682</u>
<b>31 March 2022</b> £'000		<b>31 March 2023</b> £'000
	<b>Other health care expenditure</b>	
	External auditor's remuneration	
17	- Statutory audit fee	22
<u>17</u>	<b>Total</b>	<u>22</u>
<u>4,492</u>	<b>Total</b>	<u>5,054</u>

4) Operating Income

31 March 2022 £'000		31 March 2023 £'000
	- Shared Project Income	72
	- <b>Total Income</b>	<u>72</u>
	- <b>Total Income</b>	<u>72</u>

In 2022-23, the Commission received income from another Scottish Government funded body to cover shared project costs.

**5) Segmental Information**

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

	2022-23				2021-22				
	MWC £'000	DIDR £'000	IMS £'000	Total £'000	MWC £'000	NCF £000	DIDR £000	IMS £000	Total £000
<b>Net operating cost</b>	<b>4,314</b>	<b>286</b>	<b>172</b>	<b>4,772</b>	<b>3,974</b>	<b>38</b>	<b>257</b>	<b>165</b>	<b>4,434</b>
Depreciation and amortisation	212	-		212	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 segments have been reported as follows;

- 1) The Executive Leadership Team (ELT) is presented with monthly segment accounts for the 'Core' operations of the Commission.
- 2) The National Confidential Forum for Scotland (NCF) was a Committee of the Commission and operated independently, led by a Forum Head until its cessation in 2021.
- 3) The Reviews of Deaths in Detention and Homicides.
- 4) The project to replace the Commission's core patient database

The following financial results for the year were presented to the June 2023 Management Groups:

<b>Current year – 2022-23</b>	<b>MWC 'Core'</b> <b>£'000</b>	<b>NCF</b> <b>£'000</b>	<b>DIDAHR</b> <b>£'000</b>	<b>IMP</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Reported to ELT 06.06.23	4,512	0	286	172	4,971
Late adjustments	14	0	0	0	14
Per Annual Accounts	4,526	0	286	172	4,984
<b>Prior year – 2021-22</b>	<b>MWC 'Core'</b> <b>£'000</b>	<b>NCF</b> <b>£'000</b>	<b>DIDAHR</b> <b>£'000</b>	<b>IMP</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
Reported to ELT 24.05.22	4,027	47	252	165	4,492
Late adjustments	5	(9)	4	-	-
Per Annual Accounts	4,032	38	256	165	4,492

6a) Intangible Assets

	Software Licences	Information Technology	Total
Cost or Valuation:	£'000	£'000	£'000
At 1 April 2022	4	120	124
<b>At 31 March 2023</b>	<b>4</b>	<b>120</b>	<b>124</b>
<b>Amortisation</b>			
At 1 April 2022	4	120	124
Provided during the year	-	-	-
<b>At 31 March 2023</b>	<b>4</b>	<b>120</b>	<b>124</b>
<b>Net Book Value at 1 April 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>

6b) Intangible Assets (Prior Year)

	Software Licences	Information Technology	Total
Cost or Valuation:	£'000	£'000	£'000
At 1 April 2021	4	120	124
<b>At 31 March 2022</b>	<b>4</b>	<b>120</b>	<b>124</b>
<b>Amortisation</b>			
At 1 April 2021	4	120	124
Provided during the year	-	-	-
<b>At 31 March 2022</b>	<b>4</b>	<b>120</b>	<b>124</b>
<b>Net Book Value at 1 April 2021</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Book Value at 31 March 2022</b>	<b>-</b>	<b>-</b>	<b>-</b>

**7a) Property, Plant and Equipment (Purchased Assets)**

Year ended 31 March 2023	Buildings (excluding dwellings) £'000	Leases £'000	Total £'000
<b>Cost or valuation</b>			
At 1 April 2022	362	-	362
Adjustment on transition to IFRS 16	-	308	308
Assets written off	(74)	-	(74)
<b>At 31 March 2023</b>	<b>288</b>	<b>308</b>	<b>596</b>
<b>Depreciation</b>			
At 1 April 2022	248	-	248
Provided during the year	58	154	212
Depreciation written off	(74)	-	(74)
<b>At 31 March 2023</b>	<b>232</b>	<b>154</b>	<b>386</b>
<b>Net book value at 1 April 2022</b>	<b>114</b>	<b>-</b>	<b>114</b>
<b>Net book value at 31 March 2023</b>	<b>56</b>	<b>154</b>	<b>210</b>
<b>Asset Financing</b>			
Owned	56	-	56
<b>Net Book value at 31 March 2023</b>	<b>56</b>	<b>-</b>	<b>56</b>

**7b) Property, Plant and Equipment (Purchased Assets) (Prior Year)**

Year ended 31 March 2022	Buildings (excluding dwellings) £'000	Total £'000
<b>Cost or valuation</b>		
At 1 April 2021	362	362
Assets written off	-	-
<b>At 31 March 2022</b>	<b>362</b>	<b>362</b>
<b>Depreciation</b>		
At 1 April 2021	190	190
Provided during the year	58	58
Depreciation written off	-	-
<b>At 31 March 2022</b>	<b>248</b>	<b>248</b>
<b>Net book value at 1 April 2021</b>	<b>172</b>	<b>172</b>
<b>Net book value at 31 March 2022</b>	<b>114</b>	<b>114</b>
<b>Asset Financing</b>		
Owned	114	114
<b>Net Book value at 31 March 2022</b>	<b>114</b>	<b>114</b>

### 7c) Donated Assets

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

### 8) Trade and Other Receivables

31 March 2022 £'000		31 March 2023 £'000
	<b>Receivables due within one year</b>	
0	Trade Receivables	72
29	Prepayments	18
<u>29</u>	<b>Total Receivables due within one year</b>	<u>90</u>
<u>29</u>	<b>TOTAL RECEIVABLES</b>	<u>90</u>
	<b>WGA Classification</b>	
29	Balances with bodies external to Government	90
<u>29</u>	<b>Total</b>	<u>90</u>

There is no provision for impairment of receivables (2021-22: £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 2023, receivables of carrying value of £nil (2021-22: £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 2022 £'000		31 March 2023 £'000
	The carrying amount of receivables are denominated in the following currencies:	
29	Pounds	90
<u>29</u>		<u>90</u>

**9) Cash and Cash Equivalents**

	<b>Note</b>	<b>2023 £000</b>	<b>2022 £000</b>
Balance at 1 April		7	6
Net change in cash and cash equivalent balances	CFS	(1)	1
<b>Balance at 31 March</b>	<b>SoFP</b>	<b>6</b>	<b>7</b>
Overdrafts		0	0
<b>Total Cash - Cash Flow Statement</b>		<u><b>6</b></u>	<u><b>7</b></u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	6	7
<b>Balance at 31 March</b>	<u><b>6</b></u>	<u><b>7</b></u>

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

10) Trade and Other Payables

31 March 2022 £'000	31 March 2023 £'000
<b>Payables due within one year NHS Scotland</b>	
7 Boards	53
<b>7 Total NHS Scotland Payables</b>	<b>53</b>
5 General Fund Payable	5
1 Trade Payables	23
347 Accruals	446
5 Income tax and social security	5
<b>358 Total Payables due within one year</b>	<b>479</b>
<b>365 TOTAL PAYABLES</b>	<b>532</b>
<b>WGA Classification</b>	
7 NHS Scotland	53
50 Central Government Bodies	44
0 Whole of Government Bodies	0
308 Balances with bodies external to Government	435
<b>365 Total</b>	<b>532</b>

There are no borrowings in either 2022-23 or 2021-22

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

31 March 2022 £'000	31 March 2023 £'000
365 Pounds	532
<b>365</b>	<b>532</b>

11) Provisions	Participation in CNORIS £'000	Other provisions £'000	2023 Total £'000
At 1 April 2022	34	41	75
Arising during the year	-	(41)	(41)
<b>At 31 March 2023</b>	<b>34</b>	<b>-</b>	<b>34</b>

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

	£'000	£'000	£'000
Payable in one year	8	0	8
Payable between 2 - 5 years	21	0	21
Payable between 6 - 10 years	2	0	2
Thereafter	3	0	3
<b>At 31 March 2023</b>	<b>34</b>	<b>0</b>	<b>34</b>

**Participation in CNORIS**

The Commission holds a provision for its share of CNORIS liability for NHS Scotland and the charge for 2022-23 is £34,000 (2021-22: £34,000)

**Other**

A provision has been created in respect of the costs associated with the cessation of the National Confidential Forum.

**11 a) Provisions (Prior Year)**

	Participation in CNORIS £'000	Other provisions £'000	2022 Total £'000
At 1 April 2021	34	92	126
Arising during the year	-	(51)	(51)
<b>At 31 March 2022</b>	<b>34</b>	<b>41</b>	<b>74</b>

**Analysis of expected timing of discounted flows to 31 March 2022**

	£'000	£'000	£'000
Payable in one year	8	41	49
Payable between 2 - 5 years	21	0	21
Payable between 6 - 10 years	2	0	2
Thereafter	3	0	3
<b>At 31 March 2022</b>	<b>34</b>	<b>41</b>	<b>74</b>

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

<b>2022</b>	<b>Note</b>	<b>2023</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>

**12) Contingent Assets and Liabilities**

There are no Contingent Assets or Liabilities that have not been provided for in the accounts (2021-22: £nil).

**13) Events after the end of the reporting year**

There were no other events after the reporting period which have a material effect on the accounts.

**14) Commitments**

The Commission has no Capital Commitments as at 31 March 2023 (2021-22: £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 2022-23 analysed by the period during which the commitments expire are as follows:

	<b>31 March 2023</b>	<b>31 March 2022</b>
	<b>£'000</b>	<b>£'000</b>
Expiry within 1 year	0	51
Expiry within 2 to 5 years	0	4
<b>Total</b>	<u>0</u>	<u>55</u>

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

**15) Commitments under Leases**

***Lease liabilities***

	<b>2023</b>
	<b>£'000</b>
<b>Maturity Analysis - Contractual Undiscounted Cash Flows</b>	
Less than one year	-
One to five years	156
More than five years	-
<b>Total undiscounted lease liabilities at 31 March</b>	<b>156</b>
<b>Lease liabilities included in the statement of financial position at 31 March 2023</b>	<b>156</b>
Current	156
Non-current	-

***Amounts recognised in profit or loss***

	<b>2023</b>
	<b>£'000</b>
Interest on lease liabilities	2
Variable lease payments not included in the measurement of lease liabilities	-
Income from sub-leasing right-of-use assets	-
Expenses relating to short-term leases	-
Expenses relating to low-value assets, excluding short-term leases of low-value assets	3

*Amounts recognised in the statement of cash flows*

	<b>2023</b>
	<b>£'000</b>
Repayment of lease liabilities	154
Interest paid	2

**16) 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 2023 is 20.9% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

While a valuation was carried out as at 31 March 2016, work on the cost cap valuation was suspended by the UK Government following the decision by the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that the transitional protections provided as part of the 2015 reforms unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

The Commission's level of participation in the scheme is 0.030% based on the proportion of employer contributions paid in 2021-22.

**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 2021-22 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).

**17) Financial Instruments**

**Financial Instruments by category**

<b>2022 Total £'000</b>	<b>AT 31 March</b>	<b>Note</b>	<b>Financial assets held at amortised cost £'000</b>	<b>2023 Total £'000</b>
	<b>Assets per Statement of Financial Position</b>			
7	Cash and cash equivalents	9	6	6
<u>7</u>			<u>6</u>	<u>6</u>

<b>2022 Total £'000</b>	<b>AT 31 March</b>	<b>Note</b>	<b>Financial liabilities held at amortised cost £'000</b>	<b>2023 Total £'000</b>
	<b>Liabilities per Statement of Financial Position</b>			
348	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	10	469	469
<u>348</u>			<u>469</u>	<u>469</u>

## **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 2023</b>	<b>Less than 1 year £'000</b>
Trade and other payables excluding statutory liabilities	469
<b>Total</b>	

<b>31 March 2022</b>	<b>Less than 1 year £'000</b>
Trade and other payables excluding statutory liabilities	348
<b>Total</b>	<b>348</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.

**18) Related Party Transactions**

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

The Scottish Government provides the majority of the Commission's funding and prescribes the terms of many of the transactions that the Commission has with other parties (e.g. payment policy).

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

Remuneration paid to Board and Executive Team members is given in the Remuneration Report on pages 25 to 35.

## 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 9(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 (FRM) 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