mentalwelfare
commission for scotland

CORPORATE REPORT

Annual accounts for year ended 31 March 2015

OCTOBER 2015

MENTAL WELFARE COMMISSION FOR SCOTLAND

Annual Accounts for year ended 31 March 2015

Contents

Board Members' Report

The Board Members present their report and the audited financial statements for the year ended 31 March.

1. Naming Convention

The Commission or MWC is the common name for the Mental Welfare Commission for Scotland.

2. Principal activities and review of the business and future developments

The information that fulfils the requirements of the business review, principal activities and future developments can be found in the Strategic Report.

3. Date of Issue

Financial statements were approved and authorised for issue by the Board on 23rd June 2015.

4. Prior Year Adjustment

The prior year comparative figures have been restated to reflect the change in accounting treatment in 2014/15 of CNORIS (Clinical Negligence and Other Risks Indemnity Scheme). The accounts now recognise the Commission's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. To ensure consistency, equivalent adjustments have been made to the position of the prior year as follows:

Provision recognising the Commission's liability from participating in the scheme at 31 March 2014: £33,000 and at 31 March 2013: £27,000. Further details can be found in notes 16 and 17.

5. 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. For the financial years 2011/12 to 2015/16 the Auditor General has appointed Scott Moncrieff to undertake the audit of the Mental Welfare Commission. The general duties of the auditors of health bodies, including their statutory duties, are set out in the Code of Audit Practice issued by Audit Scotland and approved by the Auditor General.

Board Members' Report

6. Board Members

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.

Board Member	Month and Year of First Appointment	Due to Demit Office
Very Revd Dr Graham Forbes CBE (Chair)	1 April 2011	31 March 2019
Mr Nigel Henderson	1 April 2011	31 March 2017
Mrs Elaine Noad OBE	1 April 2011	31 March 2017
Ms Lesley Smith	1 April 2011	31 March 2017
Mr Paul Dumbleton	1 April 2011	31 March 2019
Mr Norman Dunning	1 April 2011	31 March 2018
Ms Jan Killeen	1 April 2011	31 March 2016
Dr Sivasankaran Sashidharan	1 April 2011	31 March 2018
Mrs Safaa Baxter	1 September 2014	31 August 2017

The Board Members' responsibilities in relation to the accounts are set out in a statement following this report.

7. Board Members' and senior managers' interests

A register of interests is available on our website http://www.mwcscot.org.uk

8. Third party indemnity provisions

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

9. Pension Liabilities

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

10. Remuneration for non-audit work

£1,200 was paid to Scott-Moncrieff in respect of non-audit work carried out for the 2014-15 financial year.

Board Members' Report

11. Related Party Transactions

During the year the Mental Welfare Commission for Scotland has not entered into any material related party transactions as per note 20.

12. 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 http://www.mwcscot.org.uk

13. 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.

The target has been communicated to all non-departmental public bodies, who are working towards the accelerated payment target of 10 working days.

Prior to this, the Boards did endeavour to comply with the principles of 'The Better Payment Practice Code' (http://www.payontime.co.uk/) by processing suppliers invoices for payment without unnecessary delay and by settling them in a timely manner.

In 2014/15	average credit taken was 6 days (2013/14: 5 days)
In 2014/15	the Commission paid 100% by value and 99.5% by volume within 30 days (2013/14: 99.9% and 99.8%)
In 2014/15	the Commission paid 80.0% by value and 93.9% by volume within 10 days (2013/14: 98.3% and 98.7%)

14. Corporate Governance

The corporate governance arrangements are outlined on page 29 in the governance statement.

15. Disclosure of Information to Auditors

The Board Members who held office at the date of approval of this Board Members' 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

Board Members' Report

audit information and to establish that the Commission's auditor is aware of that information.

16. Human Resources

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 a staff consultative committee which met four times, staff meetings and internal communications.

17. Events after the end of the reporting period

The Commission has no post balance sheet events after the reporting period that have a material effect on the accounts.

18. Financial instruments

Information in respect of the financial risk management objectives and policies of the Commission and the exposure of the Commission to price risk, credit risk, liquidity risk and cash flow risk is disclosed in note 18.

The Accountable Officer authorised these financial statements for issue on 23rd June 2015.

Signed on behalf of the Board

....

Graham Forbes
Chair

23rd June 2015

Strategic Report

1. Business of the Commission

The Mental Welfare Commission 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 as amended by both the Public Services Reform (Scotland) Act 2010 and Victims and Witnesses (Scotland) Act 2014; and the Adults with Incapacity (Scotland) 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 Manual.

The Commission aims to protect and promote the human rights of people with mental health problems, learning disabilities, dementia and related conditions.

We do this by

- Checking if individual care and treatment are lawful and in line with good practice
- Empowering individuals and their carers through advice, guidance and information
- Promoting best practice in applying mental health and incapacity law
- Influencing legislation, policy and service development

Individuals may be vulnerable because they are less able at times to safeguard their own interests. They can have restrictions placed on them in order to receive care and treatment. When this happens, we make sure it is legal and ethical.

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

Through the strategic planning and risk management processes the Board reviews the principal risks and uncertainties facing the Commission. This year the Board identified the establishment of the National Confidential Forum (NCF) and review of the roles and responsibilities and ongoing succession planning of the executive team as its two major risks.

A memorandum of agreement with the Scottish Government on the operation of the NCF was finalised in September 2014. A comprehensive risk universe and action plan were developed for the NCF to mitigate identified risks including a comprehensive induction programme for NCF members and staff.

Strategic Report

The Board approved the appointment of an additional executive team member in September 2014. This change will allow the Executive Director (Medical) to focus on medical issues with the new post of Executive Director (Engagement and Participation) to manage an area team and to focus on engaging with individuals and carers.

Going forward the principal managed risks for the Commission are the ongoing operation of the NCF, the proposed changes to the Mental Health Act, the implications of the Cheshire West case in relation to what constitutes a deprivation of liberty and the integration of health and social care.

2. Principal activities and review of the year

Efficient and Effective Visiting

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

This year we carried out two national themed visits. These visits follow a standard format and result in a national report comparing issues for individuals receiving care and treatment across Scotland and making recommendations. The themed visits were to:

- individuals in older people's functional inpatient units
- individuals in adult acute wards focussing on those with enhanced observation status

We carried out a themed visit to people in the community receiving services from their local authority under sections 25 -27 of the MHCT Act 2003. This visit has helped to inform us on how we might focus our visits to individuals in the community in the future. We did not produce a national report with recommendations.

We also carried out 121 local visits to hospitals and core services. We particularly focus on units where there is a major deprivation of liberty, where intelligence gathered from themed visits, previous visits, service user concerns and other sources raise concerns 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. During the year we carried out 30 of these visits unannounced.

Strategic Report

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 2014/15 we processed 32,558 (13/14: 31,203) forms and other notifications related to mental health and incapacity legislation; 2,754 (13/14: 2,368) Guardianship and Intervention Orders; and registered around 1001 (13/14: 1129) telephone notifications of emergency detentions. We published annual statistics and analysis on the use of the Acts on our website for services to compare practice across the country.

From this reporting and through consultations with our stakeholders we review our priorities for monitoring on an annual basis. In 2014/15 we continued to monitor services for younger people and advance statement overrides. We do this by monitoring paperwork sent to us by services.

We undertook a detailed review of the experience of people subject to a compulsory treatment order and who were subject to a suspension of detention of between three and six months. Suspension of detention is designed to assist people moving back to the community after a period of detention in hospital, promoting the principle of least restriction as enshrined in the MHCT Act 2003. We visited 49 people to ask them about their experiences of suspension of detention. Our key finding was that the support in the community tended to focus on maintenance of medication rather than promoting a recovery based approach. We produced a report making recommendations for change to health boards. We also asked the Scottish Government to reconsider the use of suspension of detention in the Mental Health Bill. The success of community compulsory treatment orders introduced the 2003 Act and the findings in this current report lead us to believe that the time period for a suspension of detention should not be extended beyond a fixed period of 200 days.

We also reviewed the care of individuals on Compulsory Treatment Orders in the community (CCTOs) including those that had been recently revoked. We visited 103 individuals to ask them about their experiences of CCTOs. We will produce a report comparing the use of CCTOs across Scotland and make recommendations for change, where appropriate.

Strategic Report

This year we visited 552 people subject to guardianship orders under the Adults with Incapacity Act. We select a sample of guardianship orders based on our previous knowledge of the sorts of orders that might raise concerns. We review the paperwork and meet with the individual and their guardian or carer, where appropriate. We complete a standard monitoring form for each visit which allows us to compare and contrast the use of welfare guardianship across Scotland.

Under Section 233 of the MHCT Act 2003, the Commission is responsible for appointing Designated Medical Practitioners (DMPs). Their function is to provide a second medical opinion when medical treatments are prescribed under Part 16 of the MHCT Act 2003 (and section 48 of the AWI Act 2000). During the year we held two training seminars for DMPs and organised 1,719 second medical opinions.

Wherever neurosurgery for mental disorder (NMD) and deep brain stimulation are proposed, the Commission has responsibility under section 235 of the MHCT Act 2003 to arrange for the assessment of the patient. The assessment is completed by three people – one DMP and two non-medical people appointed by the Commission. During the next year Scottish patients will receive this treatment in England and we will develop a memorandum of understanding with the Care Quality Commission for this work.

Efficient and Effective Investigations and Inquiries

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

This year we have revised our investigation guidelines to ensure we carry out investigations in a consistent manner.

We are working with agencies including the Care Inspectorate, Scottish Social Services Council, Procurator Fiscal Service, Education Scotland and Health and Safety Executive to improve the coordination of investigations involving a number of different agencies.

Information and Advice

The Commission operates a telephone advice line aimed at helping service users, carers, practitioners and others to understand more about individuals' rights and effective use of mental health and incapacity law. The number of telephone calls logged was 7,782 (13/14: 7,570) with 5,143 of these allocated as requests for advice (the total also includes the 1001 notifications of Emergency Detention Certificates). 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 advice line is well regarded by both practitioners and service users and helps ensure services act in a way that complies with the complex mental health and incapacity legislation.

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

We updated four good practice guides. We also published guidance on implications of Cheshire West Supreme Court decision to assist with queries related to when to use the informal measures authorised by s13ZA of the Social Work Act v Guardianship.

This year we ran four Excellence in Practice seminars on topics that covered capacity, consent and decision making in relation to treatment; welfare guardianships and powers of attorney and considerations on the restrictive management of individuals. These seminars aim to assist practitioners in applying best practice in legal and ethical issues to an individual's care and treatment. The seminars cover issues that are commonly raised with us through our phone line or through visits or investigations. In total 90 senior practitioners from across Scotland attended.

We also ran a seminar for carers in partnership with the Carers Trust and Support in Mind Scotland. The focus was on the rights of carers and relevant areas of mental health and incapacity legislation. 19 carers attended and very positive feedback was received.

Influencing and Empowering

During the year we continued to participate in the cross party groups on mental health, dementia and learning disability. We responded to ten Scottish Government policy or legislative consultation documents of relevance to the work of the Commission.

Of particular relevance was the progression of the Mental Health Bill through the Scottish Parliament. We submitted a formal submission to the Health and Sport Committee in August and our Chief Executive gave evidence to the committee in September. We also submitted a formal submission prior to the stage 1 debate in January 2015. The main concerns raised in our submissions were about the MHO resources, fulfilment of advocacy duties outlined in the MHCT Act 2003 and the extension of time limits in various sections of the Act which appear to us to be for administrative convenience and to weaken the rights of individuals.

Strategic Report

Following advice from the Commission, the Scottish Government amended the regulations on the supervision of welfare guardians to allow a more proportionate system of supervision. We issued guidance on our website to Mental Health Officers on how to implement the amendments.

We meet regularly with the Chief Executives and other staff of the Care Inspectorate and Healthcare Improvement Scotland. We have finalised a memorandum of agreement with each body and share relevant reports.

Our visit report "Dignity and respect: dementia continuing care visits" has had a significant impact on the Scottish Government's dementia strategy. The Cabinet Secretary for Health committed publicly to implementing all of our recommendations and a government response to the report was published in August 2014. The main outcomes to date are that a work stream has been set up within the overall dementia strategy to implement the recommendations and improve the quality of care in these units; Health Boards are required to report quarterly to the Scottish Government on their action in implementing the recommendations; there is a commitment to set up an inspection regime; and the Minister has committed to scheduling a debate in Parliament on our report and the Scottish Government's response to it.

We used our investigation report, "Left alone – Mr JL, to make recommendations to the General Medical Practice, NHS Board, local authority and social care providers. We have asked for action plans from local services to address a number of issues such as: a training needs assessment for the primary care team in relation to assessment of incapacity and the requirements of incapacity; medical practitioners have sufficient training in incapacity legislation and the basics of mental health and Adult Support and Protection legislation; and reviewing arrangements for social care staff who are lone or sole workers supporting vulnerable individuals in the community.

We held our fourth biennial Principles into Practice conference. Services across health, community care and voluntary sectors were asked to nominate areas of best practice in applying the principles of mental health and incapacity legislation in their work across six categories

- Service user participation and influence
- Carer and young carer involvement and support
- Care and support of people with dementia
- Care and support of younger people
- Respect for diversity
- Person centred/recovery focused approaches to long term care and support

We received 41 entries of which 15 were shortlisted across these six categories. A panel of judges, chaired by Derek Barron, Associate Nurse Director, NHS Ayrshire and Arran decided on the winner in five of the

Strategic Report

categories. The service user participation and influence category was judged on the day of the Awards by the participants at the conference. All of the shortlisted services shared their good practice at the conference. Short films of the three shortlisted service user participation and influence entrants and winners of all the categories can be found on our website.

We continued to work with the Scottish Government and Scottish Human Rights Commission on commitment 5 of the Government's mental health strategy to develop and increase the focus on rights as a key component of mental health care in Scotland. We developed an outcomes based logic model for rights based care and held a consultation event with around 30 key stakeholders. Work is ongoing to finalise the model, detailing the actions key organisational players will take to achieve the outcomes. This model will inform rights based care for the next mental health strategy.

Continuous Improvement

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

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

This year we reviewed how we do our visits. This included a consultation event with service users and carers, an online survey to practitioners and a discussion at our Advisory Group. As a result of this review we intend to consult more widely prior to our themed visits with individuals and/or carers who have recently used the services in question to find out their main issues and concerns. We will also publish our local visit reports during 2015/16. We intend to reduce our target for the number of people we see each year from 1,900 to 1,500. This reduction reflects the increasing number of individuals receiving care and support in the community and the greater degree of preparation and engagement in local visits.

We also reviewed the personnel we use on visits. From 2011 we have had up to ten part time visitors, each contracted to do 15 days per year. The visitors had backgrounds as service users, carer, advocacy and a variety of professional backgrounds to complement the core staff. This structure made it difficult for these visitors to feel part of the organisation and we were unable to fully utilise their expertise in our planning processes. We decided to focus on individual and carer expertise and to create two part time staff posts to bring this expertise into the planning of our work as well as continuing on some visits. These posts will be recruited during 2015.

In addition to the 2,000 individuals and carers we see on visits we also met with one service user or carer organsation in each health board area. We held 14 meetings with 258 people attending.

Strategic Report

National Confidential Forum (NCF)

The National Confidential Forum was set up during the year. The governance arrangements are outlined in the governance statement on page 29.

The Head and members were recruited, as public appointments, in July and August. The three support staff joined in September. A comprehensive induction programme was completed for all NCF members and staff in September.

Although a lot of work had been completed by the joint project team from Scottish Government and ourselves, much of the preparatory work could not be completed until the Head was in post. In finalising the confidentiality policy and the policy for police disclosure an issue arose around the interpretation of the legislation. The NCF required a legal opinion from an advocate before making its final decision.

In the set up phase between July and November the NCF members and staff met as a team and worked to an ongoing action log. The Head of NCF reported to the Board in September, October and December 2014. In January 2015 the Forum was formally constituted as a committee of the Commission. The remit of the Forum is outlined in the Commission's standing orders. The Forum met on two occasions to 31 March and the minutes are reported to the Board meeting.

The NCF has put in place a contract with an external provider to provide support to potential applicants, finalised the content of the website and other promotional materials and made contact with relevant stakeholders throughout the country.

The soft launch for the NCF was held in Glasgow in February and the first hearing was held in March.

The NCF is required by legislation to produce a separate annual report to that of the Commission. It will be produced by the end of June 2015 and will be available on the Forum's website.

3. Social, community and human rights policies

We are committed to both the principles and the practice of equality and diversity. As a rights-based organisation, the Commission regards addressing our equality duties as part of a wider strategy which puts equality and human rights at the centre of our service provision and employment. Our Single Equality Scheme is available on our website.

Strategic Report

When we visit individuals we check that people are receiving care and treatment that meets their needs and respects their rights. We aim to highlight rights based care and treatment to both the individual and staff. In relation to promoting rights based care on visits we ask:

- Is the person's care and treatment in keeping with the principles of the Acts (MHCT Act 2003 or AWI Act 2000)
- Is care and treatment culturally sensitive?
- Does the individual know his/her rights under the Act?
- Does the individual know his/her rights in relation to care and treatment?

Our information and advice aims to promote human rights and ensure they are incorporated into care and treatment. Our good practice guides and excellence into practice seminars focus on rights in care and treatment.

The Commission is now an important part of the UK's national preventative mechanism under the Optional Protocol to the Convention against Torture and other Cruel, Inhuman or Degrading Treatment or Punishment (OPCAT). The Convention is a United Nations human rights treaty designed to strengthen the protection of people deprived of their liberty. It acknowledges that such people are particularly vulnerable to ill-treatment, and advocates that efforts to end ill-treatment focus on prevention through a system of regular visits to places of detention.

Each state is required to set up a national preventative mechanism (NPM) to visit places of detention and monitor the treatment of and conditions for detainees. In the UK this has been set up by bringing together all of the existing bodies with duties to visit places of detention. The UK's NPM, established in March 2009, and comprises 18 bodies of which we are one. It is co-ordinated by the HM Inspectorate of Prisons.

4 Performance against Key Targets

The Commission has five key performance indicators (KPIs) agreed with the Scottish Government. Performance against each of these KPIs is noted below.

a) Visit at least 1,900 individual services users
b) Complete 30 visits in the unannounced format

Most of our visits involved interviewing individuals receiving care and treatment. Sometimes, we were not able to interview the individual, but we still reviewed their case files.

Strategic Report

Type of visit	Target	Individuals visited	File review	Total
Visits to individuals subject to AWI powers	650	552	0	552
Individuals seen as part of themed visits *Acute enhanced observation* *Individuals in the community s25-s27* *Older people acute admission*	450*	371 *189* *52* *130*	0	371
Individuals seen as part of local visits *Individuals subject to MHA powers* *Individuals subject to AWI powers* *Individuals subject to CPSA powers* *Individuals that were informal* *Individuals, no report completed*	650	*775* *229* *61* *106* *190* *189*	*155* *74* *18* *18* *46*	930
Other individual visits *(Young people, cross border transfer and MWC initiated)* *Individuals subject to MHA powers* *Individuals subject to AWI powers* *Individuals subject to CPSA powers* *Individuals that were informal*	0	71 *33* *4* *7* *27*	18 *13* *0* *2* *3*	89
  Individuals seen as part of monitoring visits *SUS* *CCTO*	150	152 *49* *103*	0	152
TOTALS	**1900**	**1921**	**173**	**2094**

**Initially older people acute was 200, this was then dropped to 100. So the themed target became 350 and we increased the number of local visits.*

In total we have reviewed the care and treatment of 2,094 individuals.

We met with 32 advocacy workers and 77 relatives/carers during our themed and local visits.

We completed 121 local visits, with 30 of these undertaken in an unannounced format (25%)

We will produce statistics and analysis on the use of mental health and incapacity legislation on time, within six months of the end of the year

The reports were posted on the website on 9th October 2014. The slight delay in posting was to allow us to promote the reports nationally in the media.

Strategic Report

We will complete and publish four investigation reports by the end of March 2015

During the year we progressed 21 investigations, 12 of which were new. Of these one was published on the website.

We remitted eight cases back to local services after initial investigation. In these cases, we expressed concerns and made recommendations to service managers for further internal investigation. In one instance, we looked at the review carried out by local services following which we were satisfied with the outcome. In two cases we were satisfied that there was no deficiency of care.

We are continuing to investigate a further nine cases.

Although we did not meet our KPI for this year, we completed other work on the investigations guidelines and with other organisations on agreeing a process to identify a lead organisation for investigations (see page 8). The Board has revised the KPI for 2015/16 to state that we will publish at least two investigations.

We will assess samples of our telephone advice and aim for at least 97.5% of all our advice to be accurate

During the year there were 5,143 (13/14 4,834) calls allocated to Duty Practitioners as "requests for advice". When we audited calls this year, we found that around 10% (12%) of these resulted in information being recorded but no advice being requested or given. We therefore estimate the approximate number of calls requesting advice at around 4,629 (4,254).

This year we reduced the number of calls audited by half. This was done to accommodate a management audit of visits activity. We audited 205 calls, which is 4.5% of the total "requests for advice" allocated to duty practitioners.

Number of items of advice examined	205
Accurate items of advice	204
(Of which we thought we could have added to the advice given in 10 (5%) cases)	
Inaccurate items of advice	1 (0.5%)
% accuracy	99.5%
Target for accuracy	97.5%

We have therefore performed better than our target of 97.5%.

Strategic Report

We will publicly report, within the agreed timescales, the outcome of the recommendations we make to services in 90% of cases

Our focussed visits to individuals allow us to make specific recommendations to services. We made 409 recommendations following 125 focussed visits conducted during 1 January 2014 and 31 December 2014. Note that this is not the same as the number of visits reported during the year 1st April 2014 to 31st March 2015 as we allow a 3 month response window from services.

a) We were satisfied that services had responded fully to 405 (99.6%) of recommendations.

b) We have not yet received responses to 2 (0.4%) recommendations although we have been in contact with service managers to request this information. Responses were due by 31 March 2015 and we will take further action in 2015/16.

c) We escalated 4 recommendations (1%), relating to one service as we were not satisfied with the service response. This resulted in a follow up visit and a meeting with the Chief Executive of the Board.

d) We have therefore ensured that we followed up all recommendations for which response were due between 1 April 2014 and 31 March 2015.

We have therefore exceeded the performance indicator of 90% by undertaking follow-up action on 99.66% of our recommendations. The fact that these have been fully implemented or resulted in significant service progress demonstrates our effectiveness in influencing service improvements through a targeted, risk based programme of local visits.

5 Sustainability and Environmental Reporting

The Commission is required, under the Climate Change (Scotland) Act 2009, to produce an annual report on sustainability. This was completed in September 2014 and is available on the website.

6 Gender Breakdown for Board and staff

As at 31 March 2015, the headcount profile of the Commission by gender is as follows;

	Male	Female	Total
Board members	5 (56%)	4 (44%)	9
Executives	3 (50%)	3 (50%)	6
All other employees	16 (36%)	28 (64%)	44

Strategic Report

7 Accounting convention

The Annual Accounts and Notes have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit and loss. The Accounts have been prepared under a direction issued by Scottish Ministers which has been included as an annex to the accounts.

The statement of the accounting policies, which have been adopted, is shown at Note 1.

8. Financial Performance and Position

The Commission's revenue resource allocation from the Scottish Government for 2014-2015 was £4,626k (prior year £3,642k as restated);

The revenue resource allocation includes funding for Commission 'core activities' and funding for the operation of the National Confidential Forum.

Capital resource was £212k which was utilised in setting up the offices and database of the NCF.

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

	MWC Core	NCF	Total Revenue	Total Capital
	£'000	£'000	£'000	£'000
Limit as set by SGHSCD	**4,199**	**427**	**4,626**	**212**
Actual outturn	**(4,199)**	**(427)**	**(4,626)**	**(212)**
Variance Over / (Under) spend	nil	nil	nil	nil

Memorandum For In Year Outturn	**£'000**
Brought forward deficit / (surplus) from previous financial year	Nil
Saving/ (excess) against in year Revenue Resource Limit	Nil

Strategic Report

Summary of Resource Outturn	Resource £'000	Expenditure £'000	Saving/ Excess £'000
Core	4,626	4,600	26
Non Core	-	26	(26)
Total	**4,626**	**4,626**	-

The Commission is showing net liabilities of £926,000 (2013/14 as restated: £194,000 net liabilities).

The Commission ceased as an employing authority in the Lothian Pension fund 30th March 2015. As a result of more prudent financial assumptions used in a 'cessation' valuation, an additional cessation charge of £633,000 has been incurred to meet the Cessation valuation liability of £714,000 as at 31 March 2015. The pension liability falls due within one year and will be met by the receipt of funding from the Scottish Government. Accordingly the accounts have been prepared on the going concern basis. Further information on the Pension liability can be found in note 15, Pension Costs.

Total current liabilities of £1,175k (note 9) are higher than as at 31 March 2014 and in addition to the £714k discussed above, include rent payable in respect of Thistle House of £115k and £66k in respect of capital expenditure.

There were no impairments of receivables (2013/14: nil)

There are no significant remote contingent liabilities.

There are no legal obligations as at 31 March 2015.

There were no Post-Balance Sheet items requiring adjustment of the accounts.

The Sickness absence rate for the year ended 31 March 2015 was 3.4% (2013/14: 3.25%).

There were no Personal data related incidents in the year to 31 March 2015 (2013/14: nil).

Signed on behalf of the Board

....

Graham Forbes

Chair

23rd June 2015

Remuneration Report

The Commission determines pay and terms and conditions of employment for staff. This is governed by the Board which recommended the pay remit to Scottish Ministers. Scottish Ministers approved the Pay remit agreed for the year ended 31 March 2015, in April 2014.

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

The remuneration of senior staff, Board members and other public appointees is outlined below:

Remuneration Report (continued)

Remuneration Table for the Year ended 31 March 2015 (Audited Information)

	Gross Salary (bands of £5,000)	Bonus Paymen (bands £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits *Note 1*	Total Remuneration (bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
Mr C McKay *(from 11.04.14)* *Chief Executive (notes 2 & 3)*	90 – 95	-	-	90 -95	18	110 - 115
Mr G Kappler *(note 2)* *Executive Director (Social Work)* *(Left 31.03.15)*	50 - 55	-	-	50 - 55	-	50 - 55
Dr G Morrison *Executive Director (Medical)*	125 - 130	-	-	125-130	24	150 -155
Ms A McRae *(note 2)* *Head of Corporate Services*	40 - 45	-	-	40 - 45	6	45 - 50
Mrs A Thomson *Executive Director (Nursing)*	60 - 65	-	-	60 - 65	43	105 - 110
Ms A K Fearnley Executive Director (Engagement and Participation) *(from 16.02.15)(notes 2 & 4))*	10 - 15	-	-	10 - 15	2	10 - 15
Mr M Diamond *Executive Director (Social Work)* *(from 23.03.15)(notes 2 & 5)*	0 - 5	-	-	0 - 5	19	20 - 25
Mrs M Fyfe *(notes 2 & 6)* *(to 31.08.14)* *Acting Chief Nursing Officer*	25 - 30	-	-	25 - 30	-	25 - 30
Board Members					*note 8*	
Rev G Forbes (Chair) *(note 7)*	15 - 20	-	-	15 -20	-	15 -20
Mrs S Baxter *(Appointed 01.09.14)*	0 - 5	-	-	0 - 5	-	0 - 5
Mr P Dumbleton	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Dunning	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Henderson	0 - 5	-	-	0 - 5	-	0 - 5
Ms J Killeen	0 - 5	-	-	0 - 5	-	0 - 5
Mrs E Noad	0 - 5	-	-	0 - 5	-	0 - 5
Dr S Sashidharan	0 - 5	-	-	0 - 5	-	0 - 5
Ms L Smith	0 - 5	-	-	0 - 5	-	0 - 5

Remuneration Report (continued)

	Gross Fees (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits *Note 8*	Total Remuneration (bands of £5,000)
National Confidential Forum Public Appointees						
Ms A Currie Head of Forum *(Appointed 30.06.14)*	40 – 45	-	-	40 – 45	-	40 – 45
Dr E Calder Member *(Appointed 01.08.14)*	20 – 25	-	-	20 – 25	-	20 – 25
Mrs S Everingham Member *(Appointed 01.08.14)*	15 – 20	-	-	15 – 20	-	15 – 20
Professor K Hampton Member *(Appointed 01.08.14)*	20 – 25	-	-	20 - 25	-	20 - 25

Ms A Currie resigned as Head of the NCF on 12th May 2015.

In accordance with the Financial Reporting Manual (FReM), and the Companies Act, publication of individual's 'pension benefits' is disclosed by the Commission. 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 2014-15.

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.

Note 2	Full time equivalent Annualised Gross Salary (Bands of £5,000)
Mr C McKay	95 - 100
Mr G Kappler	65 – 70
Ms A McRae	65 – 70
Ms A K Fearnley	60 – 65
Mr M Diamond	60 – 65
Mrs M Fyfe	60 - 65

Remuneration Report (continued)

Note 3: CETV disclosure for C McKay is from 11.04.14 to 31.03.15
Note 4: CETV disclosure for A K Fearnley is from 16.02.15 to 31.03.15
Note 5: CETV disclosure for M Diamond is from 01.04.14 to 31.03.15
Note 6: CETV disclosure for M Fyfe is excluded
Note 7: Fee Paid to St Mary's Cathedral
Note 8: Board members and NCF public appointees are not in receipt of Pension benefits

Pension Values for the Year ended 31 March 2015

	Accrued Pension at age 60 as at 31/03/15 (bands of £5,000)	**Real Increase In pension At age 60 (bands of £2,500)**	**CETV At 31/03/15**	**CETV At 31/03/14**	**Real Increase In CETV**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Executive					
Mr C McKay (started 11.04.14)	0 – 5 plus lump sum of 0 – 5	0 - 2.5 plus lump sum of 0 – 2.5	21	-	8
Dr G Morrison	35 – 40 plus lump sum of 110 - 115	0 – 2.5 plus lump sum of 5 – 7.5	641	595	31
Ms A McRae	10 – 15 plus lump sum of 35 - 40	0 – 2.5 plus lump sum of 0 – 2.5	235	220	10
Mrs A Thomson	25 – 30 plus lump sum of 75 - 80	0 – 2.5 plus lump sum of 5 – 7.5	472	420	44
Ms A K Fearnley (started 16.02.15)	0 – 5 plus lump sum of 0 – 5	0 – 2.5 plus lump sum of 0 – 2.5	2	-	1
Mr M Diamond (started 23.03.15)	0 – 5 plus lump sum of 0 – 5	0 – 2.5 plus lump sum of 0 – 2.5	56	37	11
Mrs M Fyfe (to 31.08.14)	-	-	-	-	-

The CETV calculator is obtained from the Scottish Public Pensions Agency and is updated for the NHS Pension scheme for factors advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the "CETV at start of period" for 2014/15 can be different from the "CETV at end of period" reported for 2013/14.

Remuneration Report (continued)

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;

2014-15		**2013-14**	
Highest Earning Executive's Total Remuneration (£000s)	127.5	Highest Earning Executive's Total Remuneration (£000s)	142.5
Median Total Remuneration	36.5	Median Total Remuneration	35.4
Ratio	3.51	Ratio	4.0
Commentary These figures exclude employer pension contributions to improve comparability. The Executive remuneration disclosure is mid salary range using the £5k banding system. The ratio has reduced as the median salary has increased and the highest earning executive salary has reduced from last year. The highest earning Executive is a consultant psychiatrist and is remunerated in line with medical consultant pay and terms and conditions of the NHS in Scotland.			

Signed on behalf of the Board

Graham Forbes

Chair

23rd June 2015

Remuneration Report (Continued)

Remuneration Table for the Year ended 31 March 2014 (Audited Information)

	Gross Salary (bands of £5,000)	Bonus Payments (bands of £5,000)	Benefits in Kind	Total Earnings In year	Pension Benefits *Note 1*	Total Remuneration (bands of £5,000)
	£'000	£'000	£'000	£'000	£'000	£'000
Executive						
Dr D Lyons (left 31.03.14) *Chief Executive*	145 - 150	-	-	145-150	72	215 - 220
Mr G Kappler *(note 2)* *Chief Social Work Officer*	50 - 55	-	-	50 - 55	-	50 - 55
Dr G Morrison *(notes 2 & 3)* (Started 01.11.13) *Executive Director Medical*	50 - 55	-	-	50 - 55	-	50 - 55
Ms A McRae *(note 2)* *Head of Corporate Services*	20 - 25	-	-	20 - 25	1	20 – 25
Mrs A Thomson *Chief Nursing Officer*	60 - 65	-	-	60 - 65	30	90 – 95
Mr C Burns *(notes 2 & 4)* (01.04.13 – 30.09.13) *Acting Head of Corporate Services*	30 - 35	-	-	30 - 35	36	65 – 70
Mrs M Fyfe *(notes 2 & 5)* (from 16.09.13) *Acting Chief Nursing Officer*	30 - 35	-	-	30 - 35	84	110 - 115
Dr R Lyall *(note1)* (left 30.09.13) *Chief Medical Officer*	30 - 35	-	-	30 - 35	-	30 - 35
Board Members					*note 7*	
Rev G Forbes (Chair) *note 6*	5 -10	-	-	5 -10	-	5 -10
Mr P Dumbleton	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Dunning	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Henderson	0 - 5	-	-	0 - 5	-	0 - 5
Ms J Killeen	0 - 5	-	-	0 - 5	-	0 - 5
Mrs E Noad	0 - 5	-	-	0 - 5	-	0 - 5
Dr S Sashidharan	0 - 5	-	-	0 - 5	-	0 - 5
Ms Lesley Smith	0 - 5	-	-	0 - 5	-	0 - 5

In accordance with the Financial Reporting Manual (FReM) and the Companies Act, 2013-14 is the first year that publication of the 'pension benefits' has been 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 2013-14.

Remuneration Report (continued)

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.

Note 2	Full time equivalent Annualised Gross Salary (Bands of £5,000)
Mr G Kappler	65 – 70
Dr G Morrison	125 -130
Ms A McRae	65 – 70
Mr C Burns	60 – 65
Mrs M Fyfe	60 – 65
Dr R Lyall	90 - 95

Note 3: CETV disclosure for G Morrison is from 01.11.13 to 31.03.14
Note 4: CETV disclosure for C Burns is from 01.04.13 to 30.09.13
Note 5: CETV disclosure for M Fyfe is from 16.09.13 to 31.03.14
Note 6: Fee Paid to St Mary's Cathedral
Note 7: Board members are not in receipt of Pension benefits

Pension Values for the Year ended 31 March 2014

	Accrued Pension at age 60 as at 31/03/14 (bands of £5,000)	**Real Increase In pension At age 60 (bands of £2,500)**	**CETV At 31/03/14**	**CETV At 31/03/13**	**Real Increase In CETV**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Executive					
Dr D Lyons (Chief Executive) (left 31.03.14)	75 – 80 plus lump sum of 225 – 230	2.5 - 5 plus lump sum of 10 – 12.5	1,561	1,410	81
Mr G Kappler	-	-	-	-	-
Dr G Morrison (Started 01.11.13)	35 – 40 plus lump sum of 110 - 115	(2.5) - 0 plus lump sum of (2.5) – 0	603	576	-
Ms A McRae	10 – 15 plus lump sum of 35 - 40	0 – 2.5 plus lump sum of 0 – 2.5	218	201	3
Mrs A Thomson	20 – 25 plus lump sum of 70 - 75	0 – 2.5 plus lump sum of 2.5 - 5	409	363	21
Mr C Burns (01.04.13 – 30.09.13)	-	-	-	-	-
Mrs M Fyfe (from 16.09.13)	15 - 20 plus lump sum of 45 - 50	2.5 – 5.0 plus lump sum of 10 – 12.5	446	359	64
Dr R Lyall	-	-	-	-	-

Remuneration Report (continued)

The CETV calculator is obtained from Civil Service Pensions and is updated for the NHS Pension scheme for factors advised by the Government Actuary's Department (GAD). As the factors supplied by GAD have changed, the "CETV at start of period" for 2013/14 can be different from the "CETV at end of period" reported for 2012/13. 'Remuneration' includes employer pension contributions.

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;

2013-14		**2012-13**	
Highest Earning Executive's Total Remuneration (£000s)	142.5	Highest Earning Executive's Total Remuneration (£000s)	142.5
Median Total Remuneration	35.4	Median Total Remuneration	35.1
Ratio	4.0	Ratio	4.1
Commentary These figures exclude employer pension contributions to improve comparability. The Executive remuneration disclosure is mid salary range using the £5k banding system. The ratio has varied slightly. The outgoing Chief Executive was a consultant psychiatrist and was remunerated in line with medical consultant pay and terms and conditions of the NHS in Scotland.			

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE MENTAL WELFARE COMMISSION FOR SCOTLAND

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;
- for the economical, efficient and effective use of resources placed at the Commission's disposal; and
- safeguarding the assets of the Commission.

In preparing the Accounts I am required to comply with the requirements of the governments 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 Financial Reporting Manual have been followed and disclose and explain any material departures; and
- prepare the accounts on a going concern basis.

I am responsible for ensuring proper records are maintained and that the Accounts are prepared under the principles and in the format directed by Scottish Ministers. To the best of my knowledge and belief, I have properly discharged my responsibilities as accountable officer as intimated in the Departmental Accountable Officers letter to me of the 20th March 2014.

Signed

....
Colin McKay
Chief Executive and Accountable Officer

23rd June 2015

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 2015 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

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

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

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

....
Norman Dunning
Board Member

....
Graham Forbes
Chair

23rd June 2015

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 met seven times during the year to progress the business of the Commission. The Board also had an additional meeting to discuss the strategic plan and revised the strategic statement of the organisation to a focus on human rights.

The Board comprises a Chair and eight Board members. The Board members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. The Chief Executive Officer and the executive team are not Board members but attend all meetings.

The Board completed a self assessment using the NHS Board Diagnostic self assessment in May 2014. One of the key improvements from the previous year was a wider focus for the organisation on stakeholders with lived experience and carers. Board members attend the Advisory Group and stakeholders were involved in the recruitment process for the new Chief Executive. The Board identified the establishment of the NCF as the major risk to the organisation and were actively involved in finalising the MOU with the Scottish Government on the operation of the NCF. As part of its self assessment the Board agreed to hold an away day in September to focus on strategic planning.

Each Board member has an appraisal with the Chair. The Chair has an appraisal with the Scottish Government sponsor department. Any development needs for individuals are identified through this process.

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

The Audit Committee remit and membership is outlined in the standing orders. It comprises two Board members (Elaine Noad (Chair) and Norman Dunning) and a co-opted member (James Hobson to June 2015 and Robin McNaught from June 2015) who is an external person with expertise in NHS finance. It met three times during the year to consider the operational effectiveness of the internal control structure, to approve the strategic and annual internal audit plan and external audit arrangements and risk management. The Audit Committee undertakes an annual self assessment of its effectiveness and the Audit Committee Chair formally reports to the Board twice a year (once recommending the annual accounts and once an annual report of Audit Committee activities and objectives for the following year). Minutes of each Audit Committee meeting are presented to the Board.

By statute the Commission is required to have an advisory committee and it meets twice a year. Its remit and membership is outlined in the standing orders and includes representatives from relevant stakeholder groups. The Advisory Committee gives the Board advice on the Commission's functions and how it exercises its functions. This year the meeting format was refreshed to allow for more in depth group discussions on certain issues and to ensure a two way flow of information.

The Board retains the scrutiny and decision making on appointments and remuneration. All staff, except medical consultants, are covered by the Scottish Government Pay Policy. The Chief Executive Officer is covered by the Scottish Government Pay Policy for senior appointments. The Board approves the pay remit in line with the pay policy guidance for approval by Scottish Ministers. Medical consultants' pay and terms and conditions mirror those in the NHS in Scotland.

The National Confidential Forum (NCF) is established as a committee of the Commission through amendments to the Mental Health (Care & Treatment)(Scotland) Act 2003 by the Victim and Witnesses (Scotland) Act 2014.

The Standing Orders outline its remit and delegated authority to the Forum Head although the rules and procedures of committee meetings do not apply. There is a memorandum of understanding between the Scottish Government and the Commission on the operation of the NCF, including corporate governance arrangements.

The members and staff of NCF came into post between July and September. The original plan was to have hearings start by the end of the calendar year. However some of the set up issues were underestimated, for example, to ensure a support mechanism for people coming to the Forum. This had to be right and in place before hearings could start and took longer than anticipated to set up. We also had some concerns about the interpretation of the legislation around disclosure of information. The resultant work to finalise the disclosure policy resulted in the hearings being delayed for two months. The first hearing was in March and the work of the Forum is now steadily growing.

The Head of NCF reported to the Board in September, October, December and January. In December following the intense project to set up the Forum, we reviewed the governance and formally constituted the Forum as a committee of the Commission. Between January and signing this statement the Forum has met four times, the minutes are presented to the Board and available on the NCF website.

In May 2015 the Head of the Forum resigned. We are working with the Scottish Government Public Appointments Unit on appointing both a new Head and additional members of the Forum to give a gender balance and meet the workload of hearings.

The Operational Management Group assists the Chief Executive on the day to day management of the organisation. It meets twice a month and covers all the key strategy areas in its remit. It is not a standing committee of the Board but the remit of the group is approved by the Board and it reports to the Board on a regular basis. The OMG carried out a self assessment of its effectiveness, implemented improvements and reported on this to the Board.

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

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

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

- Meeting with the Advisory committee and consulting on our strategic priorities
- Ensuring that the composition of the Board reflects the breadth of stakeholder groups. The Board was increased by one during the year to ensure it has a

member with experience of institutional childcare to advise the Board on NCF issues

- Meeting with the Minister for Sport, Health Improvement and Mental Health. We also update the Minister and Scottish Government officials on our strategic and operational plans and highlight the use of the Acts across Scotland and any areas of concern that the Commission has in mental health and learning disability care and treatment.
- Meeting senior staff in NHS Boards and local authorities on an annual basis. These meetings allow us to feedback to senior manager our activity over the year and to receive update reports on progress made.
- Meetings with service user and carer groups nationally and locally.
- The development of good practice guides done through extensive involvement and consultation including consultation events to discuss the issues and circulation of drafts to relevant stakeholders.

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

Review of Adequacy and Effectiveness

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

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Board meetings seven times during the year and additional Board meeting to discuss the strategic plan;
- periodic reports from the chair of the organisation's audit committee, to the Board, concerning internal control;
- the ongoing work of the risk management group in reviewing the risk universe and business continuity plans and developing associated action plans to mitigate the identified risks;
- the development of a risk universe associated with the risks to the Commission from the establishment of the NCF and an associated action plan;
- the development and implementation of the best value framework and progress report to the Board;
- a corporate governance statement from the NCF outlining the internal control structure:
- the work of the internal auditors, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement; and
- comments by the external auditors in their management letters and other reports.

Risk Assessment

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

Scrutiny of the risk management strategy is delegated to the Audit Committee. The Commission has an established risk strategy in place. This incorporates a risk universe identifying all the key operational areas of the Commission's work and associated risks and is reviewed and updated on an annual basis by a risk management group. There is also a risk universe identifying the key risks to the Commission from the establishment of the NCF. The group comprises staff from different parts of the Commission. From the review of the risk universe an action plan is devised and implemented. The action plan identifies the greatest areas of risk and takes action to mitigate the risks. This action plan is reviewed by the Operational Management Group, and reported to the Audit Committee three times per year.

The NCF, with guidance from the Head of Corporate Services, has established a risk universe identifying the operational areas of NCF work and associated risks. An action plan to mitigate the greatest risks has been identified. The risk universe and action plan was agreed at a meeting of the Forum and approved by the Audit committee. The Forum will review the action plan and report to the Audit Committee three times a year.

Although scrutiny of risk management lies with the Audit Committee, the Board retains responsibility for it. At its meeting in May 2014 the Board identified the two main risks to the Commission were succession planning for the executive team and the establishment of the NCF. The Board dedicated a substantial part of its meeting in September discuss and agree a new executive team structure to allow the Executive Director (Medical) to focus on medical issues and to recruit a new Executive Director (Engagement and Participation) to be the practitioner team leader for an area team and to focus on engaging with service user and carer groups. The MOU outlining the relationships between the Commission, NCF and Scottish Government and incorporating processes to mitigate the unusual governance arrangements was finalised in September 2014.

Risks to Information are considered in line with the process described above and the Commission's Risk Register specifically includes Information risks with associated action plans. There is an approved Information Risk Management Policy in place based on guidance from the NHS information risk management policy.

The risk management group also review the business continuity strategy on an annual basis. This involves reviewing the risk register and devising an action plan. The business continuity strategy is approved by the Operational Management Group and reports on the action plan three times a year.

More generally, the organisation is committed to continuous development (see continuous improvement section of strategic report on page 11) and improvement:

developing systems in response to any relevant reviews and developments in best practice. In particular, during the year the organisation has:

- Completed a comprehensive review of our visiting function including a consultation event with service users and carers and an online survey to practitioners. Recommendations for change were agreed at the Board in January 2015 with an action plan for completion during the year
- Reviewed the structure of part time visitors with particular emphasis on how we utilise service user and carer experience in the work of the Commission. The Board agreed to the creation of two part time (0.5 WTE) posts, one a service user and one a carer, to replace the visitor posts
- Discussed strategic priorities on our visiting and monitoring work and areas for good practice guide development with the advisory committee and staff
- Carried out self assessments of the Board, Audit Committee and Operational Management Group and implemented improvements.
- Facilitated the Scottish Government's work on commitment 5 of the mental health strategy which aims to develop and increase the focus on rights as a key component of mental health care in Scotland.
- Continued with the Excellence into Practice seminars and included a seminar for carers in partnership with the Carers Trust and Support in Mind Scotland
- Implemented its best value framework and provided an end of year report to the Board.
- Implemented the action plan for improvement for our records management plan
- Implemented a new complaints handling process, based on the model developed by the Scottish Public Services Ombudsman, which focuses on resolving complaints early and by front line staff

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.

Signed...
Colin McKay
Chief Executive
Accountable Officer

23rd June 2015

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

We have audited the financial statements of the Mental Welfare Commission for the year ended 31 March 2015 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Statement of Comprehensive Net Expenditure and Summary of Resource Outturn, the Balance Sheet, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2014/15 Government Financial Reporting Manual (the 2014/15 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor
As explained more fully in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Commission, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities, or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the Commission as at 31 March 2015 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 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.

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.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly 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 Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- We have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Nick Bennett

Nick Bennett
For and on behalf of Scott-Moncrieff

Date 29 June 2015

Semple Street
Exchange Place 3
Edinburgh
EH3 8BL

Statement of Comprehensive Net Expenditure For the Year ended 31 March 2015

2013/14 Restated £'000		Note	2014/15 £'000
3,699	Administration Costs	4	4,626
(57)	Less: Other Operating Income	5	-
3,642	**Net Operating Costs**		4,626
	Other Comprehensive Net Expenditure		
24	Actuarial (gains)/ losses on post employment benefit obligations	15	-
24	**Other Comprehensive Expenditure**		-
3,666	**Total Comprehensive Expenditure**		**4,626**

The Notes to the Accounts, numbered 1 to 20, form an integral part of these Accounts.

Summary of Resource Outturn

	Note	£'000	£'000	£'000
Net Operating Costs				**4,626**
Total Non Core Expenditure (see below)				**(26)**
Total Core Expenditure				**4,600**
Core Revenue Resource Limit				**4,626**
Saving/ (excess) against core Revenue Resource Limit				**26**
Summary of Non Core Revenue Resource Outturn				
Depreciation/ Amortisation	3,6		29	
Annually managed Expenditure – Movement of Provisions	16		(3)	
Total Non Core Expenditure				26
Non Core Revenue Resource Limit				
Saving/ (excess) against non- Core Revenue Resource Limit				(26)

Summary of Resource Outturn	**Resource**	**Expenditure**	**Saving/ (Excess)**
	£'000	**£'000**	**£'000**
Core	4,626	4,600	26
Non Core	-	26	(26)
Total	**4,626**	**4,626**	**-**

The Notes to the Accounts, numbered 1 to 20, form an integral part of these Accounts.

Balance Sheet

As at 31 March 2015

31 March 2014 Restated £'000		Note	31 March 2015 £'000	31 March 2015 £'000
	Non-current assets:			
7	Property, plant and equipment	6(c)	66	
13	Intangible assets	6(b)	137	
				203
20	**Total non-current assets**			
	Current Assets:			
64	Trade and other receivables	7	72	
2	Cash and cash equivalents	8	4	
66	**Total current assets**			**76**
86	**Total assets**			**279**
	Current liabilities			
	Financial liabilities:			
(166)	Trade and other payables	9	(1,175)	
(166)	**Total current liabilities**			**(1,175)**
(80)	**Non-current assets plus/less net current assets/liabilities**			**(896)**
	Non-current liabilities			
(114)	Provisions	16	(30)	
(114)	**Total non-current liabilities**			**(30)**
(194)	**Assets less liabilities**			**(926)**
	Taxpayers' Equity			
(194)	General Fund	SOCTE		(926)
(194)	**Total taxpayers' equity**			**(926)**

Adopted by the Commission on 23rd June 2015

Graham Forbes
Chair

Colin McKay
Chief Executive
Accountable Officer

In addition to the Statement of Comprehensive Net Expenditure, Balance Sheet, Statement of Cash flows and the Statement of Changes in Taxpayers' Equity, the notes to the Accounts, numbered 1 – 20, form an integral part of these Accounts.

Statement of Cash Flows
For the Year ended 31 March 2015

2014 Restated £'000		Note	2015 £'000	2015 £'000
	Cash flows from operating activities			
(3,642)	Net operating cost	SOCNE	(4,626)	
62	Adjustments for non-cash transactions	3	29	
1	(Increase) / decrease in trade and other receivables	10	(8)	
(88)	Increase / (decrease) in trade and other payables	10	943	
6	Increase / (decrease) in provisions	10	(84)	
(3,661)	**Net cash outflow from operating activities**			**(3,746)**
	Cash flows from investing activities			
-	Purchase of property, plant and equipment		(82)	
-	Purchase of intangible assets		(64)	
-	**Net cash outflow from investing activities**			**(146)**
	Cash flows from financing activities			
3,661	Funding	SOCTE	3,896	
(1)	Movement in general fund working capital	SOCTE	(2)	
3,660	Cash drawn down			3,894
3,660	**Net Financing**			**3,894**
(1)	**Net Increase / (decrease) in cash and cash equivalents in the period**			2
3	**Cash and cash equivalents at the beginning of the period**			2
2	**Cash and cash equivalents at the end of the period**			4
	Reconciliation of net cash flow to movement in net debt/cash			
(1)	Increase/(decrease) in cash in year			2
3	Net debt/cash at 1 April	8		2
2	**Net Cash at 31 March**	8		4

In addition to the Statement of Comprehensive Net Expenditure, Balance Sheet, Statement of Cash flows and the Statement of Changes in Taxpayers' Equity, the notes to the Accounts, numbered 1 – 20, form an integral part of these Accounts.

Statement of changes in Taxpayers' Equity

Year ended 31 March 2015	Note	General Fund £'000	Total Reserves £'000
Restated balance at 31 March 2014		(194)	(194)
Changes in taxpayers' equity for 2014/15			
Net operating cost for the year		(4,626)	(4,626)
Total recognised income and expense for 2014/15		(4,626)	(4,626)
Funding:			
Drawn down		3,896	3,896
Movement in General Fund (Creditor) / Debtor		(2)	(2)
Balance at 31 March 2015		**(926)**	**(926)**

Prior Year 2013/14	Note	General Fund Restated £'000	Total Reserves Restated £'000
Restated Balance as at 1 April 2013		(190)	(190)
Changes in taxpayers' equity for 2013/14			
Other adjustments pension	15	(24)	(24)
Net operating cost for the year		(3,642)	(3,642)
Total recognised income and expense for 2013/14		(3,666)	(3,666)
Funding:			
Drawn down		3,661	3,661
Movement in General Fund (Creditor) / Debtor		1	1
Balance at 31 March 2014		**(194)**	**(194)**

1. Accounting Policies

a) Authority

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

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

(i) Standards, amendments and interpretations effective in 2014-15

There are no new standards, amendments or interpretations effective for the first time this year which impact upon the financial statements.

(ii) Standards, amendments and interpretation early adopted in 2014-15

There are no new standards, amendments or interpretations early adopted this year.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not yet been applied were in issue but not yet effective:

- IFRS 13 – Fair Value Measurement
- IAS 36 – 'Impairment of assets' on recoverable amount disclosures

Management do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the board in future periods.

b) Retrospective Restatement – Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

CNORIS is a risk transfer and financing scheme for NHS Scotland, and further details are set out at Note 17.

1. Accounting Policies (continued)

b) Retrospective Restatement – Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) continued

The change in accounting treatment in 2014/15 relates to the recognition of the Board's respective share of the total liability of NHS Scotland as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. To ensure consistency, equivalent adjustments have been made to the position of the prior year as follows:

Provision recognising the Commission's liability from participating in the scheme at 31 March 2014: £33,000 and at 31 March 2013: £27,000. Further details can be found in notes 16 and 17.
The movement in the provision between financial years is matched by a corresponding adjustment in AME provision and is classified as non-core expenditure.

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

d) Accounting Convention
The Accounts are prepared on a historical cost basis, as modified by the revaluation of property, plant and equipment, intangible assets, inventories, available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value.

e) Funding
All of the expenditure of the Commission is met from funds advanced by the Scottish Government Health and Social Care Directorates 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.

1. **Accounting Policies (continued)**

e) **Funding (continued)**

Funding for the acquisition of capital assets received from the Scottish Government Health and Social Care Directorates 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.

f) **Property, plant and equipment**

The treatment of Property, Plant and Equipment 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.

1. Accounting Policies (continued)

f) Property, plant and equipment (continued)

All assets are measured subsequently at fair value as follows:

Specialised Commission 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.

Revaluations 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 as income. Movements on revaluation are considered for individual assets rather than groups or land/buildings together.

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.

Gains and losses on revaluation are reported in the Statement of Comprehensive Net Expenditure.

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.

1. Accounting Policies (continued)

f) Property, plant and equipment (continued)

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.

The following asset lives have been used:

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

g) 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:

<u>Internally generated intangible assets:</u>

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;

1. **Accounting Policies (continued)**

g) **Intangible Assets (continued)**

- 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.

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.

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

1. Accounting Policies (continued)

g) Intangible Assets (continued)

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.

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 licences: amortised over the shorter term of the licence and their useful economic lives.

4) Intangible assets in the course of construction are not amortised until the asset is brought into use by the Commission

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Software	-	5 Years
Licences	-	5 Years

h) 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.

1. Accounting Policies (continued)

i) Leasing

Finance leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the Commission, the asset is recorded as Property, Plant and Equipment and a corresponding liability is recorded. Assets held under finance leases are valued at their fair values and are depreciated over the remaining period of the lease in accordance with IFRS.

The asset and liability are recognised at the inception of the lease, and are de-recognised when the liability is discharged, cancelled or expires. The minimum lease payments (annual rental less operating costs e.g. maintenance and contingent rental) are apportioned between the repayment of the outstanding liability and a finance charge. The annual finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability using either the implicit interest rate or another relevant basis of estimation such as the sum of the digits method. Finance charges are recorded as interest payable in the Statement of Comprehensive Net Expenditure. Contingent rental and operating costs are charged as expenses in the periods in which they are incurred.

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

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

The Commission does not lease assets to others.

j) Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an asset is not held for the purpose of generating cash flows, value in use is assumed to equal the cost of replacing the service potential provided by the asset, unless there has been a reduction in service potential. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash

1. Accounting Policies (continued)

j) Impairment of non-financial assets (continued)

flows (cash-generating units). Non-financial assets that suffer an impairment are reviewed for possible reversal of the impairment. Impairment losses charged to the SOCNE are deducted from future operating costs to the extent that they are identified as being reversed in subsequent revaluations.

k) General Fund Receivables and Payables

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

l) Inventories

Inventories of consumables are not material, are not carried on the balance sheet and have not been valued.

m) 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.

n) 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 contributed to two pension schemes during the year:

NHS Superannuation Scheme for Scotland
Lothian Pension Fund

Commission staff participate in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are

1. Accounting Policies (continued)

n) Employee Benefits (continued)

credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. 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 a defined contribution scheme, as required by IAS 19 (revised) '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 Exchequer. The pension cost is assessed every four years by the Government Actuary and 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.

The Commission had one member of staff who participated in the Lothian Pension Fund and left the Commission on 30 March 2015. The Mental Welfare Commission of Scotland ("the Employer") ceased as an employing authority in the Lothian Pension Fund ("the Fund") on 30 March 2015.

An actuarial valuation of the Employer was undertaken as at 30 March to determine the liabilities that will remain with the Fund on cessation; and the final contribution due from the Employer (i.e. an adjustment to the Rates and Adjustments Certificate), as required under Regulation 34(1) of the Local Government Pension Scheme (Administration)(Scotland) Regulations 2008.

For the year to 31 March 2014, the Commission was able to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounted for the scheme as a defined benefits scheme, as required by IAS 19 (revised) 'Employee Benefits'. The pension cost was assessed every three years by the Scheme Actuary and determines the rate of contributions required. A full actuarial valuation was carried out on 31 March 2014 by a qualified independent actuary, details of which are published by the Lothian Pension Fund.

The Lothian Pension Fund assets were measured using Market values. Pension scheme liabilities were measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The Lothian Pension Fund surplus (to the extent that it is recoverable) or deficit was recognised in full. The movement in the scheme surplus/deficit was split between

1. Accounting Policies (continued)

n) Employee Benefits (continued)

operating charges, finance items and, in the Statement of Taxpayers' Equity, actuarial gains and losses. Relevant disclosures are reported in note 15.

o) 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.

p) Related Party Transactions

Material related party transactions are disclosed in line with the requirements of IAS 24 in note 20. Transactions with health bodies e.g. sharing administration costs or with individuals are disclosed if material.

q) Value Added Tax

The Mental Welfare Commission for Scotland is part of the Scottish Government VAT Group (Registration Number 888842551 (GD425)). The Commission is therefore able to reclaim input VAT under the Customs and Excise Contracting Out Direction published in the Edinburgh Gazette dated 10 January 2003.

r) Provisions

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

s) Contingencies

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

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

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

1. Accounting Policies (continued)

s) Contingencies (continued)

- 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.

t) 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.

u) Financial Instruments

Financial assets

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

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

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

(c) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available for sale financial assets comprise investments.

The Commission does not hold any available- for – sale financial assets.

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

1. Accounting Policies (continued)
u) Financial Instruments (continued)

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

(a) Financial assets at fair value through profit or loss
Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the Statement of Comprehensive Net Expenditure.

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

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

Financial Liabilities

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

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

(b) Other financial liabilities
Other financial liabilities are included in current liabilities, except for maturities greater than 12 months after the balance sheet date. These are classified as non-

1. Accounting Policies (continued)
u) Financial Instruments (continued)

current liabilities. The Commission's other financial liabilities comprise trade and other payables in the balance sheet.

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 balance sheet when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

v) 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.

x) 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 balance sheet.

w) Key sources of judgement and estimation uncertainty
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Commission makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The Commission makes judgements in applying accounting policies. The estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities within the financial statements within the next financial year are addressed below.
The Valuation of the Lothian Pension cessation current liability is provided by the Lothian Pension Fund Actuary.

2. (a) Staff Numbers and Costs

31 March 2014 £'000	STAFF COSTS	Executive £'000	Board Members £'000	Permanent Staff £'000	Other Staff £'000	NCF Head and Members £'000	Total £'000
2,183	Salaries and fees	417	38	1,690	11	101	2,257
191	Social security costs	45	1	137	1	7	191
259	NHS scheme employers' pension costs	47	-	205	-	-	252
25	Other employers' pension costs (note 15)	6	-	646	-	-	652
269	Second Opinion Doctors	-	-	-	320	-	320
-	Short term staff	-	-	-	39	-	39
2,927	**TOTAL**	**515**	**39**	**2,678**	**371**	**108**	**3,711**

ANNUAL MEAN	STAFF NUMBERS (EMPLOYEES BY WHOLE TIME EQUIVALENT)	ANNUAL MEAN MWC 'Core'	ANNUAL MEAN NCF	ANNUAL MEAN TOTAL
5.2	Executive Directors	4.9	-	4.9
15.6	Practitioner staff	14.3	-	14.3
29.9	Administration staff	28.7	1.4	30.1
50.7	**Commission Total Average Staff**	**47.9**	**1.4**	**49.3**
-	Disabled staff	-	-	-

Note 1: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland and the Lothian Pension Fund. Details of the Schemes can be found in note 15.

2.b) Higher Paid Employees remuneration

31 March 2014 Number		31 March 2015 Number
	Other employees whose remuneration (salary only) fell within the following ranges:	
	Clinicians	
7	£ 50,000 to £ 60,000	6
2	£ 60,001 to £ 70,000	2
	Other	
-	£ 50,000 to £ 60,000	1

2.c) Exit Packages

There were no exit packages agreed in 2014/15. (2013/14: Nil).

3. Other Operating Costs

2013/14 Restated £'000		Note	2014/15 £'000
	Expenditure Not Paid In Cash		
59	Depreciation	6(c)	23
6	Amortisation	6 (b)	6
(3)	Other non cash costs – IAS19	15	-
62	**Total Expenditure Not Paid In Cash**		**29**
	Statutory Audit		
15	External auditor's remuneration and expenses		16
-	During the year the Commission purchased non-audit taxation services from its auditor, Scott-Moncrieff:		1

4. Administration Costs

2013/14 Restated £'000		Note	2014/15 £'000
570	Board and Executive	2 (a)	554
1,094	Practitioner staff Costs		1,019
994	Casework Administration and Corporate Services		989
-	Losses arising from Lothian Pension Scheme cessation	15	633
269	Second Opinion Doctors Fees		320
-	NCF: Head, Members , Administration and short term staff		196
122	Travel and Subsistence		113
162	Accommodation Costs		237
65	Depreciation / Amortisation		29
159	Computer Equipment and Supplies		128
66	Office administration costs		95
47	Human Resources		71
74	Communications		96
38	Legal and Professional		55
36	Good Practice Projects		91
3	Lothian Pension Fund – Net interest payable under IAS19		-
3,699	**Total Administration Costs**		**4,626**

5. Other Operating Income

2013/14 £'000		2014/15 £'000
	Other Operating Income	
57	SGHSCD	-
57	**Total Other Operating Income**	-
57	**Total Income**	-

6(a). Analysis of Capital Expenditure

2013/14 £'000		Note	2014/15 £'000
	EXPENDITURE		
-	Acquisition of Intangible Assets	6b	130
-	Acquisition of Property, plant and equipment	6c	82
	Gross Capital Expenditure		**212**
-	**Net Capital Expenditure**		**212**

SUMMARY OF CAPITAL RESOURCE OUTTURN

-	Net capital expenditure as above	212
-	Capital Resource Limit	212
-	**Saving/(excess) against Capital Resource Limit**	-

6(b) Intangible Assets

	Assets Under Construction £'000	Software Licences £'000	Information Technology £'000	Other Intangible £'000	Total £'000
Cost or Valuation:					
As at 1st April 2014	-	9	741	13	763
Additions	59	-	71	-	130
Transfers	(59)	5	54	-	-
At 31st March 2015	**-**	**14**	**866**	**13**	**893**
Amortisation					
At 1st April 2014	-	9	728	13	750
Provided during the year	-	-	6	-	6
At 31st March 2015	**-**	**9**	**734**	**13**	**756**
Net Book Value at 1st April 2014	**-**	**-**	**13**	**-**	**13**
Net Book Value at 31 March 2015	**-**	**5**	**132**	**-**	**137**

6(b) Intangible Assets (Prior Year)

	Assets Under Construction	Software Licences £'000	Information Technology £'000	Other Intangible £'000	Total £'000
Cost or Valuation:					
As at 1st April 2013	-	9	741	13	763
At 31st March 2014	**-**	**9**	**741**	**13**	**763**
Amortisation					
At 1st April 2013	-	9	722	13	744
Provided during the year	-	-	6	-	6
At 31st March 2014	**-**	**9**	**728**	**13**	**750**
Net Book Value at 1st April 2013	**-**	**-**	**19**	**-**	**19**
Net Book Value at 31 March 2014	**-**	**-**	**13**	**-**	**13**

6. (c) Property, Plant and Equipment (Purchased Assets)

Year ended 31 March 2015

	Buildings (excluding dwellings)	Information Technology	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2014	258	197	455
Additions	74	8	82
At 31 March 2015	**332**	**205**	**537**
Depreciation			
At 1 April 2014	258	190	448
Provided during the year	14	9	23
At 31 March 2015	**272**	**199**	**471**
Net book value at 1 April 2014	-	7	7
Net book value at 31 March 2015	**60**	**6**	**66**
Asset Financing;			
Owned	60	6	66
Net Book value at 31 March 2015	**60**	**6**	**66**

6. (c) Property, Plant and Equipment (Purchased Assets)

Prior Year to 31 March 2014

	Buildings (excluding dwellings)	Information Technology	Total
	£'000	£'000	£'000
Cost or valuation			
At 1 April 2013	258	197	455
At 31 March 2014	**258**	**197**	**455**
Depreciation			
At 1 April 2013	206	183	389
Provided during the year	52	7	59
At 31 March 2014	**258**	**190**	**448**
Net book value at 1 April 2013	**52**	**14**	**66**
Net book value at 31 March 2014	**-**	**7**	**7**
Asset Financing;			
Owned	-	7	7
Net Book value at 31 March 2014	**-**	**7**	**7**

6(d) Donated Assets

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

6(e) Property, Plant and Equipment Disclosures

31 March 2014 £'000			31 March 2015 £'000
	Net book value of property, plant and equipment at 31 March		
7	Purchased	6(c)	66
7	**Total**		66
-	Net book value related to land valued at open market value at 31 March		-

There were no assets held under finance leases, hire purchase agreements or PFI or PPP contracts (prior year: nil)

7. Trade and Other Receivables

31 March 2014 £'000		31 March 2015 £'000
	Receivables due within one year	
64	Prepayments	72
64	**Total Receivables due within one year**	72
64	**TOTAL RECEIVABLES**	72
	WGA Classification	
64	Balances with bodies external to Government	72
64	**Total**	72

There is no provision for impairment of receivables (2014: £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 2015, receivables of carrying value of £nil (2014: £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 2014 £'000	The carrying amount of receivables are denominated in the following currencies:	31 March 2015 £'000
64	Pounds	72
64		72

8. Cash and Cash Equivalents

	At 01/04/14 £'000	Cash Flow £'000	At 31/03/15 £'000
Cash at bank and in hand	2	2	4
Total cash - balance sheet	**2**	**2**	**4**
Total cash - cash flow statement	**2**	**2**	**4**

Prior Year	At 01/04/13 £'000	Cash Flow £'000	At 31/03/14 £'000
Cash at bank and in hand	3	(1)	2
Total cash - balance sheet	**3**	**(1)**	**2**
Total cash - cash flow statement	**3**	**(1)**	**2**

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

9. Trade and Other Payables

31 March 2014 £'000		31 March 2015 £'000
	Payables due within one year	
	NHS Scotland	
10	Boards	-
10	**Total NHS Scotland Payables**	
2	General Fund Payable	4
16	Trade Payables	3
138	Accruals	422
-	Deferred Income	28
-	Income tax and social security	4
-	Lothian Pension Fund – Cessation Liability (note 15)	714
166	**Total Payables due within one year**	**1,175**
166	**TOTAL PAYABLES**	**1,175**
	WGA Classification	
10	NHS Scotland	-
-	Central Government Bodies	7
10	Whole of Government Bodies	-
146	Balances with bodies external to Government	1,168
166	**Total**	**1,175**

There are no borrowings in either 2014/15 or 2013/14.

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

31 March 2014		31 March 2015
£'000		£'000
166	Pounds	1,175
166		1,175

10. Movement on Working Capital Balances

2014 Net Movement Restated £'000		Note	2015 Opening Balances £'000	2015 Closing Balances £'000	2015 Net Movement £'000
	TRADE AND OTHER RECEIVABLES				
1	Due within one year	7	64	72	
			64	72	
1	**Net Decrease/(Increase)**				**(8)**
	TRADE AND OTHER PAYABLES				
(89)	Due within one year	9	166	1,175	
-	Less: Property, Plant & Equipment (Capital) included in above		-	-	
-	Less: Intangible Assets (Capital) included in above			(66)	
1	Less: General Fund Creditor included in above	9	(2)	(4)	
			164	1,105	
(88)	**Net (Decrease)/Increase**				**941**
	PROVISIONS				
-	Balance Sheet		114	30	
-	Transfer from Provision to General Fund		-	-	
26	**Net (Decrease)/Increase**		114	30	**(84)**
(61)	**NET MOVEMENT (Decrease)/Increase**				**849**

11. Contingent Assets and Liabilities

There are no Contingent Assets or Liabilities that have not been provided for in the accounts (2014: £nil).

12. Post Balance Sheet Events

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

13. Commitments

The Commission has no Capital Commitments as at 31 March 2015 (2014: £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 2015/16, analysed by the period during which the commitments expire are as follows:

	31 March 2015 £
Expiry within 1 year	3
Expiry within 2 to 5 years	50
Total	**53**

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

14. Commitments under Leases

31 March 2014 £'000	**Operating Leases** Total future minimum lease payments under operating leases are given the in the table below for the each of the following periods.	31 March 2015 £'000
	Obligations under operating leases comprise:	
	Land	
16	Not later than one year	22
-	Later than one year, not later than two years	22
-	Later than two years not later than five years	20
	Buildings	
146	Not later than one year	200
-	Later than one year, not later than two years	200
-	Later than two years not later than five years	177
	Other	
4	Not later than one year	10
4	Later than one year, not later than two years	13
3	Later than two years not later than five years	-
	Amounts charged to Operating Costs in the year were:	
6	Hire of equipment (including vehicles)	4
162	Other operating leases	183
168	**Total**	187

There are no contingent rents or Finance Leases.

15. Pension Costs

As described in note 1 (Accounting Policies) The Commission contributed to 2 defined benefit pension schemes, the National Health Service Superannuation Scheme (NHSSS) and the Lothian Pension Fund (LPF) for its directly employed staff. These schemes provide benefits based on final pensionable salary.

National Health Service Superannuation Scheme

(a) The Commission participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The 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 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019.

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

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

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

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

(iii) The employer contribution rate for the period from 1 April 2015 will be 14.9% of pensionable pay. While the employee rate applied is a variable it will provide an actuarial yield of 9.8% of pensionable pay.

(iv) At the last valuation a shortfall of £1.4 billion was identified in the notional fund which will be repaid by a supplementary rate of 2.6% of employers' pension contributions for fifteen years from 1 April 2015. This contribution is included in the 14.9% employers' contribution rate.

15. Pension Costs (Continued)

National Health Service Superannuation Scheme (continued)

(v) Commission level of participation in the scheme is 0.04% based on the proportion of employer contributions paid in 2013-14.

Local Government Pension Scheme

During the year, the Commission participated in the Lothian Pension Fund (LPF), part of the Local Government Pension Scheme, a defined benefit statutory scheme.

The Mental Welfare Commission of Scotland ("the Employer") ceased as an employing authority in the Lothian Pension Fund ("the Fund") on 30 March 2015.

An actuarial valuation of the Employer was undertaken as at 30 March to determine the liabilities that will remain with the Fund on cessation; and the final contribution due from the Employer (i.e. an adjustment to the Rates and Adjustments Certificate), as required under Regulation 34(1) of the Local Government Pension Scheme (Administration)(Scotland) Regulations 2008.

Funding position

The Employer's funding position as at 30 March 2015 is set out below:

	Valuation results 31 March 2014	**Cessation Results 30 March 2015**
	£'000	**£'000**
Liabilities		
Active	277	-
Deferred	10	20
Pensioner	1,594	2,558
Total liabilities	**1,881**	**2578**
Assets	1,718	1,865
Surplus / (Deficit)	**(164)**	**(714)**

As the assessed value of the past service liabilities on the cessation basis is greater than the assessed value of the employer's asset share at the cessation date, a cessation deficit of £714,000 is payable to the Fund (note 9).

15. Pension Costs (Continued)

The pension cost for the year was £655k (prior year: £19k) as follows;

	2014/15	2013/14
	£'000	£'000
Pension Cost charge for the Year	22	23
IAS 19(revised) adjustment	-	(7)
Additional cost arising from cessation payment provision included in the balance sheet	-	3
Additional Provision required to settle Cessation valuation liability as at 31 March 2015	633	-
Total Charge for the year	**655**	**19**

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Financial assumptions

The main financial assumptions underlying the actuarial assumptions are as follows;

	Valuation Funding Assumptions 31 March 2014	Cessation Assumptions 30 March 2015
Discount rates/ Anticipated Returns		
Pre Retirement	5.0%	2.2%
Post Retirement	5.0%	2.2%
Salary Increases	5.0%	4.7%
Benefit Increases	2.7%	2.4%

The valuation funding assumptions as at 31 March 2014 are those used for the 2014 formal valuation of the Fund. For further information, please see the final 2014 valuation report dated 31 March 2015.

The cessation assumptions as at 30 March 2015 are those recommend by the Actuary for the valuation of the Employer on cessation from the Fund.

The cessation assumptions are based on market conditions at 30 March 2015 but do not make any allowance for the outperformance of the Fund's assets above the rate of return on long dated gilts. The allowance in the valuation funding assumptions for asset outperformance was 1.5% p.a. at the most

15. Pension Costs (Continued)

recent formal valuation.

Mortality Assumptions

	Valuation Funding Assumptions 31 March 2014	Cessation Assumptions 30 March 2015
Current Pensioners		
Male	22.1 years	22.1 years
Female	23.7 years	23.7 years
Future Pensioners		
Male	24.2 years	24.2 years
Female	26.3 years	26.3 years

The valuation funding assumptions are those used for the 2014 formal

valuation of the Fund. Specifically, future improvements in longevity are in line with the CMI 2012 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. Further details on the derivation of these mortality assumptions can be found in the 2014 valuation final report.

The cessation mortality assumptions are the same but the liabilities are increased by 5% to reflect potential future improvements in longevity.

All other assumptions are set in line with those used for the formal valuation of the Fund as at 31 March 2014 (updated for financial conditions where appropriate).

The amounts recognised in the balance sheet are as follows:

	31 March 2014 £000
Present value of funded liabilities	(1,822)
Fair value of plan assets	1,741
Net (under)/overfunding in funded plans	(81)
Present value of unfunded liabilities	-
Deficit	**(81)**
Amount in balance sheet	
Liabilities	81
Net asset/(liability)	**(81)**

15. Pension Costs (Continued)

Analysis of the amount recognised in the SOCNE:

	31 March 2014 £'000
Current service cost	(17)
Interest income on plan assets	75
Interest cost on defined benefit obligation	(78)
Total	(20)

Analysis of amounts included in other comprehensive income:

	31 March 2014 £'000
Actuarial (losses) in defined benefit obligation	(49)
Actuarial gains in the fair value of plan assets	25
	(24)

Changes in fair value of the plan assets are as follows:

	31 March 2014 £'000
Opening fair value of employer assets	1,692
Interest income on plan assets	75
Plan participants contributions	6
Employer contributions	24
Re-measurements – return on assets excluding amounts included in net interest	25
Benefits paid	(81)
Closing fair value of employer assets	**1,741**

Reconciliation of defined benefit obligation:

	31 March 2014 £'000
Opening defined benefit obligation	1,753
Current service cost	17
Interest cost on defined benefit obligation	78
Plan participants contributions	6
Re-measurements – change in financial assumptions	49
Benefits paid	(81)
Closing defined benefit obligation	**1,822**

15. Pension Costs (Continued)

Fair Value of Employer Assets

The below asset values as at 31 March 2014 are at bid value as required under IAS19.

	31 March 2014			
Asset Categories	**Quoted Prices in Active Market £'000**	**Prices not quoted in Active Markets £'000**	**Total £'000**	**%**
Equity Securities				
Consumer	263.8	-	263.8	15
Manufacturing	237.7	-	237.7	14
Energy & Utilities	193.7	-	193.7	11
Financial institutions	121.3	-	121.3	7
Health and Care	118.8	-	118.8	7
Information Tech	113.3	-	113.3	7
Other	76.9	-	76.9	5
Debt Securities				
Corporate Bonds (Investment grade)	56.3	-	56.3	3
Corporate bonds (non-investment grade)	8.5	-	8.5	-
UK Government	59.2	-	59.2	3
Other	1.5	-	1.5	-
Private Equity				
All	14.2	197.0	211.2	12
Real Estate				
UK Property	-	121.3	121.3	7
O'Seas Property	-	14.1	14.1	1
Investment funds and unit trusts				
Equities	18.1	6.5	24.6	2
Bonds	-	7.4	7.4	-
Commodities	-	5.9	5.9	-
Other	-	5.7	5.7	-
Derivatives				
Other	0.2	-	0.2	-
Cash and Cash Equivalent				
All	99.7	-	99.7	6
Totals	**1,383.2**	**357.9**	**1,741**	**100**

16. Provisions

	Pensions and similar obligations	Participation in CNORIS	2015 Total
	£'000	£'000	£'000
At 1 April 2014	81	33	114
Utilised during the year	(81)	(3)	(84)
At 31 March 2015	**-**	**30**	**30**

Analysis of expected timing of discounted flows to 31 March 2015	Pensions and similar obligations	Participation in CNORIS	2015 Total
	£'000	£'000	£'000
Payable in one year	-	18	18
Payable between 2 - 5 years	-	12	12
At 31 March 2015	**-**	**30**	**30**

PROVISIONS (PRIOR YEAR)

	Pensions and similar obligations	Participation in CNORIS	2014 Total
	£'000	£'000	£'000
At 1 April 2013	61	27	88
Arising during the year	20	6	26
At 31 March 2014	**81**	**33**	**114**

Analysis of expected timing of discounted flows to 31 March 2014	Pensions and similar obligations	Participation in CNORIS	2014 Total
	£'000	£'000	£'000
Payable in one year	-	19	19
Payable between 2 - 5 years	81	14	95
At 31 March 2014	**81**	**33**	**114**

PROVISIONS 2013	Pensions and similar obligations	Participation in CNORIS	2013 Total
	£'000	£'000	£'000
At 1 April 2012	106	-	106
Arising during the year	-	27	27
Utilised during the year	(45)	-	(45)
At 31 March 2013	**61**	**27**	**88**

Analysis of expected timing of discounted flows to 31 March 2013	Pensions and similar obligations	Participation in CNORIS	2013 Total
	£'000	£'000	£'000
Payable in one year	-	16	16
Payable between 2 - 5 years	61	11	72
At 31 March 2013	**61**	**27**	**88**

17. Prior Year Adjustment and restated Statement of Comprehensive Net Expenditure, Statement of Changes in Taxpayers' Equity

Retrospective Restatement

A retrospective restatement has been recognised in these Accounts arising from the changes to the accounting treatment for CNORIS as set out at Notes 1.b) and 16.

The retrospective restatement is as follows:

Adjustment 1:	Dr Other Non-Clinical Services	£6,000
	Cr Provisions	£6,000

Adjustment to opening balance

The opening general fund balance for 2013/14 has been reduced by £27,000. This amount represents the Commission's share of the total liability of NHS Scotland as at 31 March 2013 as advised by the Scottish Government and based on information prepared by NHS Boards and the Central Legal Office. This amount is also recognised at note 16.

Reconciliation of Statement of Comprehensive Net Expenditure previously stated to restated as at 31 March 2014	**2013/14**
	£'000
Net Operating Costs previously stated	3,636
Prior year adjustment resulting from changes to the accounting treatment for CNORIS	6
Restated Net Operating Costs	**3,642**
Other Comprehensive net Expenditure previously stated	24
Total Comprehensive Expenditure restated	**3,666**

	2013/14
	£'000
SOCNE (Admin Costs) – CNORIS contributions	6
Net prior year charge to Net Operating Costs	**6**

17. Prior Year Adjustment and restated Statement of Comprehensive Net Expenditure, Statement of Changes in Taxpayers' Equity (continued)

Statement of Comprehensive Net Expenditure	Previously Stated 2013/14 £'000	Restated 2012/13 £'000
Administration costs	3,693	3,699
Less: Administration income	(57)	(57)
Net Operating Costs	3,636	3,642
Other Comprehensive Net Expenditure		
Actuarial gains/ losses on post employment benefit obligations	24	24
Total Comprehensive Expenditure	**3,660**	**3,666**

Statement of Changes in Taxpayers' Equity	Previously Stated 2013/14 £'000	Restated 2013/14 £'000
Administration costs	3,693	3,699
Less: Administration income	(57)	(57)
Net Operating Costs	3,636	3,642
Other Comprehensive Net Expenditure		
Actuarial gains/ losses on post employment benefit obligations	24	24
Total Comprehensive Expenditure	**3,660**	**3,666**

18. Financial Instruments

(a) Financial Instruments by category

2014 Total			Loans and Receivables	2015 Total
£'000	AT 31 MARCH 2015	Note	£'000	£'000
	Assets per balance sheet			
2	Cash and cash equivalents	8	4	4
2			**4**	**4**

2014 Total			Other financial liabilities	2015 Total
£'000	AT 31 MARCH 2015	Note	£'000	£'000
	Liabilities per balance sheet			
155	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	9	494	494
155			**494**	**494**

18. Financial Instruments (continued)

<u>Exposure to Risk</u>

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.

18(b) 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

18. Financial Instruments (continued)

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 balance sheet 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.

	Less than 1 year
	£'000
31-Mar-15	
Trade and other payables excluding statutory liabilities	494
Total	494

	Less than 1 year
	£'000
31-Mar-14	
Trade and other payables excluding statutory liabilities	155
Total	155

(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.

i) 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.

ii) Foreign Currency Risk
The Commission is not exposed to foreign exchange rates.

iii) 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.

19. Segmental Reporting

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

	Mental Welfare Commission £'000	National Confidential Forum £'000	Total 2015 £'000
Net operating cost	4,199	427	**4,626**
Depreciation and amortisation	13	16	**29**
Additions to non-current assets (other than financial instruments and deferred tax assets) (i.e. capital expenditure)	-	212	**212**

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

Two segments have been reported as follows;

(1) The Operational Management Group is presented with monthly segment accounts for the 'Core' operations of the Commission.

(2) The National Confidential Forum for Scotland (NCF) is a Committee of the Commission and operates independently, led by a Forum Head.

The following financial results for the year were presented to the May 2015 Management Groups;

	MWC 'Core'	NCF	Total
	£'000	**£'000**	**£'000**
Reported to Operational Management Group 04.05.15	3,565	-	3,565
Reported to Board 05.05.15	-	430	430
Lothian Pension Fund Cessation Charge	633	-	633
Late adjustments	1	(3)	(2)
Per Annual Accounts	**4,199**	**427**	**4,626**

19. Segmental reporting – Prior Year (as adjusted for prior year adjustment)

Segmental information as required under IFRS has been reported for each strategic objective

	Mental Welfare Commission Restated £'000	Total 2014 Restated £'000
Net operating cost	3,642	**3,642**
Revenue from external sources	57	**57**
Depreciation and amortisation	65	**65**

A single segment has been reported as the Operational Management Group is presented with monthly single segment accounts and runs the organisation based on these.

The following financial results for the year were presented to the May 2014 Management Group;

	£'000
Reported to Management Group 5th May 2014	3,636
Prior Year Adjustment – CNORIS : note 17	6
Per Restated Annual Accounts	**3,642**

The Commission received income from an external customer, seconding out a member of practitioner staff (at cost) during the year. The body who seconded staff from the Commission is based in Scotland.

20. Related Party Transactions

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

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

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 (FReM) which is in force for the year for which the statement of accounts are prepared.

3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.

4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.

5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006

Thistle House
91 Haymarket Terrace
Edinburgh
EH12 5HE
Tel: 0131 313 8777
Fax: 0131 313 8778
Service user and carer
freephone: 0800 389 6809
enquiries@mwcscot.org.uk
www.mwcscot.org.uk

Mental Welfare Commission (Oct 15)