

CORPORATE REPORT

MENTAL WELFARE COMMISSION FOR SCOTLAND

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED

31 March 2016

Thistle House
91 Haymarket Terrace
Edinburgh
EH12 5HE

MENTAL WELFARE COMMISSION FOR SCOTLAND

Annual Report and Accounts for year ended 31 March 2016

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Performance Report

1. Overview

1.1. Statement from the Chief Executive Officer

Influencing and challenging

There is a great deal of activity in the legislative and policy arenas for mental health and incapacity care and treatment that we seek to influence. The progressing of the Mental Health Act 2015 (MHA 2015) in the earlier part of the year and the work on updating associated regulations and codes of practice has given us additional work this year. There have also been significant developments affecting adults with incapacity following the Cheshire West case and the Scottish Law Commission review. We believe the entire legislative framework for non-consensual care and treatment (Adults with Incapacity Act (AWI), Mental Health (Care and Treatment) Act and Adult Support and Protection Act) requires a comprehensive review and that there are risks involved with the current piecemeal approach. We will support further discussion about law reform over the next year.

Operational

We continue to meet our key performance indicators. This year we started to publish our local visit reports to allow us to be more transparent in what we do. This has been welcomed by services and Scottish Government. Although we only published one investigation report during the year, we have completed the majority of the work on a second investigation which is likely to be published in the summer.

We are reviewing our major areas of work. Last year we completed a review of our visits and this year we have undertaken an internal review of our telephone advice line. During the year we started some work on how we might sustain our impact given increasing constraints in public sector finance. We will need to make some decisions on our strategic and operational priorities and changes to how we operate to maintain a balanced budget over the next three years.

1.2. Brief history

The Mental Welfare Commission for Scotland was originally constituted under the Mental Health Act of 1960 replacing a body that can be traced back to 1857. The current duties of the Commission are embodied in the Mental Health (Care & Treatment) (Scotland) Act 2003 (MHCT Act 2003) as amended by 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 Accounts 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.

1.3. Key issues and risks

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

Through the strategic planning and risk management processes the Board reviews the principal risks and uncertainties facing the Commission. This year the Board identified the ongoing operation of the National Confidential Forum (NCF) and the challenges in restraints of public sector resourcing – the core budget has remained at £3.6 million since 2011/12 and absorbed significant increases to NHS employer pension costs, annual pay increases and increases in costs of providing second medical opinions under Part 16 of MHA and section 48 of AWI.

Going forward the principal managed risks for the Commission are the sustainability of our current activities with a flat budget, ongoing operation of the NCF, the implementation of the Mental Health Act 2015, the implications of the Cheshire West case in relation to what constitutes a deprivation of liberty and the integration of health and social care.

1.4. Performance summary

Influencing and Empowering

During the year we continued to participate in the Scottish Parliament's cross party groups on mental health, dementia and learning disability. We responded to seven 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, now Mental Health Act 2015, through the Scottish Parliament. We submitted a formal submission to the Health and Sport Committee in May 2015 for the stage 2 debate. Our main concerns were about extensions to time limits to short term detention

certificates and suspension of detentions. We were pleased to see that the proposed extensions were not included in the new Act. We also welcome our new duties under the 2015 Act. The Act, when implemented, requires local authorities and health boards to inform the Commission about how they have made sure that people with mental ill health or learning disability have access to independent advocacy: someone to speak on their behalf. The Act also requires health boards to publicise advance statements, and notify the Commission about advance statements and what they are doing to publicise them to individuals. The Commission will keep a register of these notifications (but not the actual advance statement) and will be able to report on advance statements in the future.

During the review of the Bill, Scottish Ministers were asked to review the process of investigation when someone who has recently been in touch with mental health services commits a homicide. We have undertaken an initial review in discussion with Healthcare Improvement Scotland, the Crown Office and 100 families, a lobby group of family representatives of the victims of homicide. We presented a costed proposal to the Scottish Government in March 2016.

Scottish Ministers also committed to a review of whether people with learning disability and autism should be covered by mental health legislation and requested that the Commission and the Scottish Commission for Learning Disability (SCLD) carry out an initial scoping exercise to determine what should be covered in the review. The scoping exercise will take place over the summer of 2016, reporting to Scottish Government in the autumn.

We responded to the Scottish Government's consultation on the Scottish Law Commission report on adults with incapacity. We outlined our proposal for a system of graded guardianship which we believe is a more proportionate system than the current one. Our proposal would give recognition to supported decision making; focus attention on the real concerns about interference with the liberty and dignity of adults; promote the rights of the individual and family and carers; and reduce court time, legal aid costs and workload for MHOs and doctors.

The Commission Board provided the Scottish Government with its six priorities for inclusion in the next mental health strategy. They are; a target to reduce the huge disparity in life expectancy affecting people with severe mental health issues; a rights based approach; a focus on children and young people; responding better to those who do not fit our current service approaches; a commitment to ending unequal provision of care; and workforce development.

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 four 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 intensive psychiatric care units (IPCUs)
- individuals with learning disability in assessment and treatment units
- individuals receiving perinatal services
- individuals with severe and enduring mental illness supported in the community

We also carried out 121 local visits to hospitals and care services, of which 31 were unannounced. We particularly focus on units where there is a major deprivation of liberty, where intelligence gathered from themed visits, previous visits, service user concerns and other sources raise 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. This year we worked towards publishing our local visit reports on the website with the first reports published in March 2016.

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 2015/16 we processed 33,454 (14/15: 32,558) forms and other notifications related to mental health and incapacity legislation; 2,898 (14/15: 2,754) Guardianship and Intervention Orders; and registered around 952 (14/15: 1001) 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 advisory group we review our priorities for monitoring on an annual basis. In 2015/16 we continued to monitor services for younger people and advance statement overrides. We do this by monitoring paperwork sent to us by services.

This year we undertook some more detailed monitoring of young people admitted to non-specialist beds for care and treatment of mental health issues. As well as monitoring the paperwork, from October 2015 to April 2016 we visited all young

people admitted to non-specialist beds. A report from this work will be incorporated into the annual monitoring report on young people

This year we visited 462 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 one induction session and two training seminars for DMPs and organised 1,877 (14/15: 1,719) second medical opinions.

Investigations and Inquiries

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

This year we published one investigation into the death of Ms MN. We investigated the care and treatment which Ms MN received in the months leading to her death. The key recommendations for the Scottish Government and health boards and local authorities are:-

- A greater use of specialist assessments where people have autistic spectrum disorder and complex needs
- Better discharge planning, to ensure care homes and GPs have the right information and support to manage such people in community settings
- A review of the availability of specialist services for people with autistic spectrum disorders who do not fit into mental health or learning disability settings.

We will follow up the recommendations from this report in 2016/17.

During the year Scottish Ministers requested that we do an investigation into the care and treatment of a woman who killed her baby. The investigation team has completed the review of records, investigation interviews and will report in the summer of 2016.

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 6,870 (14/15: 7,782) with 4,839 of these allocated as requests for advice (the total also includes the 952 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.

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.

This year we produced a range of information materials on advance statements. In advance statements, people who have received treatment for mental ill health can say what treatment or care they would like, or would not like, if they get ill again. We produced a series of short promotional films with individuals who have benefitted from advance statements explaining how it helped them. Other films show nurses and doctors explaining how individuals they have cared for have used advance statements to help recovery. We also produced an information booklet and postcards to raise awareness of advance statements. In March 2016 we held an event to launch the advance statement information with over 100 attendees and have since sent out over 10,000 information booklets. The majority of this project was funded through a bequest.

We published one new good practice guide about powers of attorney. We consulted and drafted two new good practice guides; one on supported decision making and one on equality and mental health. These will be published in 2016/17. We updated three existing good practice guides.

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 78 senior practitioners from across Scotland attended.

We also ran three half day seminars for care home managers about powers of attorney. Unfortunately although we had a lot of interest in the seminars when advertised, participants did not turn up on the day in sufficient numbers for us to continue with these. We will review the content of the seminars during 2016/17 to consider other ways of making the information available.

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 provide our telephone advice line. This was a review of our internal procedures and recommendations to improve efficiency will be implemented during 2016/17.

We employed two engagement and participation officers, one with lived experience of mental ill health and one a carer. These posts will improve the lived experience and carer voice in the work of the Commission. The post holders will canvass opinion prior to themed visits of the main issues for people using those services and their carers, will visit individuals and will make contact with service user and carer groups throughout Scotland.

We published an engagement strategy for individuals and carers (2016-18) outlining how we intend to engage with these stakeholders over the next two years. A priority in this strategy is to set up engagement forums twice a year to inform the priorities in the business plan and our visiting and monitoring work. A pilot engagement forum will be held in 2016.

We have developed a project management system for much of our work to make our planning and implementing more efficient and effective. We held training for key staff and developed proportionate project management paperwork and manual for the size of our projects.

We reviewed our knowledge management systems and decided to upgrade our intranet to assist improvement both in knowledge management and internal communications. The new intranet will be implemented over the summer of 2016.

We improved the website to make it more user friendly and incorporate our published local visits and information on advance statements.

Following on from the staff survey and Investors in People (IIP) report we have developed our internal values, reviewed and updated our performance management system and improved our internal communications. Staff were fully involved in this process through engagement cafes and on the project work streams.

National Confidential Forum (NCF)

The National Confidential Forum held 58 hearings during the year. Initially the people came through networks of survivor groups. The Forum has implemented several communication campaigns to raise awareness of its work and to reach out to people who may wish to give testimony. Over the year the campaigns have become more targeted as the organisation learns from experience.

A new Head of the Forum was recruited in February 2016 and two new members in February and April 2016.

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 2016 and will be available on the Forum's website.

2. Performance Analysis

Financial Performance

The Commission's revenue resource allocation from the Scottish Government for 2015/16 was £4,417,000 (prior year £4,626,000). The Commission received no capital allocation in 2015/16.

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

The Commission received funding of £88,000 included in the financial memorandum to The Mental Health (Scotland) Act 2015 for the upgrade of the patient information system.

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

MEMORANDUM FOR IN YEAR OUTTURN

	£'000
Brought forward deficit/(surplus) from previous financial year	Nil
Saving/(excess) against in year total Revenue Resource Limit	Nil

The Commission is showing net liabilities of £282,000 (prior year: £962,000 net liabilities).

Given the continuing funding, the accounts have been prepared on the going concern basis.

Total current liabilities of £387,000 (note 9) are considerably lower than as at 31 March 2015. This is due to the inclusion in the 31 March 2015 liabilities of a cessation valuation liability of £714,000 resulting from the Commission ceasing as an employing authority in the Lothian Pension fund on 30th March 2015. This liability was settled on 26th June 2015. Further information on the Pension liability can be found in note 15, Pension Costs.

There were no impairments of receivables (2014/15: nil)

There are no significant remote contingent liabilities.

There are no legal obligations as at 31 March 2016.

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

Performance against Key Non-Financial 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 1,500 individual services users
- b) Complete 25% of local 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.

Type of visit	Target	Individuals visited	File review only	Total
Visits to individuals subject to AWI powers	450	462	0	462
Individuals seen as part of themed visits	220	310	0	310
SEMI	50	62		
IPCU	100	119		
LD in NHS beds	50	104		
Peri-natal	20	25		
Individuals seen as part of local visits	800	848	180	848
Individuals subject to MHA powers		281		
Individuals subject to AWI powers		65		
Individuals subject to CPSA powers		115		
Individuals that were informal		312		
Other/field not completed		75		
Other individual visits	30	50	5	50
(Young people, cross border transfer and MWC initiated)				
Individuals subject to MHA powers		31		
Individuals subject to AWI powers		0		
Individuals subject to CPSA powers		6		
Individuals that were informal		10		
Other/field not completed		3		
TOTALS	1500	1670	185	1855

In total we have reviewed the care and treatment of 1,855 individuals.

We met with 31 advocacy workers and 117 relatives/carers during our themed and local visits.

We completed 121 local visits, with 31 of these undertaken in an unannounced format (26%)

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 24 September 2015.

We will complete and publish two investigation reports by the end of March 2016

During the year we progressed 29 investigations, 17 of which were new. Of these one was published on the website.

We remitted five cases back to local services after initial investigation. In these cases, we expressed concerns and made recommendations to service managers for further internal investigation and action. In five cases, we looked at the review carried out by local services following which we were satisfied with the outcome. In four of these cases we were satisfied that there was no deficiency of care. In the remaining case, we were satisfied that appropriate action had been taken to address deficiencies identified.

We are continuing to investigate a further 19 cases.

Although we did not meet our KPI for this year, we published one report and completed analysis and interviews for a second investigation.

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 4,727 (14/15 5,143) calls allocated to duty practitioners as "requests for advice". When we audited calls this year, we found that around 9% (10%) 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 4,320 (4,629).

We audited 186 calls, which is 4% of the total "requests for advice" allocated to duty practitioners. We gave advice in 170 of these calls

Number of items of advice given	170
Accurate items of advice (Of which we thought we could have added to the advice given in 6 (3.5%) cases.)	168
Inaccurate items of advice	2 (1%)
% accuracy	99%
Target for accuracy	97.5%

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

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

Our local visits to individuals allow us to make specific recommendations to services. We made 409 recommendations following 108 local visits conducted during 1 January 2015 and 31 December 2015. Note that this is not the same as the number of visits reported during the year 1 April 2015 to 31 March 2016 as we allow a 3 month response window from services.

- a) We were satisfied that services had responded to 398 (97%) of recommendations.
- b) We have not yet received responses to 12 (3%) recommendations although we have been in contact with service managers to request this information. Responses were due by 31 March 2016 and we will take further action in 2016/17.
- c) We have therefore ensured that we followed up all recommendations for which response were due between 1 April 2015 and 31 March 2016.

We have therefore exceeded the performance indicator of 90% by undertaking follow-up action on 97% of our recommendations.

We are currently looking at improving how we write and follow up on our recommendations to further demonstrate our effectiveness in influencing service improvements through a targeted, risk based programme of local visits.

Sustainability and Environmental performing

The Commission is required, under the Climate Change (Scotland) Act 2009, to produce an annual report on sustainability. This was completed in October 2015 and is available on the website.

Approval and signing of the Performance Report



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Colin McKay
Chief Executive Officer
28th June 2016

Accountability Report

1. Corporate Governance Report

The Directors' Report

Date of Issue

The financial statements were approved and authorised for issue by the Board on 28 June 2016.

Appointment of auditors

The Public Finance and Accountability (Scotland) Act 2000 places personal responsibility on the Auditor General for Scotland 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 for Scotland has appointed Scott Moncrieff to undertake the audit of the Mental Welfare Commission for Scotland. 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 for Scotland.

Board Membership

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

Board Member	Date of 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 (page 17).

Board members' and senior manager's interests

During the year the Mental Welfare Commission for Scotland has not entered into any material related party transactions as per note 19.

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

Third party indemnity provisions

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

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.

Remuneration for non-audit work

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

Public Services Reform (Scotland) Act 2010

Sections 31 and 32 of the Public Services Reform (Scotland) Act 2010 impose new duties on the Scottish Government and listed public bodies to publish information on expenditure and certain other matters as soon as is reasonably practicable after the end of each financial year. A statement on this is available on our website <http://www.mwscot.org.uk>

Personal data related incidents reported to the Information Commissioner

During the year we reported one incident to the Information Officers office which was later resolved without loss of data. We have reviewed our processes and made improvements.

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 Commission 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 2015/16 average credit taken was 6 days (2014/15: 6 days)
- In 2015/16 the Commission paid 98.7% by value and 98.9% by volume within 30 days (2014/15: 100% and 99.5%)
- In 2015/16 the Commission paid 95.1% by value and 94.2% by volume within 10 days (2014/15: 80% and 93.9%)

Disclosure of Information to Auditors

The Executive Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Commission's auditor is unaware; and each Executive Director has taken all the steps that he/she ought reasonably to have taken as an Executive Director to make himself/herself aware of any relevant audit information and to establish that the Commission's auditor is aware of that information.

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.

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 17.

Statement of the Accountable Officer's responsibilities

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

This designation carries with it, responsibility for:

- the propriety and regularity of financial transactions under my control;
- 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 Government's Financial Reporting Manual and, in particular to;

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

I 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 20 March 2014.

Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Commission is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Commission as at 31 March 2016 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.

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 six times during the year to progress the business of the Commission. The Board also had an additional meeting to discuss its priorities for Scotland's next mental health strategy. These were presented to a Scottish Government representative at the Board meeting in March 2016 and published on our website.

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 2015. From this an improvement plan was developed which included a focus on stakeholder engagement. A Board member now chairs the advisory committee and Board members were present at end of year meetings with health boards and local authorities, patient rights pathway event and the launch of our promotional materials on advance statements.

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 and Norman Dunning (Chair)) and a co-opted member (Robin McNaught) who is an external person with expertise in NHS finance. It met three times during the year to consider the operational effectiveness of the internal control structure, to approve the strategic and annual internal audit plan and external audit arrangements 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 membership was reviewed and updated to ensure representatives from all of our key stakeholders are attending the group.

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 Forum comprises the Head and members. The Head resigned in May 2015 with a new appointment being made in February 2016. Three members were in post throughout the year with one acting as Head from July 2015 to January 2016. Two additional members were appointed, one in February 2016 and one in April 2016. The Head and members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. The Head is accountable to the Commission Chair. The Forum met 8 times during the year with minutes of the meetings presented to the Board and published on the Forum's website.

A member of the Forum reported to the Board in May, June, September, November, and January. The Head reported in March 2016.

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

The Chief Executive Officer is accountable to the Board through the Chair of the Commission. The Chair, along with the Board, agrees the Chief Executive Officer's annual objectives in line with the Commission's strategic and business plans. The members of the executive team set objectives with the Chief Executive Officer 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.
- 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 managers 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 Healthcare Improvement Scotland. We have memoranda of understanding with both organisations. We have also had discussions around joint working and where this would add value.

Review of Adequacy and Effectiveness

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

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Board meetings six times during the year and additional Board meeting to discuss Scotland's next mental health strategy;
- 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 operation 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 operation 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 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.

The Board approved the risk management strategy for 2016/17, which incorporates NCF, at its meeting in March 2016.

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. During the year we reported one incident to the office of the Information Commissioner which was later resolved without loss of data. We have reviewed our processes and made improvements.

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 to the Audit Committee three times a year. The NCF has a business continuity strategy approved by the Forum and reports on the action plan to the Audit Committee.

More generally, the organisation is committed to continuous development (see continuous improvement section of strategic report) 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 internal review of our telephone advice line
- In consultation with staff developed our internal values, new ways to communicate with staff and a new performance appraisal system
- Recruited two Engagement and Participation Officers, one with lived experience of mental illness and one a carer
- 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.
- Continued with the Excellence into Practice seminars including developing one for care home managers about powers of attorney
- 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

Disclosures

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

2. Remuneration Report

The Commission determines pay and terms and conditions of employment for staff. This is governed by the Board which recommended the pay remit to Scottish Ministers. Scottish Ministers approved the Pay remit agreed for the year ended 31 March 2016, in April 2015. There were no departures from the policy in 2015-16 or 2014-15.

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

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

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

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

Remuneration Table

	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						
Mr C McKay Chief Executive Officer Started: 11.04.14	95 - 100	-	-	95 -100	19	115 - 120
Dr G Morrison Executive Director (Medical) Started: 01.11.13	125 - 130	-	-	125-130	28	155 -160
Ms A McRae (note 2) Head of Corporate Services Started: 15.05.00	40 - 45	-	-	40 - 45	7	45 - 50
Mrs A Thomson Executive Director (Nursing) Started 22.10.12	65 - 70	-	-	65 - 70	46	110 - 115
Ms A K Fearnley Executive Director (Engagement and Participation) Started: 16.02.15	60 - 65	-	-	60 - 65	14	75 - 80
Mr M Diamond Executive Director (Social Work) Started: 23.03.15	60 - 65	-	-	60 - 65	34	95 - 100
Mr M Diamond Executive Director (Social Work) Started: 23.03.15	60 - 65	-	-	60 - 65	34	95 - 100

	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
Board Members					<i>note 4</i>	
Rev G Forbes (Chair) (<i>note 3</i>)	15 - 20	-	-	15 -20	-	15 -20
Mrs S Baxter	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

National Confidential Forum Public Appointees	Gross Fees (bands of £5,000)	Bonus Payment (bands of £5,000)	Benefits in Kind	Total Earnings In year (bands of £5,000)	Pension Benefits Note 4	Total Remuneration (bands of £5,000)
Dr R Happer Head of Forum (<i>Appointed 01.02.16</i>)	40 – 45	-	-	40 – 45	-	40 – 45
Dr E Calder Member	20 – 25	-	-	20 – 25	-	20 – 25
Mrs S Everingham Member	15 – 20	-	-	15 – 20	-	15 – 20
Professor K Hampton Member	20 – 25	-	-	20 - 25	-	20 - 25
Mr J Malcolm (<i>Appointed 14.03.16</i>)	0 - 5	-	-	0 - 5	-	0 - 5
Ms A Currie Head of Forum (<i>Resigned 12.05.15</i>)	15 - 20	-	-	15 - 20	-	15 - 20

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 2015-16.

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

<i>Note 2</i>	Full time equivalent Annualised Gross Salary (Bands of £5,000)
Ms A McRae	65 – 70

Note 3: Fee Paid to St Mary's Cathedral

Note 4: Board members and NCF public appointees are not in receipt of Pension benefits

Pensions Values Table

	Accrued Pension at age 60 as at 31/03/16 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	CETV At 31/03/16	CETV At 31/03/15	Real Increase In CETV
Executive	£'000	£'000	£'000	£'000	£'000
Mr C McKay	50 – 55 plus lump sum of 0 – 5	0 – 2.5 plus lump sum of 0 – 2.5	771	703	55
Dr G Morrison	40 – 45 plus lump sum of 120 – 125	0 – 2.5 plus lump sum of 5 – 7.5	715	659	37
Ms A McRae	10 – 15 plus lump sum of 40 – 45	0 – 2.5 plus lump sum of 0 – 2.5	254	237	11
Mrs A Thomson	25 – 30 plus lump sum of 85 – 90	0 – 2.5 plus lump sum of 5 – 7.5	534	477	49
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	17	2	7
Mr M Diamond (started 23.03.15)	35 – 40 plus lump sum of 0 – 5	0 – 2.5 plus lump sum of 0 – 2.5	560	516	36
Mrs M Fyfe (to 31.08.14)	-	-	-	-	-

Remuneration Report for the year ended 31 March 2015

	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						
Mr C McKay (from 11.04.14) Chief Executive Officer (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 & 9)	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

	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
Board Members					<i>note 8</i>	
Rev G Forbes (Chair) (<i>note 7</i>)	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

	Gross Fees (bands of £5,000)	Bonus Payment (bands of £5,000)	Benefit 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 and was paid three months pay in lieu of notice.

In accordance with the Financial Reporting Manual (FRM), 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

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

Note 9: Revised disclosure to include transfer in from previous employment.

Pensions Values Table

	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	0 – 2.5 plus lump sum	235	220	10

	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					
	of 35 - 40	of 0 - 2.5			
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) <i>Note 9</i>	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)	-	-	-	-	-

Fair Pay Disclosure

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

2015-16		2014- 15	
Highest Earning Executive's Total Remuneration (£000s)	127.5	Highest Earning Executive's Total Remuneration (£000s)	127.5
Median Total Remuneration	37.0	Median Total Remuneration	36.5
Ratio	3.49	Ratio	3.51
<p>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 slightly as the median salary has increased relatively more than the highest earning executive salary. 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.</p>			

Staff Report

Number of senior staff by band

Band (bands of £5,000)	2016 Number of Staff	2015 Number of Staff
Clinicians		
£50,001 to £55,000	6	7
£60,001 to £65,000	1	1
£65,001 to £70,000	1	1
Other		
£50,001 to £55,000	-	1

Staff Numbers

	Wte 2016 Annual Mean	Wte 2015 Annual Mean	Headcount 2016 Annual Mean	Headcount 2015 Annual Mean
Administration Costs	31.3	30.1	41	37
Hospital & Community Services	-	-	-	-
Non Clinical Services	19.2	19.1	24	23
Commission Total Average Staff	50.4	49.2	65	60
Permanent Staff	48.7	49.2	62	60
Staff with Short Term Contract	-	-	-	-
Inward Secondees	1.0	-	1	-
Agency Staff	0.8	-	2	-
Outward Secondees	-	-	-	-
Commission Total Average Staff	50.4	49.2	65	60
Disabled Staff	-	-	-	-
Special Advisors	-	-	-	-

The total number of staff engaged directly on capital projects, included in Staff Numbers above and charged to capital expenditure was nil (prior year: nil).

Staff Composition

	2016			2015		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	3	6	3	3	6
Board Members	5	4	9	5	4	9
Senior Employees	-	-	-	-	-	-
Other	19	40	59	20	34	54
Total Headcount	27	47	74	28	41	69

Sickness absence data

	2016	2015
Sickness Absence Rate	3.9%	3.4%

Staff Policies

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

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

Expenditure on consultancy

	2016	2015
	£	£
External Consultancy	-	-

As of 31 March 2016, there was one 'off payroll engagement' within the definition given in Public Expenditure System (PES) of 'for more than £220 per day and that lasted longer than six months'.

Off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, NHS Boards are required to publish information on their highly paid and/or senior off-payroll engagements. In line with the background and the purpose of this disclosure, such engagements are defined in these accounts as individuals who would, if employed directly, come within the scope of Senior Employees in the Remuneration Report.

This note excludes individuals engaged on a secondment or agency basis. The costs associated with these individuals are disclosed in these accounts within staff costs (note 2)".

The fees of the Chair of the Board are paid to St Mary's Cathedral under arrangements put in place by the Scottish Government when he was appointed.

	2016 Number	2015 Number
Number of existing engagements as of 31 March 2016	1	1
Of which, the number that have existed:		
• For 4 or more years at the time of reporting	1	1

Exit packages

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

Approval and signing of the Accountability Report

Signed.....

Colin McKay
Chief Executive Officer
Accountable Officer

28th June 2016

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

We have audited the financial statements of the Mental Welfare Commission for Scotland for the year ended 31 March 2016 under the National Health Service (Scotland) Act 1978. The financial statements comprise the Balance Sheet, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flows, 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 2015/16 Government Financial Reporting Manual (the 2015/16 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 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 Officer'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 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 Report and 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's affairs as at 31 March 2016 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 2015/16 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 and Staff 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 Performance Report 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 and Staff 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

For and on behalf of Scott-Moncrieff

Date: 29 June 2016

Exchange Place 3
Semple Street
Edinburgh
EH3 8BL

**Statement of Comprehensive Net Expenditure
For the Year ended 31 March 2016**

31 March 2015 £'000		Note	31 March 2016 £'000
4,626	Administration Costs	4	4,445
-	Less: Other Operating Income	5	(28)
<u>4,626</u>	Net Operating Costs		<u>4,417</u>
<u>-</u>	Other Comprehensive Expenditure		<u>-</u>
<u>4,626</u>	Total Comprehensive Expenditure		<u>4,417</u>

The Notes to the Accounts, numbered 1 to 19, form an integral part of these Accounts.

Statement of Comprehensive Net Expenditure - Summary of Resource Outturn

	Note	£'000	£'000
Net Operating Costs			4,417
Total Non Core Expenditure (see below)			(105)
Total Core Expenditure			4,312
Core Revenue Resource Limit			4,417
Saving/ (excess) against Core Revenue Resource Limit			105

Summary of Non Core Revenue Resource Outturn

Depreciation/ Amortisation	3,6	102	
Annually managed Expenditure – Movement of Provisions	16	3	
Total Non Core Expenditure			105
Non Core Revenue Resource Limit			-
Saving/(excess) against Non Core Revenue Resource Limit			(105)

Summary of Resource Outturn	Resource	Expenditure	Saving/ (Excess)
	£'000	£'000	£'000
Core	4,417	4,312	105
Non Core	-	105	(105)
Total	4,417	4,417	-

The Notes to the Accounts, numbered 1 to 19, form an integral part of these Accounts.

Balance Sheet

31 March 2015 £'000		Note	31 March 2016 £'000	31 March 2016 £'000
	Non-current assets:			
66	Property, plant and equipment	6(b)	33	
137	Intangible assets	6(a)	69	102
<u>203</u>	Total non-current assets			
	Current Assets:			
72	Trade and other receivables	7	31	
4	Cash and cash equivalents	8	5	36
<u>76</u>	Total current assets			
<u>279</u>	Total assets			<u>138</u>
	Current liabilities			
	Financial liabilities:			
(1,175)	Trade and other payables	9	(387)	(387)
<u>(1,175)</u>	Total current liabilities			<u>(387)</u>
<u>(896)</u>	Total assets less current liabilities			<u>(249)</u>
	Non-current liabilities			
(30)	Provisions	16	(33)	(33)
<u>(30)</u>	Total non-current liabilities			<u>(33)</u>
<u>(926)</u>	Assets less liabilities			<u>(282)</u>
	Taxpayers' Equity			
(926)	General Fund	SOCTE		(282)
<u>(926)</u>	Total taxpayers' equity			<u>(282)</u>

Adopted by the Commission on 28th June 2016

Signed.....
Graham Forbes
Chair

Signed.....
Colin McKay
Chief Executive Officer
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 to 19, form an integral part of these Accounts.

Statement of Cash Flows
For the year ended 31 March 2016

2015 £'000		Note	2016 £'000	2016 £'000
	Cash flows from operating activities			
(4,626)	Net operating cost	SOCNE	(4,417)	
29	Adjustments for non-cash transactions	3	102	
(8)	(Increase) / decrease in trade and other receivables	10	41	
943	Increase / (decrease) in trade and other payables	10	(723)	
(84)	Increase / (decrease) in provisions	10	3	
(3,746)	Net cash outflow from operating activities			(4,994)
	Cash flows from investing activities			
(82)	Purchase of property, plant and equipment		-	
(64)	Purchase of intangible assets		(66)	
(146)	Net cash outflow from investing activities			(66)
	Cash flows from financing activities			
3,896	Funding	SOCTE	5,062	
(2)	Movement in general fund working capital	SOCTE	(1)	
3,894	Cash drawn down			5,061
3,894	Net Financing			5,061
	Net Increase / (decrease) in cash and cash equivalents in the period			1
2	Cash and cash equivalents at the beginning of the period			4
4	Cash and cash equivalents at the end of the period			5
	Reconciliation of net cash flow to movement in net debt/cash			
2	Increase/(decrease) in cash in year			1
2	Net debt/cash at 1 April	8		4
4	Net Cash at 31 March	8		5

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 – 19, form an integral part of these Accounts.

Statement of changes in Taxpayers' Equity

Year ended 31 March 2016	Note	General Fund £'000	Total Reserves £'000
Balance at 31 March 2015		(926)	(926)
Changes in taxpayers' equity for 2015/16			
Net operating cost for the year		(4,417)	(4,417)
Total recognised income and expense for 2015/16		(4,417)	(4,417)
Funding:			
Drawn down		5,062	5,062
Movement in General Fund (Creditor) / Debtor		(1)	(1)
Balance at 31 March 2016		(282)	(282)

Year ended 31 March 2015 (prior year)	Note	General Fund £'000	Total Reserves £'000
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)

Notes to the Accounts

1) Accounting Policies

a) Authority

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

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

(i) Standards, amendments and interpretations effective in 2015/16

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 2015/16

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

b) Going Concern

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

c) Accounting Convention

The Accounts are prepared on a historical cost basis.

d) Funding

The expenditure of the Commission is met from funds advanced by the Scottish Government Population Health Improvement Directorate within an approved revenue resource limit. Cash drawn down to fund expenditure within this approved revenue resource limit is credited to the general fund.

All other income receivable by the Commission that is not classed as funding is recognised in the year in which it is receivable.

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

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

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

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

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

e) Property, plant and equipment

The treatment of capital assets in the accounts (capitalisation, valuation, depreciation, particulars concerning donated assets) is in accordance with the NHS Capital Accounting Manual.

Recognition

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

All assets falling into the following categories are capitalised:

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

Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

Specialised 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.

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

- 1) Buildings, installations and fittings are depreciated on current value over the estimated remaining life of the asset, as advised by the appointed valuer. They are assessed in the context of the maximum useful lives for building elements.
- 2) Assets in the course of construction are not depreciated until the asset is brought into use by the Commission.
- 3) Equipment is depreciated over the estimated life of the asset.

Depreciation is charged on a straight line basis.

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

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

National Confidential Forum (NCF) Assets

The NCF was established under the Victims and Witnesses (Scotland) Act 2014 which provided funding for three years. The assets of the NCF have accordingly been depreciated in line with that funding and will be fully depreciated by 31 March 2017.

f) Intangible Assets

Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Expenditure on research is not capitalised.

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

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

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

Software:

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

Software licences:

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

Measurement

Valuation:

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

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

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

Revaluation and impairment:

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

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

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

Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Software	5 years
Licences	5 years

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

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

h) Leasing

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.

i) 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 cashflows (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.

j) 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.

k) Inventories

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

l) 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.

m) 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 the NHS Superannuation Scheme for Scotland during the year:

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

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 five 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.

n) 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.

o) Related Party Transactions

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

p) 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.

q) 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.

r) Contingencies

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

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

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

s) 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.

t) Financial Instruments

Financial assets

Classification

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

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the 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.

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-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.

u) 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.

v) 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.

2) Staff Costs

31 March 2015 Total £'000	STAFF COSTS	Executive £'000	Board Members £'000	Permanent Staff £'000	Inward Secondees £'000	Other Staff £'000	NCF Head and Members £'000	31 March 2016 Total £'000
2,257	Salaries and fees	456	36	1,628	44	-	114	2,278
191	Social security costs	49	1	130	4	-	12	196
252	NHS scheme employers' pension costs	68	-	239	-	-	-	307
652	Other employers' pension costs (note 15)	-	-	-	8	-	-	8
320	Second Opinion Doctors	-	-	-	-	332	-	332
39	Short term staff	-	-	-	-	20	-	20
3,711	TOTAL	573	37	1,997	56	352	126	3,141

Note: Staff pension benefits are provided through the NHS Superannuation Scheme for Scotland. Details of the Scheme can be found in note 15.

3) Other Operating Costs

31 March 2015 £'000		Note	31 March 2016 £'000
	Expenditure Not Paid In Cash		
23	Depreciation	6b	33
6	Amortisation	6c	69
29	Total Expenditure Not Paid In Cash		102
	Statutory Audit		
16	External auditor's remuneration and expenses		17
1	During the year the Commission purchased non-audit taxation services from its auditor, Scott-Moncrieff.		1

4) Administration Costs

31 March 2015 £'000		Note	31 March 2016 £'000
554	Board and Executive	2(a)	610
1,019	Practitioner staff Costs		1,052
989	Casework Administration and Corporate Services		915
633	Losses arising from Lothian Pension Scheme cessation	15	-
320	Second Opinion Doctors Fees		332
196	NCF: Head, Members , Administration and short term staff		232
113	Travel and Subsistence		121
237	Accommodation Costs		246
29	Depreciation / Amortisation		102
128	Computer Equipment and Supplies		304
95	Office administration costs		82
71	Human Resources		56
96	Communications		211
55	Legal and Professional		84
91	Good Practice Projects		98
4,626	Total Administration Costs		4,445

5) Other Operating Income

31 March 2015 £'000		31 March 2016 £'000
	Other Operating Income	
	- Deferred Income from a bequest	28
	- Total Other Operating Income	28
	- Total Income	28

The Commission received a bequest of £28,000 from the estate of Mrs Rosemary Johnston Wilson which was used to part fund the Advance Statement project launched during the year.

6) Analysis of Capital Expenditure

31 March 2015 £'000		Note	31 March 2016 £'000
	EXPENDITURE		
130	Acquisition of Intangible Assets	6a	-
82	Acquisition of Property, plant and equipment	6b	-
212	Gross Capital Expenditure		-
212	Net Capital Expenditure		-
	SUMMARY OF CAPITAL RESOURCE OUTTURN		
212	Net capital expenditure as above		-
212	Capital Resource Limit		-
	Saving/(excess) against Capital Resource		-
-	Limit		-

6a Intangible Assets	Assets Under Construction	Software Licences	Information Technology	Other Intangible	Total
	£'000	£'000	£'000	£'000	£'000
Cost or Valuation:					
As at 1 April 2015	-	14	866	13	893
Additions	-	-	-	-	-
Disposals	-	-	(70)	-	(70)
At 31 March 2016	-	14	796	13	823
Amortisation					
At 1 April 2015	-	9	734	13	756
Provided during the year	-	2	66	-	68
Disposals	-	-	(70)	-	(70)
At 31 March 2016	-	11	730	13	754
Net Book Value at 1 April 2015	-	5	132	-	137
Net Book Value at 31 March 2016	-	3	66	-	69

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

6b Property, Plant and Equipment (Purchased Assets)

Year ended 31 March 2016	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
Cost or valuation			
At 1 April 2015	332	205	537
Additions	-	-	-
At 31 March 2016	332	205	537
Depreciation			
At 1 April 2015	272	199	471
Provided during the year	30	3	33
At 31 March 2016	302	202	504
Net book value at 1 April 2015	60	6	66
Net book value at 31 March 2016	30	3	33
Asset Financing			
Owned	30	3	33
Net Book value at 31 March 2016	30	3	33

6b Property, Plant and Equipment (Purchased Assets)

Year ended 31 March 2015	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'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

6c Donated Assets

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

6d Property, Plant and Equipment Disclosures

31 March 2015 £'000		Note	31 March 2016 £'000
	Net book value of property, plant and equipment at 31 March		
66	Purchased	6b	33
66	Total		33
-	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 2015 £'000		31 March 2016 £'000
	Receivables due within one year	
72	Prepayments	31
72	Total Receivables due within one year	31
72	TOTAL RECEIVABLES	31
	WGA Classification	
72	Balances with bodies external to Government	31
72	Total	31

There is no provision for impairment of receivables (2015: £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 2016, receivables of carrying value of £nil (2015: £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 2015		31 March 2016
£'000		£'000
	The carrying amount of receivables are denominated in the following currencies:	
<u>72</u>	Pounds	<u>31</u>
<u>72</u>		<u>30</u>

8) Cash and Cash Equivalents

	At 1 April 2015	Cash Flow	At 31 March 2016
	£'000	£'000	£'000
Cash at bank and in hand	<u>4</u>	<u>1</u>	<u>5</u>
Total cash - balance sheet	4	1	5
Total cash - cash flow statement	4	1	5
Prior Year	At 1 April 2014	Cash Flow	At 31 March 2015
	£'000	£'000	£'000
Cash at bank and in hand	<u>2</u>	<u>2</u>	<u>4</u>
Total cash - balance sheet	2	2	4
Total cash - cash flow statement	2	2	4

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

9) Trade and Other Payables

31 March 2015 £'000	31 March 2016 £'000
Payables due within one year	
NHS Scotland	
- Boards	6
- Total NHS Scotland Payables	6
4 General Fund Payable	5
3 Trade Payables	5
422 Accruals	367
28 Deferred Income	-
4 Income tax and social security	4
714 Lothian Pension Fund – Cessation Liability (note 15)	-
1,175 Total Payables due within one year	387
1,175 TOTAL PAYABLES	387
WGA Classification	
- NHS Scotland	6
7 Central Government Bodies	52
- Whole of Government Bodies	23
1,168 Balances with bodies external to Government	306
1,175 Total	387

There are no borrowings in either 2015/16 or 2014/15.

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

31 March 2015	31 March 2016
£'000	£'000
1,175 Pounds	387
1,175	387

10) Movement on Working Capital Balances

2015 Net Movement £'000	Note	2016 Opening Balances £'000	2016 Closing Balances £'000	2016 Net Movement £'000
TRADE AND OTHER RECEIVABLES				
(8) Due within one year	7	72	31	
		72	31	
(8) Net Decrease/(Increase)				41
TRADE AND OTHER PAYABLES				
1,009 Due within one year	9	1,175	387	
Less: Property, Plant & Equipment (Capital)				
- included in above		-	-	
Less: Intangible Assets				
(66) (Capital) included in above		(66)	-	
Less: General Fund				
(2) Creditor included in above	9	(4)	(5)	
		1,105	382	
941 Net (Decrease)/Increase				(723)
PROVISIONS				
(84) Balance Sheet		30	33	
Transfer from Provision to				
- General Fund		-	-	
(84) Net (Decrease)/Increase		30	33	3
NET MOVEMENT				
849 (Decrease)/Increase				(679)

11) Contingent Assets and Liabilities

There are no Contingent Assets or Liabilities that have not been provided for in the accounts (2015: £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 2016 (2015: £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 2016	31 March 2015
	£'000	£'000
Expiry within 1 year	28	3
Expiry within 2 to 5 years	50	50
Total	78	53

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

14) Commitments under Leases

31 March 2015

31 March 2016

£'000 Operating Leases

£'000

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

Obligations under operating leases comprise:

Land

22 Not later than one year	22
22 Later than one year, not later than two years	19
20 Later than two years not later than five years	-

Buildings

200 Not later than one year	194
200 Later than one year, not later than two years	171
177 Later than two years not later than five years	-

Other

10 Not later than one year	4
13 Later than one year, not later than two years	1
- Later than two years not later than five years	-

Amounts charged to Operating Costs in the year were:

4 Hire of equipment (including vehicles)	4
183 Other operating leases	212
187 Total	216

There are no contingent rents or Finance Leases.

15) Pension Costs

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

The employer contribution rate for the period from 1 April 2015 was 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. 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.

The Mental Welfare Commission for Scotland has no liability for other employers' obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The total employer contributions received for the NHS Scotland scheme in the year to 31 March 2015 were £659.8 million. The Mental Welfare Commission for Scotland level of participation in the scheme is 0.047% based on the proportion of employer contributions paid in 2014-15.

The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme as The Mental Welfare Commission for Scotland is unable to identify its share of the underlying assets and liabilities of the scheme.

	2016	2015
	£000	£000
Pension cost charge for the year	307	252
Additional Costs arising from early retirement	-	-
Provisions / Liabilities / Pre-payments included in the Balance Sheet	-	-
Pension costs for the year for staff transferred from local authority	-	-

Local Government Pension Scheme

The Mental Welfare Commission for 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.

As the assessed value of the past service liabilities on the cessation basis was greater than the assessed value of the employer's asset share at the cessation date, a cessation deficit of £714,000 was payable to the Fund (note 9). £714,000 was paid to the LPF on 26th June 2015 in settlement of the liability.

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

	Cessation Results 30 March 2015
Liabilities	
Active	-
Deferred	20
Pensioner	2,558
Total Liabilities	2,578
Assets	1,864
Surplus / (Deficit)	(714)

The pension cost for 2014/15 was £655k as follows;

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

The assumptions used by the actuary were 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.

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 recent formal valuation.

Mortality Assumptions	Cessation Assumptions at 30 March 2015
Current Pensioners	
Male	22.1 years
Female	23.7 years
Future Pensioners	
Male	24.2 years
Female	26.3 years

16) Provisions	Participation in CNORIS £'000	2016 Total £'000
At 1 April 2015	30	30
Arising during the year	10	10
Utilised during the year	(3)	(3)
Reverse unutilised	(4)	(4)
At 31 March 2016	33	33

**Analysis of expected timing of
discounted flows to 31 March 2016**

	£'000	£'000
Payable in one year	10	10
Payable between 2 - 5 years	13	13
Payable between 6 - 10 years	1	1
Thereafter	9	9
At 31 March 2016	33	33

PROVISIONS (PRIOR YEAR)	Pensions and similar obligations £'000	Participation in CNORIS £'000	2015 Total £'000
At 1 April 2014	81	33	114
Arising 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 £'000	Participation in CNORIS £'000	2015 Total £'000
Payable in one year	-	18	18
Payable between 2 - 5 years	-	12	12
At 31 March 2015	-	30	30

17) Financial Instruments

(a) Financial Instruments by category

2015 Total £'000	AT 31 March	Note	Loans and Receivables £'000	2016 Total £'000
Assets per balance sheet				
4	Cash and cash equivalents	8	5	5
<u>4</u>			<u>5</u>	<u>5</u>
2015 Total £'000	AT 31 March	Note	Other financial liabilities £'000	2016 Total £'000
Liabilities per balance sheet				
494	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	9	377	377
<u>494</u>			<u>377</u>	<u>377</u>

Exposure to Risk

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

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

Liquidity risk – the possibility that the Commission might not have funds available to meet its commitments to make payments.

Market risk – the possibility that financial loss might arise as a result of changes in such measures as interest rates, stock market movements or foreign exchange rates.

Because of the largely non-trading nature of its activities and the way in which health bodies are financed, the Commission is not exposed to the degree of financial risk faced by business entities.

Financial Risk Factors

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

(a) Credit Risk

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

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

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

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

(b) Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the Commission for revenue and capital purposes in a Budget Act for each financial year. Resources and accruing resources may be used only for the purposes specified and up to the amounts specified in the Budget Act. The Act also specifies an overall cash authorisation to operate for the financial Year. The Commission is not therefore exposed to significant liquidity risks.

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the 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.

31 March 2016	Less than 1 year £'000
Trade and other payables excluding statutory liabilities	376
Total	376
 31 March 2015	 Less than 1 year £'000
Trade and other payables excluding statutory liabilities	494
Total	494

(c) Market Risk

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

Cash flow and fair value interest rate risk

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

Foreign Currency Risk

The Commission is not exposed to foreign exchange rates.

Price risk

The Commission is not exposed to equity security price risk.

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

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

18) Segmental Reporting

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

	2015/16			2014/15		
	MWC	NCF	Total	MWC	NCF	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost	3,688	729	4,417	4,199	427	4,626
Depreciation and amortisation	4	98	102	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 2016 Management Groups;

Current year - 2015/16	MWC 'Core' £'000	NCF £'000	Total £'000
Reported to Operational Management Group 03.05.16	3,688	-	3,688
Reported to Board 10.05.16	-	726	726
Late adjustments	-	3	3
Per Annual Accounts	<u>3,688</u>	<u>729</u>	<u>4,417</u>

The Commission received income from a bequest. The benefactor and their executors are based in Scotland.

Prior year – 2014/15	MWC 'Core' £'000	NCF £'000	Total £'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	<u>4,199</u>	<u>427</u>	<u>4,626</u>

19) Related Party Transactions

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

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

Direction by the Scottish Ministers



MENTAL WELFARE COMMISSION FOR SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of sections 88(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as applied by Schedule 1 paragraph 8(c) of the Mental Health (Care and Treatment) (Scotland) Act 2003, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2008, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. Subject to the foregoing requirements, the accounts shall also comply with any accounts format, disclosure and accounting requirements issued by the Scottish Ministers from time to time.
4. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
5. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 30 December 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 10/2/2006



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@mwscot.org.uk
www.mwscot.org.uk