



MENTAL WELFARE COMMISSION FOR SCOTLAND

ANNUAL REPORT AND ACCOUNTS FOR YEAR ENDED

31 March 2018

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MENTAL WELFARE COMMISSION FOR SCOTLAND

Annual Report and Accounts for year ended 31 March 2018

Contents

Performance Report	2
1. Overview	2
2. Performance Analysis	11
Accountability Report	17
1. Corporate Governance Report	17
• The Directors' Report	17
• Statement of the Accountable Officer's responsibilities	19
• Governance Statement	21
2. Remuneration Report	28
3. Parliamentary Accountability Report	38
Independent Auditor's Report	39
Statement of Comprehensive Net Expenditure	43
Statement of Financial Position	45
Statement of Cash Flow	46
Statement of Changes in Taxpayers' Equity	47
Notes to the Accounts	48
Direction by the Scottish Ministers	79

Performance Report

1. Overview

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

1.1. Statement from the Chief Executive

This year we are, unusually, reporting on a budget underspend. There were two main reasons for this. Firstly there was some uncertainty around the future of the National Confidential Forum (see page 10) leading to a substantial revenue underspend. Secondly we had aimed to upgrade our patient database hardware and software by end of March 2018 but were unable to do so. This will be completed in 2018/19.

We have met the majority of our non-financial key performance indicators (pages 12 to 15).

1.2. Purpose and Activities of the Commission

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

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

Our mission and purpose

Our Mission

To be a leading and independent voice in promoting a society where people with mental illness, learning disabilities, dementia and related conditions are treated fairly, have their rights respected, and have appropriate support to live the life of their choice.

Our Purpose

We protect and promote the human rights of people with mental illness, learning disabilities, dementia and related conditions.

Our Priorities

To achieve our mission and purpose over the next three years we have identified four strategic priorities.

- To challenge and to promote change
- Focus on the most vulnerable
- Increase our impact (in the work that we do)
- Improve our efficiency and effectiveness

Our Activity

- Influencing and empowering
- Visiting individuals
- Monitoring the law
- Investigations and casework
- Information and advice

1.3. Key issues and risks

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

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

- A lack of resources meaning we are unable to fulfil our statutory remit as outlined in our strategic and business plans
- The impact of the National Confidential Forum on the reputation of the Commission should NCF receive negative publicity or be deemed to fail whilst a committee of the Commission
- Inability to change balance of workforce and skill mix if unable to recruit and given no compulsory redundancy policy

The Board discussed the development of the business plan at two meetings. This included discussions on prioritising work on our core functions and ensuring the business plan aligned with the four strategic priorities outlined in our strategy for 2017-2020.

Our latest Business Plan continues to ensure that all of our activity will be focussed to achieve these objectives and in so doing will ensure value for money.

Our core budget has remained at £3.6 million since 2011/12 and continues to absorb significant increases to NHS employer pension costs, annual pay increases, increases to employer national insurance and the costs of providing second medical opinions under Part 16 of MHCT Act 2003 and section 48 of AWI Act 2000. The use of these provisions in the Acts increases every year as reported in our monitoring reports. The Scottish Government has agreed that any expenditure on second opinions over 11% of our current core budget will be separately funded by them. Whilst this has helped with our longer term budget scenario planning, there is still substantial pressure to produce balanced budgets. We continue to review our ongoing financial sustainability and in particular are reviewing our accommodation costs.

During the year there was a period of uncertainty around the future role of the National Confidential Forum. No firm duration for the Forum was set when it was established, but it was assumed that it would conclude its work at some point. The Board had concerns about the number of people coming forward to give testimony, the changing landscape for stakeholders with the establishing of the Child Abuse Inquiry, Future Pathways, the Independent Care Review and consultations on redress and whether the Forum, in its current format, would continue to represent value for money in that landscape. The Commission presented Scottish Ministers with an options paper on the future of the Forum in April 2017, and our Chair presented these options to the Deputy First Minister and Minister for Mental Health in June. The Deputy First Minister spoke to representatives of survivors in October, and concluded that it was important

that the Forum continued in its current format meantime, and that survivors must be fully involved in discussions about the format of the acknowledgement function in the future. Scottish Government officials met with the Board in February 2018 to discuss the Government's ongoing response to historic child abuse, how the NCF fits into that strategy and how it will impact on future planning for NCF.

This period of uncertainty around how long the Forum might operate meant it was difficult to plan for the work of the Forum. In particular the work, and associated expenditure, on the Forum's communications to potential participants was delayed. Consequently from October 2017 to March 2018 the Forum only heard 13 testimonies. This resulted in an underspend in the Forum's budget in 17/18 of £494k.

1.4. Performance summary

Influencing and Empowering

A substantial area of work for us this year was to influence, and then respond to, the Scottish Government's consultation on reform of the Adults with Incapacity Act. This was one of the first pieces of legislation from the Scottish Parliament in 2000 and it seeks to safeguard the welfare and manage the finances of people who lack capacity due to learning disability, mental illness or a related condition, or who are unable to communicate. In the years since its introduction, the use of legislation has risen substantially, putting safeguards in the law under pressure. We believe a more flexible approach to welfare guardianship can be achieved which is more focussed on the needs and rights of the individual and less burdensome for the social care and legal systems. We will continue to try to influence the Scottish Government to move in this direction.

In May 2017 we launched our Rights in Mind resources; a booklet, good practice guide and films. The rights in mind pathway is designed to help staff in mental health services ensure that patients have their human rights respected at key points in their treatment. We received a grant of £15k from the Legal Education Foundation for 2017/18 to help us with this project. We contracted a research organisation to do an evaluation. The report's recommendations will help us to mainstream the work of the pathway into our own work and encourage services to take forward their work on rights.

The Mental Health (Scotland) Act 2015 created new duties for local authorities and health boards to tell the Commission how they have ensured access to advocacy services up to now, and how they plan to do so in the future. Ensuring that people have access to independent advocacy is a key protection in mental health law. An advocate can make sure a person with mental illness, learning disability or dementia has their voice heard, and has their views and wishes considered, when decisions are made about their lives. We sent out a survey to all health boards and local authorities to find out this information. We published a report showing that the planning and provision of advocacy services across Scotland is variable. There is often a lack of clarity on which organisation (health board, local authority or the new health and social care partnership) is responsible for co-ordinating the preparation of strategic advocacy plans, and on how advocacy providers and people using advocacy services will be

involved in planning. In particular, we want to see better planning and provision for advocacy for children and young people. We will follow up on the recommendations from this report and hope to see improvements in provision of advocacy services when we do our next survey in 2019-20.

We have participated in the Scottish Government's implementation group for its mental health strategy. This has included meeting with officials working specifically on actions for young people and leading a workshop on rights at the biennial meeting in November.

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

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 four Scottish Government policy or legislative consultation documents of relevance to the work of the Commission.

Visiting

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

This year we carried out two national themed visits. These visits 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 with dementia in community hospitals
- individuals with borderline personality disorder (report will be published in August 2018)

We also carried out 113 local visits to hospitals and care services, of which 29 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. The local visit reports are published on our website. A report summarising the findings from our local visits in 2017 will be published in September.

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 2017/18 we processed 36,752 (16/17: 35,754) forms and other notifications related to mental health and incapacity legislation; 3,335 (16/17: 3,291) Guardianship and Intervention Orders. We published annual statistics and analysis on the use of the Acts on our website for services to compare practice across the country. We decided that we would publish these reports on alternate years, AWI one year and MHA the next. This will allow us to carry out some more in depth analysis on specific areas of use of the Acts.

From this reporting and through consultations with our advisory group we review our priorities for monitoring on an annual basis. In 2017/18 we continued to monitor services for younger people and advance statement overrides. We do this by monitoring paperwork sent to us by services.

The Mental Health (Scotland) Act 2015 introduced a new duty for the Commission to register advance statements and to monitor how health boards are promoting the use of advance statements. The register came into effect in July 2017 and health boards complete a form to register an advance statement. Health Boards must keep the advance statement in the person's medical record and should not send a copy of the actual advance statement. The Commission plans to monitor how health boards are promoting advance statements in 2018/19.

This year we undertook some more detailed analysis of the use of place of safety. Place of safety orders can be used by the police to allow an individual to be assessed. Police cells should not be used as a place of safety. Following the publication of our report last year highlighting differences in practice throughout Scotland and we undertook a second phase of monitoring in 2017/18 to contact police officers who have used the order. We also engaged with some service user organisations to find out if individuals would share their experiences of being removed to a place of safety. The report will be published in July 2018.

This year we visited 294 people subject to guardianship orders under the Adults with Incapacity Act. We select a sample of guardianship orders based on our previous knowledge of the sorts of orders that might raise concerns. We review the paperwork and meet with the individual and their guardian or carer, where appropriate. We complete a standard monitoring form for each visit which allows us to compare and contrast the use of welfare guardianship across Scotland.

Under Section 233 of the MHCT Act 2003, the Commission is responsible for appointing Designated Medical Practitioners (DMPs). Their function is to provide a second medical opinion when medical treatments are prescribed under Part 16 of the MHCT Act 2003 (and section 48 of the AWI Act 2000). During the year we held two induction sessions and one seminar for DMPs and organised 1,925 (16/17: 1,858) second medical opinions.

Investigations and Inquiries

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

This year we published one investigation into the care and treatment of a man (Mr QR) who died as a result of a suicidal act following discharge from a psychiatric hospital. The case was brought to us by the Crown Office and Procurator Fiscal Service. We found that the approach to Mr QR's diagnosis was seriously flawed and the manner of his discharge was completely unacceptable. We made a range of recommendations to all NHS Boards and expect them to complete a self- assessment of the recommendations and make any adjustments required. We will be following up on the implementation of these recommendations over the next year.

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 5,087 (16/17: 6,078) with 4,518⁽¹⁾ (16/17: 4,475) of these allocated as requests for advice. Much of our work is at the complex interface between the individual's rights, the law and ethics and the care the person is receiving. We work across the continuum of health and social care and are the only organisation to do so.

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

We consulted on two new good practice guides during the year; the first on capacity and people with alcohol related brain damage and the second on capacity and young people with personality disorder. These guides will be written and published during 2018. We updated seven existing good practice guides to reflect changes in the Mental Health Act 2015.

⁽¹⁾ This number is all requests for advice which is different to requests for advice allocated to the duty practitioner reported in the KPIs

We published two short films about the Commission on the website. The first gives general information about who we are and what we do and the second gives more detailed information on how we visit individuals. Both films have versions with subtitles and British Sign Language (BSL).

Information Governance

This year we did a lot of work in preparation for the implementation of the General Data Protection Regulations (GDPR) and the Scottish Government's Cyber-resilience strategy (see governance statement page 25)

Continuous Improvement

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

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

We reviewed and improved our recommendations in local visit reports and the process for publication. All local visit reports are now approved by the Executive Director (Nursing) to ensure consistency of approach. This has also freed up significant time at the Operational Management Group which will be utilised to focus on strategic discussions and organisational development.

Alongside the monthly team briefs we have implemented a quarterly brief to all staff from the Chief Executive. This was implemented following a discussion at a short life working group looking at our values

We undertook a comprehensive review of our risk management processes to design a system proportionate to our organisation and which more clearly identifies the key strategic risks. We worked with our internal auditors who provided training to the Board, recommendations for improvement in a report on our risk management processes and ongoing work in the development of the new process. The new system better articulate the risks, identifies the current mitigations and any actions required. The key strategic risks are now set out in a dashboard which will be reported to every Audit, Risk & Information Governance committee.

The executive team has had facilitated team building workshops using an adapted form of the Aston team journey used extensively in the NHS. One of the reasons for doing the workshops was to follow up on feedback from the staff survey about a lack of consistency in approach from the executive team

We did a survey of our stakeholders to assess what areas of monitoring they would like us to review. Our intention is to complete more some more in-depth analysis on the use of mental health and incapacity legislation. From the survey, discussions at the Advisory Group and with staff we will focus on the increasing use of emergency detention certificates in 2018/19.

We evaluated the impact of the work we completed on the patient's rights pathway, using an external research company. The recommendations from this report will help us to consider how we mainstream the pathway into our work.

We have reviewed how we might produce information from our monitoring reports in an open data format. There are some concerns around whether some of the information produced could be identifiable especially in smaller health board areas. We are continuing to work on finding a way to resolve these issues and hope to publish some information in an open format over the next year.

We continue to discuss strategic priorities on our visiting and monitoring work and areas for good practice guide development with the advisory committee and staff.

The Board, Audit Committee and Operational Management Group carried out annual self -assessments of its effectiveness and implemented any changes identified.

National Confidential Forum (NCF)

The National Confidential Forum recorded 85 enquiries, received 39 applications and held 28 hearings during the year. It continues with new communication campaigns to raise awareness of its work and to reach out to people who may wish to give testimony.

The Forum published its annual report and, in April 2017, the Commission Board produced an options paper for Scottish Ministers on the future of the Forum. The decision to continue was confirmed by Scottish Ministers in the Autumn. Due to uncertainty over its future in the intervening months however, the Forum's promotional activities were put on hold resulting in a significant underspend on its 17/18 resource allocation.

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 2018 and will be available on the Forum's website.

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

Scottish Ministers announced a review of how the mental health act works for people with learning disability and autism in October 2017. This had been a commitment from Ministers during the passage of the Mental Health Act 2015 through the Parliament. Scottish Ministers appointed an independent chair of the review, Andrew Rome. The Secretariat (a Secretary and Project Manager) for the review are hosted by, and employees of, the Commission. The Review secretariat will comply with the Commission's business and corporate policies. The budget for the review is part of the Commission's allocation from the Scottish Government and the Chief Executive is therefore accountable for the appropriate use of these public funds.

2. Performance Analysis

Key Performance Indicators

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

Financial Performance

The Commission's revenue resource allocation from the Scottish Government for 2017/18 was £4,585,000 (prior year £4,455,000). The Commission received no capital allocation in 2017/18 (prior year £nil)

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

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

	Limit as set by SGHSCD £'000	Actual Outturn £'000	Variance (Deficit)/Surplus £'000
1 Core Revenue Resource Limit			
• MWC Core	3,600	3,582	18
• NCF	985	491	494
Non-core Revenue Resource Limit			
• MWC Core	0	0	0
• NCF	0	0	0
Total	4,585	4,073	512

MWC's Core Revenue Actual Outturn includes £34k (16/17 £Nil) for the costs to date of the Review of the Mental Health (Care and Treatment) (Scotland) Act 2003 for people with Learning Disability and Autism.

MEMORANDUM FOR IN YEAR OUTTURN

	£'000
Reported (Deficit)/Surplus in 2017-18	512
Approved Carry-forward (Deficit)/Surplus from previous financial year	Nil
(Deficit)/Surplus against in year total Revenue Resource Limit	512

The Commission is showing net liabilities of £309,000 (prior year: £180,000 net liabilities).

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

Total current liabilities of £309k (note 10) are slightly higher than as at 31 March 2017 due to a lower value of prepayments at the year end.

There were no impairments of receivables (2016/17: nil)

There are no significant remote contingent liabilities.

There are no legal obligations as at 31 March 2018.

There were no Events after the end of the reporting year requiring adjustment of the accounts.

Performance against Key Non-Financial Targets

The Commission had six key performance indicators (KPIs) outlined in its Business Plan for 2017/18. Performance against each of these KPIs is noted below.

- a) Visit at least 1,350 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 undertook other activity such as reviewing their case files.

Type of visit	Target	Individuals visited	Total
Visits to individuals subject to AWI powers	350	294	294
Individuals seen as part of themed visits	400		359
Of which			
<i>Dementia in community hospitals</i>	350	289	
<i>Borderline personality disorder</i>	50	70	
Individuals seen as part of local visits	600	750	750
Of the 750:		545	
Interview		205	
No interview but other activity			
Of the 750:			
<i>Individuals subject to MHA powers</i>		368	
<i>Individuals subject to AWI powers</i>		34	
<i>Individuals subject to CPSA powers</i>		95	
<i>Individuals that were informal</i>		194	
<i>Individuals subject to AWI and MHA powers</i>		28	
<i>Other/field not completed</i>		31	
Other individual visits (<i>Young people, cross border transfer and MWC initiated</i>)	0		53
Interview	42		
No interview but other activity	11		
TOTALS	1350		1456

In total we have reviewed the care and treatment of 1,456 individuals.

We carried out 113 local visits of which 29 were unannounced (26%)

We met with 108 relatives/carers during our local visits.

During the themed visits to community hospitals we met with 104 relatives/carers.

As part of the themed visits to people with borderline personality disorder we met with around 40 individuals as part of focus groups.

We will produce statistics and analysis on ten years of operation of the mental health act by 30 September 2017.

The report was published on 11 October 2017

We will produce statistics and analysis on the operation of AWI by 30 September 2017.

The report was published on 31 October 2017. We held up the publication of this report to allow sufficient time between the two monitoring reports.

We will complete and publish one investigation report by the end of March 2018

During the year we progressed 24 investigations, seven of which were new. Of these one was published on the website (Mr QR).

We closed eight cases during the year after we were satisfied with the responses from local services to our enquiries.

We met our KPI of publishing one 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 4,412 (2016-17 4,388) calls allocated to duty practitioners as "requests for advice". When we audited calls this year, we found that around 9% (7%) 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 4,002 (4,082).

We audited 172 calls, which is 4% of the total "requests for advice" allocated to duty practitioners. We gave advice in 156 of these calls.

Number of calls where advice given	156
Number of calls where advice accurate	150
Number of calls in which we could have added to the advice given	6
Inaccurate items of advice	1 (1%)
% accuracy	99%
Target for accuracy	97.5%

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

a) We will follow-up all our recommendations to services arising out of local visits and achieve satisfactory responses in no less than 95% of cases within the agreed timescale. We will publicly report upon this.

Our local visits to individuals allow us to make specific recommendations to services. We made 278 recommendations following 101 local visits conducted during 1 January 2017 and 31 December 2017. Note that this is not the same as the number of visits reported during the year 1 April 2017 to 31 March 2018 as we allow a 3 month response window from services.

- a) We were satisfied that services had responded to 256 (92%) of recommendations.
- b) We have not yet received responses to 22 (8%) recommendations. 19 of these recommendations have a response date of 6 June 2018 and reminders have been sent of the upcoming deadline. For the 3 that have passed the response deadline, we have been in contact with the service manager to request this information and we will take further action in 2018/19.
- c) We have therefore ensured that we followed up all recommendations to services and we received satisfactory responses to 92%. This is slightly below our performance indicator of 95% due to the fact that 19 of the recommendations were unable to be counted as they deadline was outside the reporting period.

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 2017/18 average credit taken was 5.7 days (2016/17: 5 days)
- In 2017/18 the Commission paid 100% by value and 100% by volume within 30 days (2016/17: 100% and 99.6%)
- In 2017/18 the Commission paid 98.2% by value and 94.6% by volume within 10 days (2016/17: 98.2% and 97.4%)

Pension Liabilities

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

Social matters

The Commission is an equal opportunities employer and has Disability Confident Employer accreditation. All staff are expected to comply with a range of policies covering legal and behavioural matters and are encouraged to participate in shaping corporate policy on, for example, sustainability and dignity at work. Our staff policies are regularly updated for any new legislation or recommended practice. Policies which change due to legislation are a mandatory read for all staff. Our fraud policy (which

covers anti bribery legislation) is updated annually and our code of conduct adopts the nine key principles for public bodies.

Sustainability and Environmental performing

As the Commission is not a listed body, it is not required, under the Climate Change (Scotland) Act 2009, to produce an annual report on sustainability.

Approval and signing of the Performance Report



.....
Colin McKay
Chief Executive Officer
25 June 2018

Accountability Report

1. Corporate Governance Report

The Directors' Report

Date of Issue

The financial statements were approved by the Board on 25 June 2018.

Appointment of auditors

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

Board Membership

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

Board Member	Date of appointment	Due to demit office
Very Revd Dr Graham Forbes CBE (Chair)	1 April 2011	31 March 2019
Mr Paul Dumbleton	1 April 2011	31 March 2019
Mr Norman Dunning	1 April 2011	31 March 2018
Dr Sivasankaran Sashidharan	1 April 2011	31 March 2018
Mrs Safaa Baxter	1 September 2014	31 March 2022
Ms Mary Twaddle	1 April 2017	31 March 2021
Mr Alexander Riddell	1 April 2017	31 March 2021
Mr Gordon Johnston	1 April 2017	31 March 2021
Mr David Hall	1 April 2018	31 March 2022
Ms Cindy Mackie	1 April 2018	31 March 2022

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

Statement of Board Members' Responsibilities

Under the National Health Service (Scotland) Act 1978, the Commission is required to prepare accounts in accordance with the directions of Scottish Ministers which require that those accounts give a true and fair view of the state of affairs of the Commission as at 31 March 2018 and of its operating costs for the year then ended. In preparing these accounts the Board Members are required to:

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

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

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

Board members' and senior 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.

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

Third party indemnity provisions

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

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.mwcscot.org.uk>

Personal data related incidents reported to the Information Commissioner

No personal data incidents were reported during the year (2016/17: None)

Disclosure of Information to Auditors

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

Statement of the Accountable Officer's responsibilities

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

This designation carries with it, responsibility for:

- the propriety and regularity of financial transactions under my control;
- 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 confirm that the Annual Report and Accounts as a whole are fair, balanced and reasonable.

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.

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

The Board completed a self-assessment in December 2017. The assessment identifies the key risks for the organisation and areas for improvement. The Board identified the key risks for the organisation as

- A lack of resources meaning we are unable to fulfil our statutory remit as outlined in our strategic and business plans
- The impact of the National Confidential Forum on the reputation of the Commission should NCF receive negative publicity or be deemed to fail whilst a committee of the Commission
- Inability to change balance of workforce and skill mix if unable to recruit and given no compulsory redundancy policy

The Board agreed that there should be a section for training or presentations from external people on areas of interest at each Board meeting, starting once new Board members were in post in May 2018.

Each Board member has an appraisal with the Chair. The Chair is subject to appraisal by the Scottish Government sponsor department. New guidelines for Chair and Board appraisals were issued in February 2017. During the year a working group of Board members reviewed the appraisal form along with forms from several other public bodies. A revised pro-forma was agreed and is being used for the 2017/18 appraisal cycle. Any development needs for individuals are identified through this process.

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

The A, R & IG Committee remit and membership is outlined in the standing orders. During the year the remit of the committee was expanded to fully incorporate the scrutiny of our information governance and security. The name of the committee now reflects its full scrutiny role and the standing orders were updated to reflect the new remit. The committee comprises two Board members: Sandy Riddell, member during the financial year and Chair from April 2018 (Norman Dunning, Chair until March 2018), and Gordon Johnston from May 2018 and a co-opted member (Robin McNaught) who is an external person with expertise in NHS finance. It met three times during the year to consider the operational effectiveness of the internal control structure, to approve the strategic and annual internal audit plan and external audit arrangements, risk management and information governance and security. The committee undertakes an annual self-assessment of its effectiveness and the Chair formally reports to the Board twice a year (once recommending the annual accounts and once an annual report of A,R & IG Committee activities and objectives for the following year). Minutes of each A,R & IG Committee meeting are presented to the Board.

By statute the Commission is required to have an advisory committee and it meets twice a year. Its remit and membership is outlined in the standing orders and includes

representatives from relevant stakeholder groups. The Advisory Committee gives the Board advice on the Commission's functions and how it exercises its functions.

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

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

The Forum comprises the Head and members. The Forum currently comprises a Head and two members. The Head and members are appointed by Scottish Ministers and the public appointments were made in accordance with the Commissioner for Public Appointments in Scotland's Code of Practice. In March 2018 a recruitment process was started to recruit a further two members. The Head is accountable to the Commission Chair and reported to every Board meeting. The Forum met six times during the year with minutes of the meetings presented to the Board and published on the Forum's website.

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.

In October 2017 the Minister for Mental Health announced that there would be an independent review of how the mental health act works for people with learning disability and autism. Andrew Rome was appointed by Scottish Ministers to lead this review. The Secretariat for the review (two posts) are employed by the Commission and follow our corporate and business processes. The Chief Executive of the Commission is accountable for the public funds for the review.

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

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

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

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

Review of Adequacy and Effectiveness

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

- executive and senior managers who are responsible for developing, implementing and maintaining internal controls across their areas;
- Board meetings six times during the year;
- periodic reports from the chair of the organisation's A,R & IG Committee, to the Board, concerning internal control;
- the 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;
- a corporate governance statement from the NCF outlining the internal control structure;
- the work of the internal auditors, who submit to the A,R & IG Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, control and governance processes, together with recommendations for improvement; and
- comments by the external auditors in their management letters and other reports.

Risk Assessment

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

Scrutiny of the risk management strategy is delegated to the A,R & IG Committee. During the year we reviewed our risk management approach to allow us to improve our procedures and implement recommendations from an internal audit report. The Board, executive team and key members of the corporate services team attended a risk management workshop in October 2017 run by KPMG, our internal auditors. The Board identified the key strategic risks in December and the risk management group did an exercise to identify the key risks from a staff perspective. The intention is to create a risk management dashboard for the key strategic risks, approved by the Board with progress updates to every A,R & IG committee. The risks will be more fully articulated and the impact of any mitigations shown through a system of gross and net scores for each risk. The key strategic risks will be approved at the Board in June 2018 and development of how we take forward other operational risks will be done over the following six months.

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 A,R & IG Committee. The Forum will review the action plan and report to the A,R & IG Committee three times a year.

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 which reports on the action plan to the A,R & IG Committee three times a year. The NCF has a business continuity strategy approved by the Forum which reports on the action plan to the A,R & IG Committee.

A significant amount of time and resource has been dedicated this year to information governance and security. We had a significant amount of work to do to prepare for the implementation of the General Data Protection Regulation (GDPR). This included awareness training for Board and staff, a review of our information flows and identifying the information asset owners and an update of several policies. Most of our processing is necessary so that we can carry out our statutory duties. We process personal data and sometimes personal, sensitive data to enable us to carry out these functions and this is the legal basis of the processing. We have updated our privacy statement and produced a film to explain how we collect and use personal information. We also updated our subject access request form and data protection policy. Over the next year we intend to complete more work on the information asset register and records management.

In May 2017 the Scottish Government published its cyber resilience strategy. We have reviewed the strategy and developed and implemented our own action plan. We held mandatory cyber security training for all staff in February and March and the content of this training has now been developed into a Learnpro module for new staff. One of the main actions was to complete a cyber essentials pre-assessment audit by the end of March 2018. We completed this in February with the Board agreeing in May 2018 that we should gain the cyber essentials accreditation this year. Over the next year we need to replace our firewall. Once this is done we will contract an external company to carry out a penetration test and vulnerability assessment of our external infrastructure. At that stage we will review whether to gain cyber essentials plus accreditation.

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

- Reviewed and improved our recommendations in local visit reports and the process for publication. All local visit reports are now approved by the Executive Director (Nursing) to ensure consistency of approach. This has also freed up significant time at the Operational Management Group which will be utilised to focus on strategic discussions and organisational development.
- Alongside the monthly team briefs we have implemented a quarterly brief to all staff from the Chief Executive. This was implemented following a discussion at a short life working group looking at our values
- Reviewed and revised its risk management processes which now better articulate the risks. The key strategic risks are now set out in a dashboard which will be reported to every A, R & IG committee
- The executive team has had facilitated team building workshops using an adapted form of the Aston team journey

- Implemented a survey to assess what areas of monitoring our stakeholders would like us to review
- Evaluated the impact of the work we completed on the patient's rights pathway. The recommendations from this report will help us to consider how we try to mainstream the pathway into our work.
- Reviewed how we might produce information from our monitoring reports in an open data format
- 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, A,R & IG Committee and Operational Management Group and implemented improvements.

Disclosures

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

2. Remuneration Report

The Commission determines pay and terms and conditions of employment for staff. This is governed by the Board which recommended the pay remit to Scottish Ministers. Scottish Ministers approved the Pay remit agreed for the year ended 31 March 2018, in April 2017. There were no departures from the policy in 2017/18, 2016/17 or 2015/16.

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

The remuneration of the Board, NCF Head of Forum, NCF Panel Members, and the Chief Executive Officer is covered by the Public Sector Pay Policy 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 <i>Chief Executive Officer</i> <i>Started: 11.04.14</i>	100 - 105	-	-	100 - 105	15	115 - 120
Dr G Morrison <i>Executive Director (Medical)</i> <i>Started: 01.11.13</i>	130 - 135	-	-	130 - 135	34	165 - 170
Ms A McRae <i>(note 2)</i> <i>Head of Corporate Services</i> <i>Started: 15.05.00</i>	40 - 45	-	-	40 - 45	0	40 - 45
Mrs A Thomson <i>Executive Director (Nursing)</i> <i>Started 22.10.12</i>	65 - 70	-	-	65 - 70	17	85 - 90
Ms A K Fearnley <i>(note 2)</i> <i>Executive Director (Engagement and Participation)</i> <i>Started: 16.02.15</i>	40 - 45	-	-	40 - 45	9	50 - 55
Mr M Diamond <i>Executive Director (Social Work)</i> <i>Started: 23.03.15</i>	65 - 70	-	-	65 - 70	20	85 - 90

**Mental Welfare Commission for Scotland
Accountability Report**

**Annual Report and Accounts
31 March 2018**

	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 3</i>	
Rev G Forbes (Chair)	10 - 15	-	-	10 - 15	-	10 - 15
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 G Johnston	0 - 5	-	-	0 - 5	-	0 - 5
Mr A Riddell	0 - 5	-	-	0 - 5	-	0 - 5
Dr S Sashidharan	0 - 5	-	-	0 - 5	-	0 - 5
Ms M Twaddle	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 3	Total Remuneration (bands of £5,000)
Dr R Happer Head of Forum	50 - 55	-	-	50 - 55	-	50 - 55
Mr J Malcolm (Appointed 14.03.16)	25 - 30	-	-	25 - 30	-	25 - 30
Ms A Farrington (Appointed 07.11.16)	15 - 20	-	-	15 - 20	-	15 - 20

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

The 'total earnings in year' column shows the remuneration relating to actual earnings payable in 2017 -18

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
Ms K Fearnley	65 – 70

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

Pensions Values Table

	Accrued Pension at age 60 as at 31/03/18 (bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2018 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31 March 2018 (bands of £2,500)	CETV At 31/03/18	CETV At 31/03/17	Real Increase In CETV
Executive	£'000		£'000		£'000	£'000	£'000
Mr C McKay	55 - 60	0 - 5	0 – 2.5	0 – 2.5	906	861	31
Dr G Morrison	45 - 50	140 - 145	0 – 2.5	5.0 – 7.5	909	843	47
Ms A McRae	10 – 15	45 - 50	0 – 2.5	0 – 2.5	301	288	4
Mrs A Thomson	30 - 35	100 - 105	0 – 2.5	2.5 – 5.0	672	633	30
Ms A K Fearnley	0 – 5	0 - 5	0 – 2.5	0 – 2.5	47	35	3
Mr M Diamond	40 - 45	0 – 5	0 – 2.5	0 – 2.5	675	636	30

Remuneration Report for the year ended 31 March 2017

	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 <i>Chief Executive Officer</i> <i>Started: 11.04.14</i>	95 – 100	-	-	95 -100	41	140 -145
Dr G Morrison <i>Executive Director (Medical)</i> <i>Started:01.11.13</i>	130 - 135	-	-	130 - 135	54	180 - 185
Ms A McRae <i>(note 2)</i> <i>Head of Corporate Services</i> <i>Started:15.05.00</i>	40 - 45	-	-	40 - 45	28	65 -70
Mrs A Thomson <i>Executive Director (Nursing)</i> <i>Started 22.10.12</i>	65 - 70	-	-	65 - 70	46	110 -115
Ms A K Fearnley <i>Executive Director (Engagement and Participation)</i> <i>Started: 16.02.15</i>	65 - 70	-	-	65 - 70	14	75 - 80
Mr M Diamond <i>Executive Director (Social Work)</i> <i>Started:23.03.15</i>	60 - 65	-	-	60 - 65	20	80 - 85

**Mental Welfare Commission for Scotland
Accountability Report**

**Annual Report and Accounts
31 March 2018**

	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	5 -10	-	-	5 -10	-	5 -10
Mr P Dumbleton	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Dunning	0 - 5	-	-	0 - 5	-	0 - 5
Mr N Henderson	0 - 5	-	-	0 - 5	-	0 - 5
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	50 - 55	-	-	50 - 55	-	50 - 55
Dr E Calder Member (<i>Resigned 15.02.17</i>)	20 - 25	-	-	20 - 25	-	20 - 25
Mrs S Everingham Member (<i>Resigned 15.02.17</i>)	10 - 15	-	-	10 - 15	-	10 -15
Professor K Hampton Member (<i>Resigned 15.02.17</i>)	20 - 25	-	-	20 - 25	-	20 - 25
Mr J Malcolm (<i>Appointed 14.03.16</i>)	15 - 20	-	-	15 - 20	-	15 - 20
E Taylor (<i>appointed 11.04.16 / Resigned 18.01.17</i>)	10 - 15	-	-	10 - 15	-	10 - 15
Ms A Farrington (<i>Appointed 07.11.16</i>)	5 - 10	-	-	5 - 10	-	5 - 10

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 until 31.7.16

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 31/03/17 (bands of £5,000)	Total accrued lump sum at age 65 at 31 March 2017 (bands of £5,000)	Real Increase In pension At age 60 (bands of £2,500)	Real Increase in lump sum at age 65 at 31 March 2017 (bands of £2,500)	CETV At 31/03/17	CETV At 31/03/16	Real Increase In CETV
Executive	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Mr C McKay	60 - 65	0 - 5	2.5 – 5	0 - 5	940	868	72
Dr G Morrison	40 – 45	130 - 135	0 – 2.5	7.5 – 10	818	739	60
Ms A McRae	10 – 15	45 - 50	0 – 2.5	2.5 – 5	298	263	25
Mrs A Thomson	30 - 35	90 - 95	0 – 2.5	5 – 7.5	606	552	45
Ms A K Fearnley	0 – 5	0 - 5	0 – 2.5	0 – 5	37	19	18
Mr M Diamond	40 - 45	0 – 5	0 – 2.5	0 – 5	618	582	28

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;

2017-18		2016-17	
Range of Staff Remuneration	18.3 – 132.5	Range of Staff Remuneration	17.9 – 132.5
Highest Earning Executive's Total Remuneration (£000s)	132.5	Highest Earning Executive's Total Remuneration (£000s)	132.5
Median Total Remuneration	39.6	Median Total Remuneration	36.5
Ratio	3.31	Ratio	3.57
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 decreased as the median salary has increased slightly due to changes in staff composition. The highest earning Executive is a consultant psychiatrist and is remunerated in line with medical consultant pay of the NHS in Scotland.			

Staff Report

a) Higher Paid Employees' Remuneration

Band (bands of £5,000)	2018 Number of Staff	2017 Number of Staff
£95,000 to £100,000	0	1
£100,000 to £105,000	1	0
£130,000 to £135,000	1	1

b) Staff Costs and numbers

31 March 2017 Total £'000	Executive £'000	Board Members £'000	Permanent Staff £'000	Other Staff £'000	NCF Head and Members £'000	31 March 2018 Total £'000
STAFF COSTS						
2,362 Salaries and fees	455	29	1,681	16	92	2,272
250 Taxation and social security costs	56	2	176	2	9	245
306 NHS scheme employers' pension costs	68	-	232	0	8	308
8 Other employers' pension costs	-	-	-	2	-	2
336 Second Opinion Doctors	-	-	-	341	-	341
1 Short term staff	-	-	-	0	-	0
3,263 TOTAL	579	31	2,088	361	109	3,168

STAFF NUMBERS

66.2	Whole Time Equivalent (WTE)	5.2	8	45.3	0.5	3	62.0
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c) Staff Composition

	2018			2017		
	Male	Female	Total	Male	Female	Total
Executive Directors	3	3	6	3	3	6
Board Members	6	2	8	5	3	8
NCF Members	1	1	2	1	5	6
Other	19	45	64	20	39	59
Total Headcount	29	51	80	29	50	79

d) Sickness absence data

	2018	2017
Sickness Absence Rate	6.4%	4.9%

e) Staff Policies

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

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

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

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

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

f) Exit packages

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

3. Parliamentary Accountability Report

The Board were not required to approve the write off of any losses or make any large special payments during the financial year under review (2016-17 - £Nil)

Approval and signing of the Accountability Report

Signed.....



Colin McKay
Chief Executive Officer
Accountable Officer
25 June 2018

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

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

Report on the audit of the financial statements**Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of the Mental Welfare Commission for Scotland for the year ended 31 March 2018 under the National Health Service (Scotland) Act 1978. The financial statements comprise the the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers of the state of the board's affairs as at 31 March 2018 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the National Health Service (Scotland) Act 1978 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

Independent Auditor's Report

31 March 2018

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

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

Responsibilities of the Accountable Officer for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Other information in the annual report and accounts

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

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider

Independent Auditor's Report

31 March 2018

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

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

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

Responsibilities for regularity

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



Nick Bennett
For and on behalf of Scott-Moncrieff
Exchange Place 3
Sempole Street
Edinburgh
EH3 8BL

Date: 29 June 2018

Statement of Comprehensive Net Expenditure

31 March 2018

**Statement of Comprehensive Net Expenditure
For the Year ended 31 March 2018**

31 March 2017			31 March 2018
£'000		Note	£'000
3,263	Staff costs	3a	3,168
1,105	Other operating expenditure	3b	920
<u>4,368</u>	Gross expenditure for the year		<u>4,088</u>
-	Less: operating income	4	(15)
<u>4,368</u>	Net expenditure for the year		<u>4,073</u>
<u>-</u>	Other Comprehensive Net Expenditure		<u>-</u>
<u>4,368</u>	Comprehensive Net Expenditure		<u>4,073</u>

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

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which better reflects the activities of the Commission. The comparative information in respect of 2016-17 has been presented above in the new format.

Comparative information in respect of 2016-17 has not been restated.

Full details of changes to the presentation of the Statement of Comprehensive Net Expenditure are disclosed in Note 17.

Statement of Comprehensive Net Expenditure

31 March 2018

Summary of Resource Outturn	Note	£'000	£'000
Net Expenditure	SOCN E		4,073
Total Non Core Expenditure			-
Total Core Expenditure			4,073
Core Revenue Resource Limit			4,585
Saving/ (excess) against Core Revenue Resource Limit			512

Summary of Resource Outturn	Resource £'000	Expenditure £'000	Saving/ (Excess) £'000
Core	4,585	4,073	512
Non Core	-	-	-
Total	4,585	4,073	512

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

Statement of Financial Position

31 March 2017 £'000		Note	31 March 2018 £'000	31 March 2018 £'000
	Non-current assets:			
0	Property, plant and equipment	7(a)	0	
0	Intangible assets	6(a)	0	0
<u>0</u>	Total non-current assets			
	Current Assets:			
	Financial assets:			
81	Trade and other receivables	8	28	
14	Cash and cash equivalents	9	3	
<u>95</u>	Total current assets			31
<u>95</u>	Total assets			<u>31</u>
	Current liabilities			
	Financial liabilities:			
(241)	Trade and other payables	10	(309)	
<u>(241)</u>	Total current liabilities			(309)
	Non-current assets plus/less net current assets/liabilities			<u>(278)</u>
	Non-current liabilities			
(34)	Provisions	11	(34)	
<u>(34)</u>	Total non-current liabilities			(34)
<u>(180)</u>	Assets less liabilities			<u>(312)</u>
	Taxpayers' Equity			
(180)	General Fund	SOCTE		(312)
<u>(180)</u>	Total taxpayers' equity			<u>(312)</u>

The financial statements on pages 43 to 78 were approved by the Board on 25th June 2018 and signed on their behalf by

Signed.....
Graham Forbes
Chair

Signed.....
Colin McKay
Chief Executive Officer
Accountable Officer

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

Statement of Cash Flow
For the year ended 31 March 2018

2017 £'000		Note	2018 £'000	2018 £'000
Cash flows from operating activities				
(4,368)	Net expenditure	SOCNE	(4,073)	
102	Adjustments for non-cash transactions	2 (a)	0	
(195)	Movements in working capital	2 (b)	121	
(4,461)	Net cash outflow from operating activities			(3,952)
Cash flows from financing activities				
4,471	Funding	SOCTE	3,941	
(1)	Movement in general fund working capital	SOCTE	0	
4,470	Cash drawn down			3,941
4,470	Net Financing			3,941
Net Increase / (decrease) in cash and cash equivalents in the period				
9				(11)
Cash and cash equivalents at the beginning of the period				
5				14
Cash and cash equivalents at the end of the period				
14				3
Reconciliation of net cash flow to movement in net debt/cash				
9	Increase/(decrease) in cash in year			(11)
5	Net debt/cash at 1 April	9		14
14	Net Cash at 31 March	9		3

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 2018	Note	General Fund £'000	Total Reserves £'000
Balance at 31 March 2017		(180)	(180)
Changes in taxpayers' equity for 2017/18			
Net operating cost for the year	CFS	(4,073)	(4,073)
Total recognised income and expense for 2017/18		(4,073)	(4,073)
Funding:			
Drawn down	CFS	3,941	3,941
Movement in General Fund (Creditor) / Debtor			
Balance at 31 March 2018	SoFP	(312)	(312)

Year ended 31 March 2017 (prior year)	Note	General Fund £'000	Total Reserves £'000
Balance at 31 March 2016		(282)	(282)
Changes in taxpayers' equity for 2016/17			
Net operating cost for the year	CFS	(4,368)	(4,368)
Total recognised income and expense for 2016/17		(4,368)	(4,368)
Funding:			
Drawn down	CFS	4,471	4,471
Movement in General Fund (Creditor) / Debtor	CFS	(1)	(1)
Balance at 31 March 2017	SoFP	(180)	(180)

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

Notes to the Accounts

1) Accounting Policies

a) Authority

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

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

(i) Standards, amendments and interpretations effective in 2017/18

There are no new standards, amendments or interpretations effective for the first time this year.

(ii) Standards, amendments and interpretations issued in the current year but not yet effective.

IFRS 16 Leases was published by the International Accounting Standards Board in January 2016 and is applicable for accounting periods beginning on or after 1 January 2019. This means that for the Mental Welfare Commission, the standard will be effective for the year ending 31 March 2020.

IFRS 16 will require leases to be recognised on the Statement of Financial Position as an asset which reflects the right to use the underlying asset, and a liability which represents the obligation to make lease payments. At the date of authorisation of these financial statements, IFRS 16 has not been adopted for use in the public sector, and has not been included in the FReM. As such it is not yet possible to quantify the impact of IFRS 16 accurately.

b) Going Concern

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

c) Accounting Convention

The Accounts are prepared on a historical cost basis.

d) Funding

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

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

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

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

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

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

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

e) Property, plant and equipment

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

Recognition

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

All assets falling into the following categories are capitalised:

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

Measurement

Valuation:

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

All assets are measured subsequently at fair value as follows:

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

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

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

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

Subsequent expenditure: Subsequent expenditure is capitalised into an asset's carrying value when it is probable the future economic benefits associated with the item will flow to the Commission and the cost can be measured reliably. Where subsequent expenditure does not meet these criteria the expenditure is charged to the Statement of Comprehensive Net Expenditure. If part of an asset is replaced, then the part it replaces is de-recognised, regardless of whether or not it has been depreciated separately.

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.

Temporary Decreases in Asset Value

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.

Depreciation

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

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

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

Depreciation is charged on a straight line basis.

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

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

National Confidential Forum (NCF) Assets

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

f) Intangible Assets

Recognition

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

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

The main classes of intangible assets recognised are:

Internally generated intangible assets:

Expenditure on research is not capitalised.

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

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

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

Software:

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

Software licences:

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

Other:

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

Measurement

Valuation:

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

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

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

Revaluation and impairment:

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

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

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

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

Amortisation

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

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

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

Amortisation is charged on a straight line basis.

The following asset lives have been used:

Software	5 years
Licences	5 years

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

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

h) Leasing

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 Statement of Financial Position 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 participates in the NHS Superannuation Scheme (Scotland). This scheme is an unfunded statutory pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay as specified in the regulations. The Commission is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were defined contribution scheme, as required by IAS 19 'Employee Benefits'. As a result, the amount charged to the Statement of Comprehensive Net Expenditure represents the Commission's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary and this valuation determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the Statement of Comprehensive Net Expenditure at the time the Commission commits itself to the retirement, regardless of the method of payment.

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

q) Provisions

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

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 12 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 12, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

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

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 Statement of Financial Position date. These are classified as non-current assets. Loans and receivables comprise trade and other receivables and cash at bank and in hand in the Statement of Financial Position.

(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 Statement of Financial Position 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 Statement of Financial Position date. These are classified as non-current liabilities. The Commission's other financial liabilities comprise trade and other payables in the Statement of Financial Position.

Recognition and measurement

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

A financial liability is removed from the Statement of Financial Position when it is extinguished, that is when the obligation is discharged, cancelled or expired.

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

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

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

(b) Other financial liabilities

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

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.

Operating segments are unlikely to directly relate to the analysis of expenditure shown in note 5.

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 Statement of Financial Position.

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.

No estimates, assumptions and judgements that have a significant risk of a causing material adjustment to the carrying amounts of assets and liabilities are included within the financial statements (2016: Nil)

2) Notes to the Cash Flow Statement

a) Consolidated adjustments for non-cash transactions

2017 £'000	Note	2018 £'000
Expenditure not paid in cash		
102 Depreciation	7	-
102 Total expenditure not paid in cash	CFS	-

b) Consolidated movements in working capital

2017 Net Movement £'000	Note	2018 Opening Balances £'000	2018 Closing Balances £'000	2018 Net Movement £'000
TRADE AND OTHER RECEIVABLES				
(50) Due within one year	7	81	28	
		81	28	
(50) Net Decrease/(Increase)				53
TRADE AND OTHER PAYABLES				
(146) Due within one year	9	241	309	
Less: General Fund	9	(4)	(4)	
- Creditor included in above		237	305	
(146) Net (Decrease)/Increase				68
PROVISIONS				
1 Balance Sheet		34	34	
1 Net (Decrease)/Increase		34	34	-
NET MOVEMENT				
(195) (Decrease)/Increase				121

3) Operating Expenses

a) Staff Costs

2017 Total £'000	Note	2018 Total £'000
634 Board and Executive		607
1,070 Practitioner staff Costs		1039
Casework Administration and Corporate		
945 Services		962
336 Second Opinion Doctors Fees		341
NCF: Head, Members, Administration and short		
278 term staff		219
3,263 Total	SOCNE	3,168

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

b) Other Operating Expenditure

31 March 2017 £'000	31 March 2018 £'000
129 Travel and Subsistence	109
252 Accommodation Costs	263
102 Depreciation / Amortisation	0
145 Computer Equipment and Supplies	169
100 Office administration costs	111
34 Human Resources	37
162 Communications	90
92 Legal and Professional	60
72 Good Practice Projects	64
1,088 Total	903

31 March 2017 £'000		31 March 2018 £'000
	Other health care expenditure	
	External auditor's remuneration	
17	- Statutory audit fee	17
<u>17</u>	Total	<u>17</u>
<u>4,368</u>	Total	<u>4,088</u>

4) Operating Income

31 March 2017 £'000		31 March 2018 £'000
	- Grant Income	15
	- Total Income	<u>15</u>
	- Total Income	<u>15</u>

During 2017 The Commission received a grant from the Legal Aid Foundation which was used to part fund the Patients' Rights Care Pathway project launched during the year.

5) Segmental Information

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

	2017/18			2016/17		
	MWC	NCF	Total	MWC	NCF	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net operating cost	3,582	491	4073	3,600	768	4,368
Depreciation and amortisation	-	-	-	4	98	102

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 2018 Management Groups;

Current year - 2017/18	MWC 'Core' £'000	NCF £'000	Total £'000
Reported to Operational Management Group 01.05.17			
Reported to Board 15.05.18	3,582	491	4,073
Late adjustments			
Per Annual Accounts	3,582	491	4,073
Prior year – 2016/17	MWC 'Core' £'000	NCF £'000	Total £'000
Reported to Operational Management Group 02.05.17	3,600	-	3,600
Reported to Board 25.04.17	-	768	768
Per Annual Accounts	3,600	768	4,368

6a) Intangible Assets

	Software Licences	Information Technology	Other Intangible	Total
	£'000	£'000	£'000	£'000
Cost or Valuation:				
As at 1 April 2017	14	796	13	823
At 31 March 2018	14	796	13	823
Amortisation				
At 1 April 2017	14	796	13	823
Provided during the year	-	-	-	-
At 31 March 2018	14	796	13	823
Net Book Value at 1 April 2017	-	-	-	-
Net Book Value at 31 March 2018	-	-	-	-

6a) Intangible Assets (Prior Year)

	Software Licences £'000	Information Technology £'000	Other Intangible £'000	Total £'000
Cost or Valuation:				
As at 1 April 2017	14	796	13	823
At 31 March 2017	14	796	13	823
Amortisation				
At 1 April 2016	11	730	13	754
Provided during the year	3	66	-	69
At 31 March 2017	14	796	13	823
Net Book Value at 1 April 2016	3	66	-	69
Net Book Value at 31 March 2017	-	-	-	-

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

Year ended 31 March 2018	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
Cost or valuation			
At 1 April 2017	332	205	537
Additions	-	-	-
At 31 March 2018	332	205	537
Depreciation			
At 1 April 2017	332	205	537
Provided during the year	-	-	-
At 31 March 2018	332	205	537
Net book value at 1 April 2017	-	-	-
Net book value at 31 March 2018	-	-	-
Asset Financing			
Owned	-	-	-
Net Book value at 31 March 2018	-	-	-

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

Year ended 31 March 2017	Buildings (excluding dwellings) £'000	Information Technology £'000	Total £'000
Cost or valuation			
At 1 April 2016	332	205	537
At 31 March 2017	332	205	537
Depreciation			
At 1 April 2016	302	202	504
Provided during the year	30	3	33
At 31 March 2017	332	205	537
Net book value at 1 April 2016	30	3	33
Net book value at 31 March 2017	-	-	-
Asset Financing			
Owned	-	-	-
Net Book value at 31 March 2017	-	-	-

7b) Donated Assets

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

8) Trade and Other Receivables

31 March 2017 £'000		31 March 2018 £'000
	Receivables due within one year	
81	Prepayments	28
<u>81</u>	Total Receivables due within one year	<u>28</u>
<u>81</u>	TOTAL RECEIVABLES	<u>28</u>
	WGA Classification	
81	Balances with bodies external to Government	28
<u>81</u>	Total	<u>28</u>

There is no provision for impairment of receivables (2017: £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 2018, receivables of carrying value of £nil (2017: £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 2017 £'000		31 March 2018 £'000
	The carrying amount of receivables are denominated in the following currencies:	
81	Pounds	28
<u>81</u>		<u>28</u>

9) Cash and Cash Equivalents

	Note	2018 £000	2017 £000
Balance at 1 April		14	5
Net change in cash and cash equivalent balances	CFS	(11)	9
Balance at 31 March	SoFP		
Overdrafts		0	0
Total Cash - Cash Flow Statement		<u>3</u>	<u>14</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	3	14
Balance at 31 March	<u>3</u>	<u>14</u>

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

10) Trade and Other Payables

31 March 2017 £'000	31 March 2018 £'000
Payables due within one year	
NHS Scotland	
16 Boards	24
16 Total NHS Scotland Payables	24
5 General Fund Payable	5
4 Trade Payables	0
211 Accruals	275
5 Income tax and social security	5
241 Total Payables due within one year	309
241 TOTAL PAYABLES	309
WGA Classification	
16 NHS Scotland	24
54 Central Government Bodies	64
9 Whole of Government Bodies	0
162 Balances with bodies external to Government	221
241 Total	309

There are no borrowings in either 2017/18 or 2016/17.

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

31 March 2017 £'000	31 March 2018 £'000
241 Pounds	309
241	309

**Mental Welfare Commission for Scotland
Notes to the Accounts**

**Annual Report and Accounts
31 March 2018**

11) Provisions

	Participation in CNORIS £'000	2017 Total £'000
At 1 April 2017	34	34
At 31 March 2018	34	34

**Analysis of expected timing of
discounted flows to 31 March 2018**

	£'000	£'000
Payable in one year	0	0
Payable between 2 - 5 years	0	0
Payable between 6 - 10 years	0	0
Thereafter	34	34
At 31 March 2018	34	34

PROVISIONS (PRIOR YEAR)

	Participation in CNORIS £'000	2017 Total £'000
At 1 April 2016	34	34
At 31 March 2016	34	34

**Analysis of expected timing of
discounted flows to 31 March 2017**

	£'000	£'000
Payable in one year	0	0
Payable between 2 - 5 years	0	0
Payable between 6 - 10 years	0	0
Thereafter	34	34
At 31 March 2017	34	34

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

2017	Note	2018
£000		£000
0	Provision recognising individual claims against the the Commission as at 31 March	0
0	Associated CNORIS receivable at 31 March	0
34	Provision recognising the Commission's liability from participating in the scheme at 31 March	34
34	Net Total Provision relating to CNORIS at 31 March	34

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

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

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

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

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

12) Contingent Assets and Liabilities

There are no Contingent Assets or Liabilities that have not been provided for in the accounts (2016: £nil).

13) Events after the end of the reporting year

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

14) Commitments

The Commission has no Capital Commitments as at 31 March 2018 (2017: £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 2017/18, analysed by the period during which the commitments expire are as follows:

	31 March 2018	31 March 2017
	£'000	£'000
Expiry within 1 year	81	91
Expiry within 2 to 5 years	180	0
Total	<u>261</u>	<u>91</u>

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

15) Commitments under Leases

Operating Leases

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

31 March 2017	31 March 2018
£'000	£'000
Operating Leases	
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	
23 Not later than one year	25
1 Later than one year, not later than two years	23
- Later than two years not later than five years	22
Buildings	
208 Not later than one year	230
7 Later than one year, not later than two years	204
- Later than two years not later than five years	199
Other	
3 Not later than one year	3
3 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
231 Other operating leases	234
235 Total	238

There are no contingent rents or Finance Leases.

16) Pension Costs

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

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

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

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

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

The employer contribution rate for the period from 1 April 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 Commission's level of participation in the scheme is 0.04% based on the proportion of employer contributions paid in 2016-17

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54 of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal pension age (NPA) is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment.

The existing NHS Superannuation Scheme (Scotland)

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

All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk.

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All other members automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk.

17) Presentation of the Statement of Comprehensive Net Expenditure

The presentation of the Statement of Comprehensive Net Expenditure has been changed following a review of our financial statements in order to provide information which is more reliable and better reflects the activities of the Commission. The comparative information in respect of 2016-17 has been presented in the new format in the SoCNE. No retrospective restatements were required.

18) Financial Instruments

(a) Financial Instruments by category

2017 Total £'000	AT 31 March Assets per Statement of Financial Position	Note	Loans and Receivables £'000	2018 Total £'000
14	Cash and cash equivalents	9	3	3
<u>14</u>			<u>3</u>	<u>3</u>

2017 Total £'000	AT 31 March Liabilities per Statement of Financial Position	Note	Other financial liabilities £'000	2018 Total £'000
220	Trade and other payables excluding statutory liabilities (VAT and income tax and social security)	10	275	275
<u>220</u>			<u>275</u>	<u>275</u>

Exposure to Risk

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

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

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

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

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

Financial Risk Factors

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

(a) Credit Risk

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

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

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

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

(b) Liquidity Risk

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

The table below analyses the financial liabilities into relevant maturity groupings based on the remaining period at the Statement of Financial Position to contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

31 March 2018

Less than 1 year
£'000

Trade and other payables excluding statutory liabilities	275
Total	275

31 March 2017	Less than 1 year £'000
----------------------	---

Trade and other payables excluding statutory liabilities	220
Total	220

(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.

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 84(1), (1B) and (3) of the National Health Service (Scotland) Act 1978, as applied by Schedule 1 paragraph 8(c) of the Mental Health (Care and Treatment) (Scotland) Act 2003, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (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