

HFMA introductory guide to NHS finance

Chapter 22: The NHS in Scotland



Chapter 22. The NHS in Scotland



Overview

This chapter describes the structure and governance as regards the provision of healthcare services in Scotland.

Many of the principles underpinning NHS finance in Scotland are like those in England – this chapter focuses on the key differences relating to finance and governance.

22.1 Introduction

Responsibility for health services in Scotland was devolved from Westminster to the Scottish Parliament in 1998. The Scottish Parliament was given the power to create laws where responsibility has been devolved. As well as for the provision for health services, this includes:

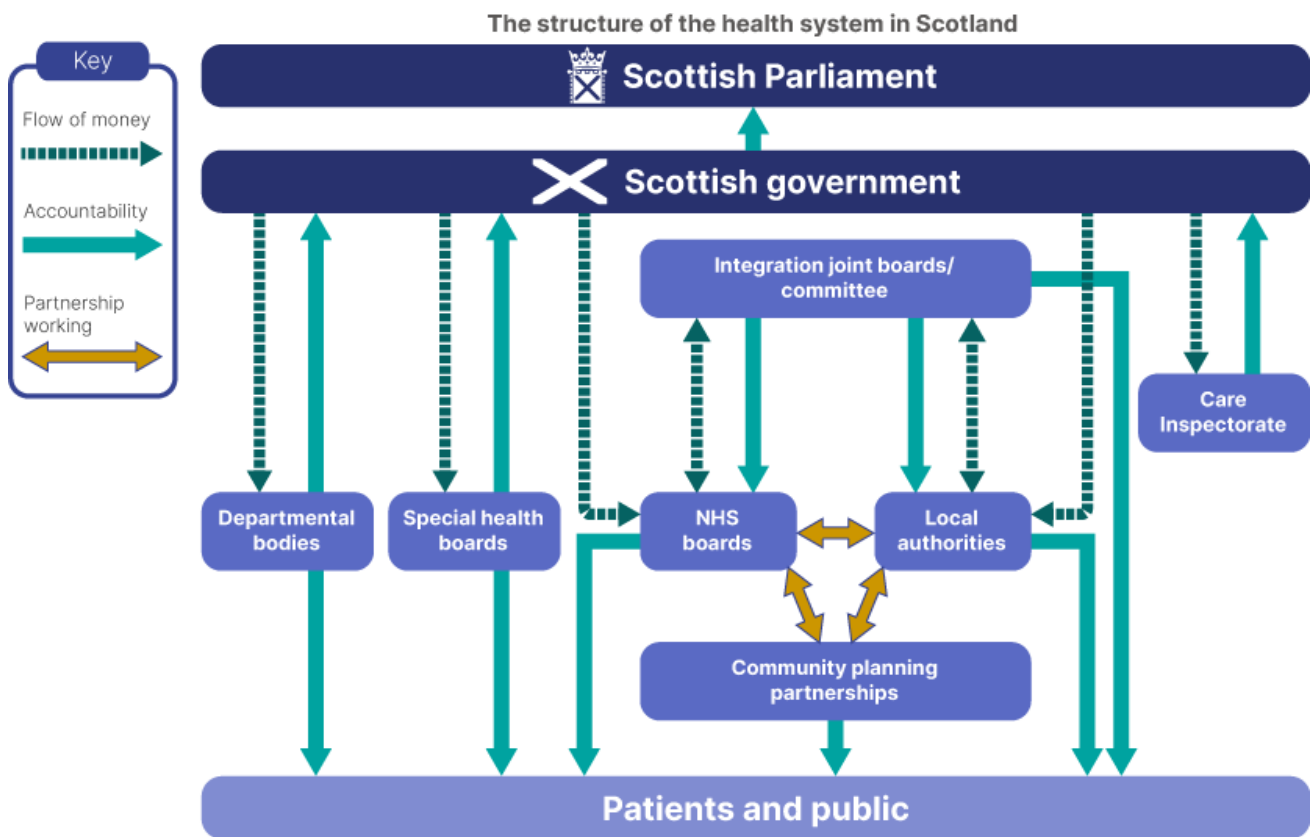
- economic development
- education
- justice
- rural affairs
- housing
- environment
- equal opportunities
- consumer advocacy and advice
- transport
- taxation.

The Scottish government, formed by the party with the majority of Members of the Scottish Parliament, develops and implements policy in these areas, and is accountable to the Scottish Parliament.

The Scottish government is led by the 'First Minister'. The First Minister is nominated by the Scottish Parliament and appointed by the monarch. The First Minister then appoints the Scottish ministers to make up the cabinet with the agreement of the Scottish Parliament and the approval of the monarch.

22.2 Who does what?

The diagram that follows shows the structure of the NHS in Scotland. Each of these areas has specific responsibilities, outlined in the sections below.



Parliamentary and governmental arrangements

The Scottish Parliament

The Scottish Parliament is made up of 129 elected Members of the Scottish Parliament (MSPs). The last election was in May 2021. The Scottish Parliament is responsible for passing laws in respect of those matters that affect most aspects of day-to-day life in Scotland and holds the Scottish government to account.

Scottish government

Immediately after each election, the Scottish Parliament nominates the First Minister who is then appointed by the monarch. The Scottish government is led by the First Minister who is supported by a cabinet formed of Scottish Ministers. It is the Cabinet Secretary for Health and Social Care who has responsibility for the NHS as well as the integration of health and social care⁴¹⁵.

Health and Social Care Group

The Health and social care group (HSCG⁴¹⁶) is made up of a number of government directorates that have responsibility for their specific areas. The directorates will support Scottish ministers in the development and management of health and social care services by NHS Scotland⁴¹⁷.

The chief executive of NHS Scotland⁴¹⁸, who also acts as the Director-General of the HSCG, has a responsibility for providing strategic direction to the NHS in Scotland.

⁴¹⁵ Scottish Government, *Cabinet secretary for NHS recovery, health and social care*, 2023

⁴¹⁶ Scottish Government, *Health and social care*, 2023

⁴¹⁷ NHS Scotland is the collective noun for all NHS bodies in Scotland.

⁴¹⁸ Scottish Government, *Chief executive of NHS Scotland and director-general health and social care*, 2023

Directorates within the HSCG are responsible for:

- providing strategic leadership for the NHS and social care in Scotland as well as public health
- lead the integration of health and social care into wider government policy
- supporting ministers to be accountable to the public and the Scottish Parliament
- managing and allocating public money to the various parts of the NHS in Scotland
- ensuring that the highest standards of health and social care are met
- ensuring that high quality health and social care services are delivered to the Scottish population.

Membership of the HSCG is drawn from the following directorates:

- chief medical officer
- chief nurse
- health finance, corporate governance and value
- health workforce
- healthcare quality and improvement
- population health
- primary care
- social care and national care service development.

Local delivery arrangements

NHS boards

There are 14 territorial NHS boards across Scotland. Each board has overall responsibility for the health of their populations.

They are responsible for planning and commissioning of services, and also for the delivery of frontline NHS services to their populations. This involves planning and commissioning community and hospital health services including services provided by GPs, dentists, community pharmacists and opticians.

Having overall responsibility for population health requires that NHS boards work closely with relevant agencies - for example Public Health Scotland, in discharging this duty.

The NHS boards are funded by and report directly to the HSCG. The chief executive of each NHS board is the accountable officer. The role of the accountable officer is a key element in governance terms with a line of accountability up to Parliament for the proper stewardship of public money and assets and for the organisation's performance stretching. The accountable officer is also accountable to the organisation's board for meeting the objectives it sets, for day-to-day management and for ensuring that governance arrangements are effective.

The Scottish government has issued *A blueprint for good governance*⁴¹⁹ to all NHS boards. The document emphasises the importance of good corporate governance and describes how its adoption would help NHS boards to improve their corporate governance systems.

⁴¹⁹ Scottish Government, *The blueprint for good governance in NHS Scotland*, December 2022

Special NHS boards

National or special NHS boards provide services across the whole of Scotland. They are also funded by and report to the HSCG. There are currently six special boards as follows:

- Public Health Scotland – established in April 2020 and Scotland’s lead national agency for improving and protecting the health and wellbeing of all the country’s people
- NHS Education for Scotland – concerned with developing and delivering quality education and training for NHS staff
- NHS National Waiting Times Centre – responsible for ensuring prompt access to first-class treatment
- NHS 24 – provides health advice and information
- the Scottish Ambulance Service – receives over 1.6m calls and attends over 500,000 emergency incidents per year
- the State Hospitals Board for Scotland – has responsibility for secure settings for those with mental health disorders who are unable to be cared for in any other setting.

Departmental public bodies

There are two departmental public bodies; these are:

- Healthcare Improvement Scotland – supports the delivery of high-quality, evidence-based care and scrutinises services to provide public assurance about the quality and safety of healthcare
- NHS National Services Scotland (NSS) – supplies essential services including health protection, blood transfusion and information technology. As part of its 2020 Vision, the Scottish government committed to increasing shared services across all organisational ‘support’ services including finance and HR. This work is being progressed through NSS.

As with NHS boards, the chief executive of each special NHS board is the accountable officer.

Central legal office (CLO)

The CLO⁴²⁰ is not a separate departmental body but sits within the NSS. The CLO administers the clinical negligence and other risks indemnity scheme (CNORIS).

Launched in 2000, membership of CNORIS⁴²¹ is mandatory for all health bodies. The scheme has three main objectives:

- providing advice on clinical and non-clinical scheme coverage to members
- supporting members to manage their risks and associated budgets by providing related information and analysis
- ensuring that contributions by members are allocated equitably through regular review of risk profiles and losses.

Other health agencies

Care Inspectorate

The Care Inspectorate⁴²² regulates and inspects care services in Scotland to ensure that they meet the necessary standards. It also jointly inspects with other regulators, to ascertain how well different organisations in local areas work to support adults and children.

⁴²⁰ NHS National Services Scotland, [central legal office, About us, 2023](#)

⁴²¹ NHS National Services Scotland, [central legal office, CNORIS, 2023](#)

⁴²² Care Inspectorate, [About us, 2023](#)

It is a publicly funded executive non-departmental public body. This means it operates independently from Scottish ministers but is accountable to them.

Community planning partnerships

Community planning partnerships (CPPs) help public agencies to work together with the community to design and deliver better services to make a real difference to people's lives. There are 32 CPPs across Scotland, one for each council area. Each CPP focuses on where partners' collective efforts and resources can add the most value to their local communities, with particular emphasis on reducing inequality.

The Community Empowerment (Scotland) Act 2015 strengthened community planning by giving CPPs a statutory footing. It also explicitly states that public bodies including NHS boards will work together with communities to improve outcomes for a local area. While there are no specified lines of accountability, NHS boards and integration authorities are obligated to ensure that there is both direct contribution from and leadership within their local CPP. The CPP should focus on how to improve local priority outcomes relating to health and wellbeing.

National Centre for Remote and Rural Health and Care⁴²³

Launched in October 2023, the centre will look to improve the delivery of community-based services in remote, rural and island communities. NHS education for Scotland will lead the initiative. The centre will work with NHS boards and community partners with an initial focus on improvements in workforce recruitment and retention, and skills developments.

Integrated working

In April 2014, the Public Bodies (Joint Working) (Scotland) Act 2014⁴²⁴ was passed. The purpose of the legislation was to provide a framework to improve the quality and consistency of health and social care services in Scotland.

The Act required NHS boards and local authorities to enter into an integration scheme to ensure the effective delivery of the delegated functions. The integration scheme sets out the range of functions (or services) covered to meet the minimum requirements established in the legislation. As a minimum, this was to include adult social care services, adult community health services and a proportion of adult acute services. The inclusion of children's services was at the discretion of the partners in each area.

This happens through an integration authority (IA) - an entity that has responsibility for ensuring that health and social care services are planned, managed and delivered in an integrated manner. The Scottish model allows the integration authority to take one of two forms: either an integration joint board or integration joint monitoring committee.

Integration joint boards

The 2014 Act allowed local authorities and NHS boards to create a separate legal entity known as an integration joint board (IJB). IJBs are local government bodies (not NHS organisations) and are therefore subject to the same financial governance framework as local government bodies. The IJB has a chief officer who has a direct line of accountability to the chief executives of the NHS board and the local authority for the delivery of integrated services. In total, there are 31 IJBs across Scotland.

⁴²³ National Centre for Remote and Rural Health and Care, *Information Hub*, October 2023

⁴²⁴ UK Government, *Public bodies (joint working) (Scotland) Act 2014*

IJBs are required to prepare and publish statutory accounts (section 106 of the Local Government (Scotland) Act).

Voting members of the IJB comprise equal representation from the NHS boards and local authorities involved.

The IJB is responsible for the planning, resourcing and operational delivery of all integrated services delegated to it. The integrated services will be set out in the IJB's strategic plan and integrated scheme.

NHS boards and local authorities make financial budget offers/ payments to the IJB covering social care plus core, hosted and set aside health functions that are delegated under the integration scheme. The IJB then directs and pays for the NHS board and local authority, or other providers, to deliver services in line with its strategic plan for the delivery of local integrated health and social care services. IJBs are required to produce an annual performance report on the extent to which their strategic objectives have been met.

Integration joint monitoring committee

This is the second model and has only been adopted in the Highlands.

In this case, no new entity is established. Instead, the decision is made that either the health board or the local authority will take lead responsibility for the provision of integrated health and social care services. As there is no separate entity, the chief executive of the lead body is accountable for the provision of all integrated services.

An integration joint monitoring committee is established by the health board and local authority. Its role is to scrutinise the delivery of integrated arrangements and report on progress. It is effectively an overseeing committee whose job is to make recommendations on how the NHS board and local authorities can best make use of resources to deliver integrated health and social care services to their local population.

To effect integration of health and social care services in this scenario, NHS boards and local authorities can move funding between each other, with the lead body having ultimate responsibility for delivering integrated health and social care services.

Future developments

National Care Service

In 2020, the First Minister announced an independent review into adult and social care in Scotland. The report on the independent review⁴²⁵ was published in 2021 and recommended the establishment of a National Care Service (NCS). Following consultation⁴²⁶, the National care service (Scotland) bill⁴²⁷ was introduced to Parliament in June 2022. The bill is currently at stage 1. Stage 1 of a bill's journey through Parliament is where the views are sought, relevant Parliamentary committees provide scrutiny, and the bill is debated in the Parliamentary chamber

The introduction of a National Care Service (NCS) will build on the working arrangements that have developed through integration joint boards.

⁴²⁵ Scottish Government, *Independent review of adult social care*, 2022

⁴²⁶ Scottish Government, *A national care service for Scotland: consultation*, August 2021

⁴²⁷ The Scottish Parliament, *National Care Service (Scotland) bill*, June 2022

The rules for how NHS healthcare services work will not change, but the framework will allow more effective service provision and facilitate greater integrated working across all partners, and within communities. Recommendations included:

- establishment of a National Care Service, equal to NHS Scotland, with both reporting to Scottish ministers
- the NCS will ensure that all service users, their families and carers get the same level of care and support
- improved support, with decisions based on needs, rights and preferences
- improved safety and quality of care across all care homes
- social care to focus on enabling people to stay in their own homes and communities
- those in charge of services should include people with lived experience, unpaid carers, local communities, care providers and other key stakeholders, when planning and making decisions
- there must be a good system in place to deal with complaints quickly.

The development of a NCS has followed on from two key healthcare strategies.

Published in 2011, the *2020 Vision* set out the Scottish Parliament’s vision for Scotland. The aim was to develop strategies such that by 2020, everyone would be able to live longer, healthier lives at home, or in a homely setting. Key areas would include integration of services, quality of care, prevention and a focus on the community and care in home environments.

In 2016, a national clinical strategy for Scotland provided further clarity on the government’s priorities and reform programme and continued the development of the strategies previously identified.

22.3 How the NHS in Scotland is financed

The NHS in Scotland is funded by the Scottish government that itself receives funds voted to it by the UK Parliament. The overall level of funding received is based on a population driven mathematical formula known as the Barnett formula. In addition, the principle of comparability is applied to these monies: any changes to the funding provided for the NHS in England are matched by an increase/ decrease in the Scottish government’s funding.

The *Autumn budget and spending review*⁴²⁸ set out the total resource limits to 2024/25. These were updated in the November 2023 *Autumn statement*⁴²⁹ which resulted in the following pattern of allocations of revenue and capital Departmental Expenditure Limits (DEL) to government departments:

Departmental Expenditure Limits (DEL)

	Outturn 2022/23 £bn	Plan 2023/24 £bn	Plan 2024/25 £bn
Revenue DEL (excluding depreciation)	35.8	36.9	37.4
Capital DEL	6.2	6.0	5.6

⁴²⁸ HM Treasury, *Autumn budget and spending review 2021*, updated February 2023

⁴²⁹ HM Treasury, *Autumn statement 2023*, November 2023

NHS Scotland funding is provided from the overall Scottish budget, and it is the responsibility of the First Minister for Scotland to identify the allocations to the various services for which they are responsible. This includes health, prisons, education and social services. Health is one of the major areas of expenditure.

The total money that central government has to spend - collectively called the Scottish Consolidated Fund, comes from the following sources:

- a block grant from the UK government
- Scottish income tax (collected by HM Revenue and Customs)
- non-domestic rates (collected by local authorities)
- devolved taxes (collected by Revenue Scotland)
- borrowing.

Since April 2010, the allocation of resources for hospital and community health services (HCHS) as well as GP prescribing has been based on a funding formula developed by the Technical Advisory Group on Resource Allocation⁴³⁰ (TAGRA). This formula reflects several factors including population share, the age and sex breakdown of that population and level of deprivation.

For 2023/24, the revenue health and social care allocation⁴³¹ totals £18.6bn. The capital allocation is £0.6bn. The results of the resource allocation formula for future years are published by Public Health Scotland (PHS). PHS has published details of the national resource allocation formula (NRAC) for the financial years 2023 to 2024⁴³² and 2024 to 2025⁴³³.

2024/25 allocations⁴³⁴ total £19.6m. Revenue of £18.8 and capital at £0.8m

Cash limited/ non-cash limited

Funds allocated to HCHS are distributed via a resource allocation. These are cash limited funds; NHS boards must not overspend against their allocation (resource limit) and are highly restricted in their ability to carry forward surpluses or deficits from one year into another.

Funding for family health services (specifically dental, pharmaceutical and ophthalmic services) forms part of the Scottish government health allocation. This is subject to a national cash limit, but not at NHS board level.

Capital planning process

Capital resources are managed through the Scottish government capital investment group (CIG)⁴³⁵. The thresholds for approval are based on a board's size, rather than a threshold as is the case in England. The limits for NHS boards range from £3m to £10m, but individual limits also apply to specific categories of schemes.

⁴³⁰ Technical Advisory Group on Resource Allocation, [Home page](#), 2023

⁴³¹ Scottish Government, [Scottish budget 2023-24](#), December 2022

⁴³² Public Health Scotland, [Resource allocation \(NRAC\) formula, results for financial year 2023 to 2024](#), March 2021

⁴³³ Public Health Scotland, [Resource allocation formula \(NRAC\), results for financial year 2024 to 2025](#), August 2022

⁴³⁴ Scottish Government, [Scottish budget 2024-25](#), December 2023

⁴³⁵ Scottish Government, [Capital planning: approval process](#), 2023

The CIG oversees the approval processes, and all schemes more than the relevant delegated limit need to be submitted to the CIG for approval.

Scottish Futures Trust

Established by the Scottish government in 2008, the Scottish Futures Trust (SFT)⁴³⁶ is an executive non-departmental body of the Scottish government and was established to improve public sector infrastructure investment. The SFT operates as a centre of expertise for infrastructure projects, working collaboratively across the private and public sectors.

The Scottish government's plan for infrastructure development was published in the *Infrastructure investment plan*⁴³⁷. The plan identifies three core strategic themes.

- enabling the transition to net zero emissions and environmental sustainability
- driving inclusive economic growth
- building resilient and sustainable places.

The SFT also manages the hub programme⁴³⁸. This aims to integrate capital projects across the whole public sector, using a mixture of private and public sector funding. All projects put forward for hub funding must be approved by CIG, regardless of value.

22.4 Planning and in-year key priorities

The Scottish government has published its program for 2023/24⁴³⁹ setting out key priorities across all government departments. Critical areas identified for the cabinet secretary for NHS recovery, health and social care⁴⁴⁰ include:

- NHS recovery and waiting times
- Cancer services
- Workforce
- National care service
- Primary and community care
- Dentistry
- Mental health
- Population health
- Abortion services
- Future planning
- Financial sustainability
- Collaboration with patients.

⁴³⁶ Scottish futures trust, *About us*, 2023

⁴³⁷ Scottish Government, *A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26*, February 2021

⁴³⁸ Scottish future trust, *Hub programme*, 2023

⁴³⁹ Scottish Government, *Programme for government 2023 to 2024*, September 2023

⁴⁴⁰ Scottish Government, *NHS Recovery, Health and Social Care: FM letter to Cabinet Secretary*, September 2023

22.5 How organisations demonstrate financial accountability

Annual operational plan

All NHS boards are required to publish an annual operational plan covering a three-year period (updated annually). It is aligned to the *Medium term financial framework*⁴⁴¹ for the period. Plans are updated annually.

These plans were not formally signed off in 2020/21 due to the impact of Covid-19. A one-year plan was submitted for 2021/22, in the form of a remobilisation plan⁴⁴², with regular updates to reflect the uncertainty of the pandemic and the evolving requirements.

Further actions were identified within *The NHS recovery plan*⁴⁴³, which looks at the actions over the next five years and recognises the financial sustainability challenges. A three-year planning cycle has now been re-established.

Statutory financial duties

NHS boards are required by statute to operate within set limits⁴⁴⁴:

- the revenue resource limit – the resource budget for ongoing activity
- the capital resource limit - the budget for capital investment
- cash requirement – the cash financing requirement to deliver the revenue and capital resource limits.

Monthly financial monitoring

All NHS boards have a responsibility to control their finances throughout the year. Performance is monitored by the HSCG. As a result, NHS boards are required to complete monthly financial performance returns (FPR) to the HSCG.

NHS boards meet regularly with the HSCG to monitor and forecast progress against statutory targets. Where an organisation is forecast to miss a target, remedial action is expected so that the target can be achieved. In cases where an NHS board fails to operate within its revenue resource limit, it can apply for additional financial funding or support.

Statutory accounts

Audited accounts are produced and published as part of the annual report.

NHS boards are required to prepare their accounts in accordance with the *Scottish public finance manual*⁴⁴⁵ that is consistent with HM Treasury's *Financial reporting manual (FReM)*⁴⁴⁶. The HSCG determines the format of external reporting by the production of an accounts template that is also used to produce consolidated health accounts for the government in Scotland.

⁴⁴¹ Scottish Government, *Medium term health and social care financial framework*, October 2018

⁴⁴² Scottish Government, *Re-mobilise, recover, re-design, the framework for Scotland*, May 2020

⁴⁴³ Scottish Government, *NHS recovery plan*, updated September 2021

⁴⁴⁴ UK Government, *National Health Service (Scotland) Act 1978*

⁴⁴⁵ Scottish Government, *Scottish public finance manual*, updated November 2023

⁴⁴⁶ HM Treasury, *The government financial reporting manual: 2023-24*, December 2023

The principles of financial control and internal monitoring are set out in financial directions. It is left to local discretion to determine the exact nature of internal monitoring, but it is sensible that this mirrors external requirements. Internal financial control is ensured through the adoption of standing financial instructions, standard operating procedures and formal schemes of delegation (chapter 10 provides more details on governance principles and arrangements).

Integrated joint boards are also required to produce annual accounts but as a local government body, they must follow section 106 of the Local Government Act 1973⁴⁴⁷.

22.6 Audit services

Audit Scotland and external audit

The audit of NHS Scotland is the responsibility of the Auditor General for Scotland (AGS). The AGS appoints auditors to each NHS board. The AGS is supported by Audit Scotland⁴⁴⁸, and commissions audits from both Audit Scotland's in-house Audit Services team, and commercial firms of auditors.

Auditors perform the audits of NHS boards in accordance with the *Code of Audit Practice*⁴⁴⁹ issued by Audit Scotland and approved by the AGS. Auditors are responsible for considering:

- financial stewardship and governance through the annual audit of NHS bodies' accounts
- two wider scope areas covering:
 - vision, leadership and governance
 - use of resources to improve outcomes
- achievement of value for money through a programme of national performance audit reports.

Audit Scotland is responsible for carrying out performance audits (formerly known as value for money audits). The AGS produces an annual overview of the *NHS in Scotland*⁴⁵⁰ that provides information on a range of performance measures.

The 2022/23 report of the auditor general for Scotland on the *Scottish Government consolidated accounts for year ended 31 March 2023*⁴⁵¹ noted that in all material aspects, expenditure and income was incurred in accordance with applicable guidance and gave a true and fair view.

Internal audit

Each NHS organisation is responsible for providing an effective internal audit service to meet public sector internal audit standards (PSIAS).

NHS boards may provide internal audit themselves, by means of a consortium arrangement with neighbouring boards or contract out this service to private firms. IJBs will utilise the internal audit functions of their partners or purchase this function. IJBs have an IJB audit and risk committee and an appointed IJB chief internal auditor.

All NHS bodies are required to submit a governance statement as part of their annual accounts. Accountable officers (i.e., chief executives) are required to sign the statement on behalf of the board.

⁴⁴⁷ UK Government, [Local Government \(Scotland\) Act 1973](#)

⁴⁴⁸ Audit Scotland, [About us](#), 2023

⁴⁴⁹ Audit Scotland, [Code of audit practice 2021](#), 2021

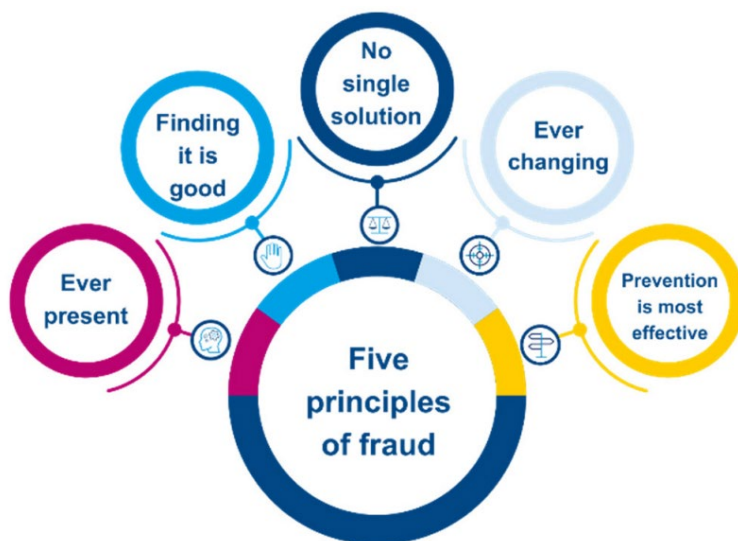
⁴⁵⁰ Audit Scotland, [NHS in Scotland 2023](#), July 2023

⁴⁵¹ Scottish Government, [Scottish government consolidated accounts for year ended 31 March 2023](#), November 2023

Counter fraud services

Counter Fraud Services⁴⁵² (CFS) deter, detect and investigate frauds and other irregularities throughout NHS Scotland. CFS is hosted by NHS National Services Scotland and has links with every NHS board through partnership agreements and nominated fraud liaison officers. CFS also undertakes pro-active exercises in areas of high risk.

In 2023 CFS and NHS Scotland published their Counter fraud strategy 2023- 2026⁴⁵³. The strategy identifies five core counter fraud principles.



22.7 Costing and pricing

Costing

Public Health Scotland (PHS) publishes an annual update⁴⁵⁴, the *Costs book*, on health service costs in Scotland. The *Costs book* provides cost information for NHS Scotland and a detailed analysis of where resources are spent. For 2021/22, a high-level cost summary was published, covering hospital, community and primary care provision. The publication contains NHS board information for hospital and primary care services.

It is used mainly for benchmarking by healthcare providers to assess efficiency. Managers at all levels can use the information as an aid to decision-making, planning and control and it also provides a set of indicators of performance for comparison purposes.

The information contained within the reports is derived from the Scottish financial returns (SFRs) and data collection returns completed by the NHS boards.

Pricing

A pricing system is required for cross boundary activity flows for acute hospital in-patients and day cases.

⁴⁵² National services Scotland, *Counter fraud services*, 2023

⁴⁵³ Counter Fraud Services, *Counter Fraud Strategy 2023 – 2026*, November 2023

⁴⁵⁴ Public Health Scotland, *Scottish health service costs, high-level costs summary 2021 to 2022*, February 2023

The price or tariff is calculated using healthcare resource groups (HRGs) to reflect the differences in case mix complexity. However, because the Scottish costing data is relatively high-level, English national costs are used to estimate costs at the HRG level. For example, if a hip replacement costs around 4 times as much as an arthroscopy in England, then it is assumed that this is also the case in Scotland.

22.8 Endowment funds

There are sixteen NHS linked charities in Scotland, each of which is registered with the Scottish charity regulator (OSCR). The relevant legislation is the National Health Service (Scotland) Act 1978 (section 83 (1)). This states that:

‘A health board shall have power to accept, hold and administer any property on trust for purposes relating to any service which it is the function of any NHS trust in the area of the health board to make arrangements for, administer or provide.’

The charity trustee of each NHS-linked charity is the relevant NHS health board. The board acts as a corporate trustee, which means the individuals who are board members of the NHS health board also act as officers of the corporate trustee of the related NHS charity. It is the responsibility of the trustees/ board to appoint independent auditors, rather than the AGS.

In 2023 the Charities (Regulation and Administration) (Scotland) act⁴⁵⁵ came into force. The act

- Enhances OSCR’s powers to investigate charities and charity trustees
- Amends the rules regarding who can a charity trustee or senior officer
- increases the information held on charity trustees by the OSCR
- updates the information that is to be included on the Scottish Charity Register
- creates a record of merged charities.

Independent review of governance of NHS endowments

During 2019 an independent review was undertaken into the governance arrangements of NHS endowment funds in Scotland, with a remit to provide the Scottish government with recommendations on how to strengthen the governance of these funds.

The *Governance of NHS endowment funds: review*⁴⁵⁶ identified that where interest of the health board conflicts with that of the charity, it creates an inherent conflict of interest; board members act as both the corporate trustee, and as members of the NHS board for that host organisation.

The review made 28 recommendations in total. The most significant was to replace the existing corporate trustee with a charitable board comprising an independent chair and with a majority of independent members.

The report was written in 2019, immediately before the Covid pandemic. It was reviewed in 2021 and the recommendations remained unchanged.

In October 2021 the Cabinet Secretary for Health and Social Care published the report and updated Parliament on the findings⁴⁵⁷ and next steps. All the recommendations were accepted, and it was noted that adoption of the recommendations would require legislative change. A consultation will be

⁴⁵⁵ UK Government, *Charities (Regulation and Administration) (Scotland) Act 2023*

⁴⁵⁶ Scottish Government, *Governance of NHS endowment funds: review*, 2021

⁴⁵⁷ Scottish government, *Independent review of governance of NHS endowments: Health Secretary statement*, October 2021

undertaken with key stakeholders on the proposed process to change the current arrangements. No timescale has currently been set, but given the nature of the change, it is expected to be a relatively long process.



Key learning points

- Responsibility for health and social care services in Scotland lies with the Scottish Parliament and with the Scottish government.
- NHS Scotland consists of 14 territorial NHS boards. They have responsibility for the protection and improvement of their population's health, and for the delivery of frontline services.
- NHS Scotland is funded by the Scottish government. The money that the government has to spend on services comes from areas that include Scottish income tax and a UK government grant voted to it by the UK Parliament.
- Annual accounts are produced based on guidance in HM Treasury's *Financial reporting manual (FReM)* following international financial reporting standards (IFRS).
- NHS Scotland bodies follow governance arrangements like NHS England organisations, led by a board.
- The arrangements for managing endowment funds are in the process of being revised.

Additional HFMA resources

The HFMA maintains a directory of resources which provides links to other HFMA outputs such as briefings and webinars across a range of subjects, including a section dedicated to NHS charitable funds. It also highlights online learning courses that are available. [The directory of resources can be found here.](#)