

Midlothian Integration Joint Board



Midlothian Integration Joint Board Annual Accounts 2016/17

The Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2016 to 31 March 2017, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Service Reporting Code of Practice.

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Audit Arrangements

Under arrangement approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of Midlothian Integration Joint Board for the period 1 April 2016 to 31 March 2017 is Ernst and Young LLP, 10 George Street, Edinburgh, EH2 2DZ.

Management Commentary

The Role and Remit of the IJB

The Public Bodies (Joint Working) Act (2014) directs the creation of an Integration Authority for Midlothian to which a range of functions are to be delegated by NHS Lothian Board and Midlothian Council (the ‘partners’). Midlothian Integration Joint Board (IJB) was created pursuant to section 1(4)(a) of the Act being a body corporate. The IJB is constituted through its Integration Scheme which was prepared by Midlothian Council and NHS Lothian and presented to Scottish Ministers in March 2015. The Integration Scheme was approved by the Scottish Parliament in June 2015 and the first meeting of the IJB took place on 20 August 2015.

The IJB’s role and responsibility is to plan for the delivery of the functions that have been delegated to the IJB by Midlothian Council and NHS Lothian. These functions are:-

- Adult Social Care
- Primary Care Services (GP Practices, Community Dentists, Community Pharmacies and Community Opticians)
- Mental Health Services
- Physical and Learning Disabilities Services
- Community Health Services
- Community Hospital Services
- Unscheduled Care Services (services that are generally delivered from the Royal Infirmary of Edinburgh, the Western General Hospital and St. John’s Hospital).

The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions. The IJB published its Strategic Plan for these functions covering the period from April 2016 to March 2019 in March 2016. The IJB issued directions to its partners for the financial year 2016/17 in March 2016. This in line with the processes set out in the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB met eight times during the financial year 2016/17 and the members of the IJB in March 2017 were as follows:-

Member	Nominated/Appointed by	Role
Catherine Johnstone	Nominated by Midlothian Council	Voting Member, Chair
Peter Johnston	Nominated by NHS Lothian	Voting Member, Vice Chair
Bob Constable	Nominated by Midlothian Council	Voting Member
Bryan Pottinger	Nominated by Midlothian Council	Voting Member

Derek Milligan	Nominated by Midlothian Council	Voting Member, Chair of Audit and Risk Committee
Member	Nominated/Appointed by	Role
Alex Joyce	Nominated by NHS Lothian	Voting Member
John Oates	Nominated by NHS Lothian	Voting Member
Alison McCallum	Nominated by NHS Lothian	Voting Member
Eibhlin McHugh	Appointed by the IJB	Chief Officer
David King	Appointed by the IJB	Chief Finance Officer
Alison White	Nominated by Midlothian Council	Chief Social Worker
Caroline Miles	Nominated by NHS Lothian	Chief Nurse
David Caesar	Nominated by NHS Lothian	Consultant
Hamish Reid	Nominated by NHS Lothian	General Practitioner
Patsy Eccles	Appointed by the IJB	NHS Staff Representative
Aileen Currie	Appointed by the IJB	MLC Staff Side Representative
Margaret Kane	Appointed by the IJB	User/Carer representative
Ewan Aitken	Appointed by the IJB	Voluntary Sector Representative
Keith Chapman	Appointed by the IJB	User Representative

All members, except those indicated above as voting members, are non-voting members.

Note – the Chief Officer, Eibhlin McHugh, has indicated her intention to retire at the end of October 2017. The IJB appointed a new Chief Officer at its meeting in August 2017.

The IJB's Operations for the Year

2016/17 was the first year in which the IJB received financial resources ('budget') to support the delivery of its delegated functions. These resources were made available by NHS Lothian and by Midlothian Council as described in the Integration scheme. The financial models to generate the IJB's budget were proposed by Midlothian Council and NHS Lothian and agreed by the IJB as part of its financial assurance process.

At its March 2016 meeting, the IJB agreed the budget proposed by Midlothian Council which was based on the budget agreed by the Council for its social work services at the Council meeting in February 2016. The IJB also agreed an indicative budget from NHS Lothian based on outline values presented to the IJB as part of the overall NHS Lothian budget setting process. Having agreed these budget propositions this budget was the basis of the directions which the IJB issued to NHS Lothian and Midlothian Council in line with the IJB's agreed directions policy in March 2016.

NHS Lothian formally proposed a budget in June 2016, after which the IJB undertook a further financial assurance process and accepted that budget at its August 2016 meeting. The IJB's budget from both NHS Lothian and Midlothian Council has been subject to changes during the financial year. Midlothian Council had carried forward

resource on behalf of its social care services from 2015/16 and released these resources to the IJB as required during 2016/17. NHS Lothian both continued to revise its health budget setting model in collaboration with the IJB and also received further allocations from the Scottish Government 'in year'. Some of the further Scottish Government in year allocations supported delegated functions with the budgets being made available to the IJB.

Both partners agreed to a financial risk sharing model for 2016/17 which would mean that overspends would be supported by the partners as appropriate, i.e. that Midlothian Council would support any total net overspends in social care services and NHS Lothian would support any total net overspends in health services.

2016/17 was the first year of the IJB assuming its responsibilities for health and care in Midlothian and that inevitably had a strong focus upon organisational and governance arrangements regarding clarifying budgets, developing local management systems and agreeing risk management approaches. Nevertheless there is clear evidence of new ways of delivering local services. The Hospital at Home Service grew in capacity; patients requiring rehabilitation now receive this service in the Community Hospital or at home rather than in Liberton Hospital and more person-centred care is being provided through services such as the Mental Health Access Point and the Wellbeing Service. Plans are now well developed to provide local solutions to particular challenges including addressing health inequalities and responding to the growing pressures within Primary Care. The IJB has published an Annual Performance report that lays out its Achievements in 2016/17. This can be found at:

www.midlothian.gov.uk/downloads/file/2363/midlothian_integration_joint_board_annual_performance_report_2016-17.

The IJB's Position at 31 March 2017

For the year ending 31 March 2017, the IJB has broken even. That is the costs incurred in delivering the IJB's functions by Midlothian Council and NHS Lothian are equal to the income that the IJB received from NHS Lothian and Midlothian Council. This is in line with the risk sharing agreement referred to above.

The charges for the delivery of the delegated functions by the partners are Midlothian Council - £38.24m and NHS Lothian - £96.25m.

The charges made by Midlothian Council to the IJB are the net direct costs incurred in the delivery of social care services in Midlothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the core services (those services specifically for and delivered by the Midlothian partnership) are based on the net direct actual costs incurred in Midlothian. However, charges for hosted and set aside services (those services which are not generally managed by the Midlothian Partnership and are delivered on a pan-Lothian basis) are based on the total actual costs for these service shared across four IJBs per the budget setting model. The IJB share of the total actual costs incurred in

2016/17 for hosted services is 10% and, generally, 10% of the Lothian element of the set aside budgets.

In 2016/17 per the risk sharing agreements both Midlothian Council (MLC) and NHS Lothian (NHSiL) have made additional, non-recurrent resources available to the IJB as follows:

	MLC £m	NHSiL £m
Opening Budget	37.09	78.69
Social Care Fund		3.59
Add'n budget in year	0.41	4.41
2016/17 budget	37.50	86.69
Non Cash Limited		8.70
Additional n/r Support	0.74	0.86
Net charge to IJB	38.24	96.25

The Integration scheme lays out that the partners will provide corporate and other support to the IJB as required and will not charge for these services. These costs are not, therefore, included above.

The IJB's Strategy and Business Model

The IJB's remit and goals are laid out in the IJB's Strategic Plan. These are in line with the Scottish Government's national outcomes and will be delivered through:-

- Shifting the balance of care to provide more care delivered at home or in a homely setting rather than in hospital or other institutions
- Ensuring care is person centred, with a focus on the individual and not just specific health and social care needs
- Further improving the joined up approach to working across professions and bodies delivering health and social care functions
- Ensuring citizens, communities and staff involved in providing health and social care services will have a greater say in how these services are planned and delivered.

The Strategic Plan, having been consulted on as required by the regulations, was agreed by the IJB at its meeting of 10 December 2015.

In order to deliver the IJB's Strategic Plan, the Act lays out that the IJB must issue directions to its partners describing for each function the actions required, the resources to be used and the outcomes required.

The IJB issued directions in March 2016 based on an indicative budgetary position as described above in line with the IJB's policy on directions.

The IJB's long term plan is to redesign the delivery of the functions delegated to it in order to:-

- Increase capacity – to manage the pressures resulting from an aging and increasing population
- Improve the quality of care – by supporting a more individual centred, holistic approach
- Reduce the costs of the delivery of the functions in line with the projected reduction in the financial resources available to the IJB.

Key Risks and Uncertainties

The challenge for the IJB is to transform the delivery of its delegated functions whilst supporting the delivery of financial balance with an (in real terms) reduction in the financial resources available. There remain a series of uncertainties:-

1. The local elections in May 2017 changed the membership of the IJB and this may cause issues with continuity of both knowledge and purpose.
2. It remains difficult for the partners to recruit elements of the workforce to deliver the IJB's functions, e.g. GPs, District Nurses and Care workers.
3. The increasing population in Midlothian remains a challenge which may exacerbate the staffing pressures above.
4. The financial position for the UK and Scotland remains uncertain and this will provide a challenge to the amount of financial resources available to the IJB.

Analysis of the Financial Statements

The financial statements are all presented on a net basis.

Income and Expenditure

As was discussed above, the partners provided additional non-recurrent resources to support the IJB's position in year. This was to underpin three main pressure areas:-

- Significant cost pressures in the delivery of social care for adults.
- Significant overspends (both historical and in year) against the GP prescribing budget.
- A lack of recurrent delivery of efficiency schemes and recovery plans both within those services managed by the partnership and the services managed by other management teams within NHS Lothian.

Each of these pressures is being addressed by management and actions are detailed in the IJB's financial plan for 2017/18.

The IJB has agreed with Midlothian Council and NHS Lothian an opening budget for 2017/18 and has issued directions for 2017/18 utilising that budget. In addition to

that budget Midlothian Council has identified c. £1.2m of reserves relating to social care services; those funds will be made available to the IJB in 2017/18.

Balance Sheet

Given that the IJB has broken even in 2016/17 and that there are no outstanding balances either carried into this financial year nor brought forward into future years, (the IJB has no assets per its Integration Scheme) there are no entries in the IJB's balance sheet for 2016/17.

Reserves

The IJB has no reserves at the end of 2016/17. However, as noted above, Midlothian Council has carried forward resources that will be made available to the IJB in 2017/18.

John Oates
IJB Chair

Eibhlin McHugh
Chief Officer

David King
Chief Finance Officer

Statement of Responsibilities

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the chief finance officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003).
- Approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit & Risk Committee on 7 September 2017.

Signed on behalf of Midlothian Integration Joint Board.

John Oates

Chair

Responsibilities of the Chief Finance Officer

The chief finance officer is responsible for the preparation of the IJB's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

In preparing the Annual Accounts, the chief finance officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent
- Complied with legislation
- Complied with the local authority Code (in so far as it is compatible with legislation).

The chief finance officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of the Midlothian Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.

David King

Chief Finance Officer

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The other sections of this report will be reviewed by Ernst & Young LLP and any apparent material inconsistencies with the audited financial statements will be considered as part of their audit report.

Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by Midlothian Council and NHS Lothian Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2016/17.

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair.

NHS Lothian remunerates its non-executive members on a notional day basis. Those non-executive members of the NHS Lothian Board who are also Chairs or Vice Chairs of IJBs are given an additional notional day's remuneration in recognition of the additional time required to undertake those roles. Peter Johnson, as a non-executive member of NHS Lothian Board who is also the Vice Chair of Midlothian IJB has received an additional notional day's remuneration specifically for his role as Vice Chair of the IJB in 2016/17. This remuneration is £8,169 per annum.

Remuneration: Officers of the IJB

The IJB does not directly employ any staff, however specific post-holding officers are non-voting members of the Board.

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally

second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

The Chief Officer of the IJB is Eibhlin McHugh who is also the Director of Health and Social Care for Midlothian Council and the Joint Director of the Midlothian Partnership. It has been agreed, and this was disclosed in the accounts for 2015/16, that 50% of her total remuneration is to be shown in the accounts of the IJB as her remuneration as the Chief Officer of the IJB.

Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer and in the interests of transparency the remuneration of the Chief Finance officer is included below. The Chief Finance officer is David King. The Chief Finance Officer is employed by NHS Lothian and has three roles – the IJB's Chief Finance Officer, the Chief Finance Officer of East Lothian IJB and an operational role in the NHS Lothian finance team. On that basis, one third of the total remuneration is shown below.

Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

Total 2015/16	Senior Employees	Salary, Fees & Allowances 2016/17	Total 2016/17
£		£	£
30,045	Eibhlin McHugh	49,668	49,668
11,220	David King	26,802	26,802

2015/16 was not a full financial year; Eibhlin McHugh was appointed in August 2015 and David King was appointed in October 2015.

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

	In year Contribution			Accrued Pension benefits	
	For year	For period ending		at	at
	31/3/2017 £000's	31/3/2016 £000's		31/3/2017 £000's	31/3/2016 £000's
Eibhlin McHugh (from August 2015)	10	6	Pension Lump Sum	22 45	21 44
David King (from October 2015)	4	2	Pension Lump Sum	11 34	11 33

Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
0	£50,000 - £54,999	0
0	£55,000 - £59,999	0
0	£60,000 - £65,000	0

Exit Packages

The IJB did not support nor did it direct to be supported by its partners any exit packages during 2016/17.

John Oates
IJB Chair

Eibhlin McHugh
Chief Officer

Annual Governance Statement

Midlothian Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow the public funds at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Board members, including the Chief Officer and Chief Finance Officer, are responsible for the governance of the business affairs of Midlothian IJB. This includes: setting the strategic direction, vision, culture and values of the IJB and establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

In order to achieve this, the IJB has developed a Code of Corporate Governance based on the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives' (SOLACE) framework and guidance on Delivering Good Governance in Local Government: Framework (2016).

The Code of Corporate Governance details 7 core principles which are supported by 20 sub-principles and 91 behaviours and actions that demonstrate good Governance. Elements of good governance included are:-

- Ensuring members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the IJB
- Creating the conditions to ensure that all IJB members and the IJB's partners (Midlothian Council and NHS Lothian) are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Having a clear vision, which is an agreed formal statement of the IJB's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the IJB's overall strategy, planning and other decisions
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources and to ensure best value is achieved.
- Evaluating and monitoring risk management and internal control on a regular basis
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor
- Ensuring an audit committee, which is independent of the executive and accountable to the IJB, provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on the assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
- Ensuring that recommendations for corrective action made by the external auditor are acted upon.

Midlothian IJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Finance Officer in Local Government. The Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced.

The IJB is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the IJB's governance framework is informed by:

- The work of the IJB, the Strategic Planning Committee and the Audit & Risk Committee
- The annual assurance questionnaires that are provided by the Chief officer and the Chief Finance officer
- An annual review, by the Chief Internal Auditor, of compliance with the IJB's Local Code of Corporate Governance
- The Chief Internal Auditor's annual report which is based on internal audit work completed during the year
- Reports from the IJB's external auditor – the only one currently available being that on the 2015/16 IJB's accounts
- Reports from other external review bodies, agencies and inspectorates.

The key governance arrangements and controls are set out in the local Code of Corporate Governance. Each year, using an assurance template, the Chief Internal Auditor samples elements in the code to determine whether these are working effectively and that, therefore, the governance framework is working effectively.

In addition, the Chief Officer and the Chief Finance Officer are required to undertake an annual self assessment of their area of responsibility using an assurance template where key elements of governance are examined.

Neither of these assessments highlighted any issues that would impact on the level of effectiveness of the IJB's governance framework. A number of improvements were identified and these are noted below in the action plan.

The statement has also been informed by the work undertaken by the Chief Internal Auditor who, following the requirements of the Local Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the IJB's system of internal control. The Chief Internal Auditor concluded that based on the work undertaken in 2016/17 that overall, the MIJB's framework of governance, risk management and control is adequate but noted areas for further development in 2017/18. These improvements are reflected within the action plan detailed below.

The Chief Internal Auditor has responsibility for the IJB's Internal Audit function and reports functionally to the Audit and Risk Committee to allow appropriate independence. The Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The Public Sector Internal Audit Standards (PSIAS) require that an external assessment be conducted at least once every five years by a qualified, independent assessor from outside the organisation over the level of compliance against PSIAS by the Internal Audit Section. An external assessment was not undertaken in 2016/17 but will be undertaken in 2017/18 as part of the reciprocal assessments by the Scottish Local Authority Chief Internal Auditors' Group (SLACIAG), which is a sub group of CIPFA. However a self evaluation of compliance with the Public Sector Internal Audit Standards was undertaken by the Chief Internal Auditor. This evaluation demonstrated that the key elements of the Standards were complied with during the year.

Statutory and other Compliance

The Midlothian IJB was established by parliamentary order in June 2015 following approval of the Midlothian Integration Scheme by the Scottish Ministers. It is a body corporate, a legal entity in its own right, but it relies on support from officers employed by Midlothian Council and NHS Lothian in relation to the conduct of its business. It is subject to the Public Bodies (Joint Working) (Scotland) Act 2014 and secondary legislation directly relating to the integration of health and social care services, and indirectly in relation to regulatory regimes affecting devolved public bodies in Scotland.

Midlothian IJB ('the Board') has secured compliance with statutory and other requirements, as follows:-

- Membership - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated
- Standing Orders - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at its inaugural meeting. They comply with statutory requirements
- Committees - the Board has established an Audit & Risk Committee with a detailed remit and powers and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders
- Meetings - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees, except in clearly defined and limited circumstances
- Strategic Plan - the Board established its Strategic Planning Committee as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures.
- Officers - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit & Risk Committee
- Finance - the Board received reports in relation to financial assurance prior to the setting of budgets (for both 2016/17 and 2017/18) for the functions delegated by Midlothian Council and NHS Lothian, and adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements

- **Code of Conduct** - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an Interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. The Scottish Government approved the IJB's code of conduct on 1 June 2016.

Through the Board and the Audit & Risk Committee, further work will be progressed and will be carried out in relation to governance of these particular aspects of the Board's statutory duties and powers.

Action Plan

A number of governance improvements were highlighted in the 2015/16 self assessment and progress has been made in 2016/17 on the following:

- **Develop and promote our purpose and vision.** The IJB has continued to develop and share its vision as laid out in its Strategic Plan. Papers have been presented to the IJB for discussion and a series of workshops have been conducted with the IJB to develop and promote the purpose and vision. The IJB has consulted widely through its Strategic Planning Group and its series of 'hot topics' meetings.
- **Finalisation of the Code of Conduct.** Approved by the Scottish Government in October 2016.
- **Corporate support to the IJB.** The IJB has been appropriately supported by its Partners. The Chief Officer and the Chief Internal Auditor is provided by Midlothian Council and the Chief Finance Officer is provided by NHS Lothian. Midlothian Partnership's resources have been enhanced by NHS Lothian and the Partnership supports the IJB on a day to day basis.
- **Risk Register.** The IJB's risk register was formally adopted by the Audit & Risk Committee and has been updated for the Audit & Risk Committee meetings.
- **Recording of financial transactions.** As agreed in the Integration Scheme, Midlothian Council is recording the financial transactions of the IJB in an appropriate financial ledger system.
- **Document Retention Policy.** The IJB, working with its partners and the other Lothian IJBs, is finalising a policy on document management based on the Scottish Government's model scheme. This will cover the retention policy.
- **Business Continuity.** The IJB takes assurance from the business continuity plans developed and managed by Midlothian Council and NHS Lothian which will support the delivery of those functions delegated to the IJB.
- **Fraud.** An assessment of fraud related risk has now been undertaken with the assistance of the Internal Audit Section. In terms of the delivery of its delegated functions, the IJB takes assurance from the fraud prevention policies in operation by Midlothian Council and NHS Lothian.
- **Registration with the Information Commissioner.** A legal opinion has been sought and the IJB does not have to be registered with the Information Commissioner at this time. This will be continuously reviewed.

- **Information Sharing Agreement.** The IJB is a signatory to the pan-Lothian data sharing agreement. This is an agreement between NHS Lothian, the four Councils in the Lothian area and the four IJBs in the Lothian area.
- **Information and data protection.** This is covered by the Public Records Act actions and the IJB is developing its plan in 2017/18 in cooperation with its partners.
- **Standards officer.** A standards officer has been appointed - Alan Turpie the Principle Solicitor for Midlothian Council.
- **Ensure appropriate arrangements are in place to deal with complaints.** The IJB has now signed off and published its complaints handling process based on the Scottish Government Model Complaints Handling Scheme.

Areas identified for improvement being progressed:

- **Document Retention Policy.** The IJB, working with its partners and the other Lothian IJBs, is finalising a policy on document management based on the Scottish Government's model scheme. This will cover the retention policy.
- **IJB Web Site.** The IJB continues to use the Midlothian Council's website wherein the IJB has its own specific area. The IJB is still developing its own distinct web site.

The following table sets out improvements to the governance framework which are to be progressed in 2017/18:

Areas for improvement Identified in 2016/17	Actions proposed in 2017/18
<p>Updated code of corporate governance</p> <p>The 'Delivering Good Governance in Local Government: Framework' was updated by CIPFA/SOLACE in 2016 but this has not yet been fully embedded.</p>	<p>The IJB is preparing a revised code of corporate governance in line with the new model code of corporate governance.</p>
<p>Workforce Planning</p> <p>The IJB will have to develop its workforce plans with an emphasis of moving from specialised institution based workforce into a generalised community based workforce.</p>	<p>The IJB workforce plan is currently being developed through a process of engagement with staff and partners. Final approval for the workforce plan will be sought at the October 2017 IJB meeting.</p>
<p>Improvement of Financial Planning</p> <p>Improve financial planning timescales by moving to a three year plan rather than the current position of a detailed</p>	<p>The IJB is working with Midlothian Council and NHS Lothian to develop a multi-year financial plan. A financial</p>

Areas for improvement Identified in 2016/17	Actions proposed in 2017/18
one year plan with indicative values for the following two years.	strategy incorporating this multi-year principle was outlined in a report to the IJB at its October 2016 meeting.
Performance Reporting The IJB should develop performance reports.	The IJB continues to develop its process to ensure that the Directions are being fully delivered by its partners and that the IJB is fully informed on its performance. Papers have been presented to the IJBs to develop this model along with a workshop on performance management in April 2017. Regular reports are now being presented to the IJB. The reports include performance against the agreed 'weather vane' measures.
Internal Audit SLA Gain approval from NHS Lothian of the Service Level Agreement between the Internal Audit Services of Midlothian Council, NHS Lothian and the Midlothian Integration Joint Board.	Both Midlothian Internal Audit service and NHS Lothian Internal Audit have made resources available to support the IJB. An SLA is in the process of being finalised.

On the basis of the IJB's assurance system, and the elements of governance at its disposal, we are satisfied that overall, Midlothian IJB's systems of internal control, risk management and governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the forthcoming year to address these areas, allowing the IJB to advance its corporate governance arrangements and seek continuous improvement.

John Oates
IJB Chair

Eibhlin McHugh
Chief Officer

Independent Auditor's Report

Independent auditor's report to the members of Midlothian Integration Joint Board and the Accounts Commission

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, 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 certify that we have audited the financial statements in the annual accounts of Midlothian Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet 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 Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- ☐ give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Board as at 31 March 2017 and of its result on the provision of services 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 2016/17 Code; and
- ☐ have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 Standards for Auditors, 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.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance 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 Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation 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&I) 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.

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. 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 Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

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

- ☐ the information given in the Management Commentary 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 statutory guidance issued under the Local Government in Scotland Act 2003; and
- ☐ the information given in the Annual 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 Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Stephen Reid,
for and on behalf of Ernst & Young LLP
Ten George Street
Edinburgh
EH2 2DZ

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments, this is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16		2016/17	
Net Expenditure		Net Expenditure	
£m		£m	
0.02	Health Care Services - NHS Lothian	96.25	
0.02	Social Care Services - Midlothian Council	38.24	
0.04	Cost of Services	134.49	
0.04	Taxation and Non-Specific Grant Income	134.49	
0.00	Surplus or Deficit on Provision of Services	0.00	
0.00	Total Comprehensive Income and Expenditure	0.00	

The IJB was established in August 2015 but did not receive any income nor direct any expenditure in the period between August 2015 and March 2016. However, the expenditure in 2015/16 was the costs of the Chief Officer and the Audit Fee as noted in the IJB's annual accounts for 2015/16.

Movement in Reserves Statement

The IJB had no reserves in 2015/16 nor does it hold any reserves in 2016/17

Movements in Reserves During 2016/17	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 31 March 2016	(0)	0	(0)
Total Comprehensive Income and Expenditure	(0)	0	(0)
Increase or Decrease in 2016/17	(0)	0	(0)
Closing Balance at 31 March 2017	(0)	0	(0)

Movements in Reserves During 2015/16	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 31 March 2015	0	0	0
Total Comprehensive Income and Expenditure	(0)	0	(0)
Increase or Decrease in 2015/16	(0)	0	(0)
Closing Balance at 31 March 2016	(0)	0	(0)

Balance Sheet

The IJB has neither assets nor liabilities at 31 March 2017.

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets (assets less liabilities) of the IJB are matched by the reserves held by the IJB.

31 March 2016		Notes	31 March 2017
£000			£000
0	Short term Debtors		0
0	Current Assets		0
0	Short term Creditors		0
0	Current Liabilities		0
0	Provisions		0
0	Long-term Liabilities		0
0	Net Assets		0
0	Usable Reserve: General Fund		0
0	Usable Reserve:		0
0	Employee Statutory Adjustment		0
0	Account		0
0	Total Reserves		0

David King
Chief Finance Officer

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises the IJB's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB.
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms and conditions required to earn the income, and receipt of the income is probable.
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.
- Where debts may not be received, the balance of debtors is written down.

Funding

The IJB is wholly funded through funding contributions from the statutory funding partners, Midlothian Council and NHS Lothian. Expenditure is incurred in the form of charges by the partners.

Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. There are no outstanding funding balances from either partners at 31 March 2017.

Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision. As noted above, the IJB has no reserves at 31st March 2017.

The IJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation.

Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and Midlothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. The IJB holds separate indemnity insurance through its membership of the CNORIS scheme, the charge for this in 2016/17 was £6,000.

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

There are no outstanding claims or any indications that any claims are to be made against the IJB.

2. Critical Judgements and Estimation Uncertainty

The critical judgements made in the Financial Statements relating to complex transactions are:

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' options that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none).
- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However,

because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

- There are no items in the IJB's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year.

Provisions

The IJB has not created any provisions in respect of compensation claims. It is not certain that all claims have been identified or that the historic level of settlement payments is a reliable guide for future settlements.

3. Events After the Reporting Period

The Annual Accounts were authorised for issue by the IJB on 14 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Expenditure and Funding Analysis

Expenditure 2015/16		2016/17
£000's		£000's
	Services specifically for Midlothian	
22	Health	55,840
21	Social Care	38,234
	Midlothian's share of Lothian Health Services	
0	Hosted	20,953
0	Set Aside	19,457
43	Total	134,484
Funded By		
43	Midlothian Council	38,234
43	NHS Lothian	96,250
86		134,484

Expenditure above has been split into three main areas :-

- Expenditure on those services delivered specifically for the population of Midlothian. These services are managed locally by the Midlothian Lothian Partnership.
- Hosted Services – these are health services managed either by the Edinburgh, East Lothian and West Lothian Partnerships or managed by

NHS Lothian on a pan-Lothian basis. These services included Mental Health Services, Learning Disability Services, Substance Misuse Services, Rehabilitation services, General Dental Services, General Pharmaceutical Services and General Ophthalmic Services. This is the IJB's agreed share of these services.

- Set Aside Services – these are services delivered in the main acute hospitals (Royal Infirmary of Edinburgh, Western General Hospital and St. John's Hospital) and managed by NHS Lothian. This is the IJB's agreed share of these services.

Corporate Service

Included in the above costs are the following corporate services:-

2015/16 £000's		2016/17 £000's
39.3	Staff	50.0
5.0	Audit Fee	25.0
44.3	Total	75.0

As noted above, the Chief Finance Officer is not charged to the IJB.

5. Related Party Transactions

As partners with the Midlothian Integration Joint Board, both Midlothian Council and NHS Lothian are related parties and the material transactions with these bodies are disclosed in these accounts.

There are elements of expenditure which are shown against the NHS Lothian above but where the resources are used by the social care services delivered by Midlothian Council.

2015/16 £000's		2016/17 £000's
	NHS Lothian	96,250
0	Resource Transfer	-4,776
0	Social Care Fund	-3,505
0		87,969
	Midlothian Council	38,234
0	Resource Transfer	4,776
0	Social Care Fund	3,505
0	Total	46,515

Both Resource Transfer and the Social Care Fund are resources which are part of the NHS Lothian budget and are shown as expended therein but these funds are used to deliver social care service supplied by Midlothian Council.

6. VAT

The IJB is not a taxable person and does not charge or recover VAT on its functions.