

Notice of Special Meeting and Agenda



Midlothian Integration Joint Board

Venue: Virtual Meeting - MS Teams,

Date: Thursday, 10 September 2020

Time: 14:00

Morag Barrow
Chief Officer

Contact:

Clerk Name: Mike Broadway

Clerk Telephone: 0131 271 3160

Clerk Email: mike.broadway@midlothian.gov.uk

Further Information:

This is a meeting which is open to members of the public.

1 Welcome, Introductions and Apologies

2 Order of Business

Including notice of new business submitted as urgent for consideration at the end of the meeting.

3 Declaration of Interest

Members should declare any financial and non-financial interests they have in the items of business for consideration, identifying the relevant agenda item and the nature of their interest.

4 Public Reports

4.1 2019/20 Audited Annual Accounts 3 - 86

4.2 Prevention and Early Intervention: Update - Presentation by Sarah Archibald, Tracy McLeod and Jim Sherval.

5 Private Reports

5.1 IJB Report Unscheduled Care September 2020- Private paper

6 Date of Next Meeting

The next meeting will be held on Thursday 8 October 2020 at 2 pm

10th September 2020

2019/20 Audited Annual Accounts

Item number: 4.1

Executive summary

As a statutory body, the IJB is required to produce a set of annual accounts at the end of its financial year (31 March). These accounts are then reviewed by the IJB's external auditors who report their opinion of the IJB's annual accounts to the IJB's Audit and Risk Committee. The Independent auditors have given the accounts an 'unqualified' opinion which means that they meet the requirements of the regulations and give a fair and true view of the IJB's financial position in 2019/20. The accounts are required to be signed off by 30 September and signed by the Chair of the IJB, the Chief Officer of the IJB, the Chief Finance Officer of the IJB and the Independent Auditor. The Independent Auditor reported his view to the meeting of the IJB's Audit and Risk committee on 3rd September 2020. The IJB's Audit and Risk committee is satisfied with the report of the Independent Auditor and recommends that the Annual Accounts are approved by the IJB.

Board members are asked to:

- 1. Note the report of the independent auditor*
- 2. Approve the IJB's annual accounts for 2019/20*

2019/20 Audited Annual Accounts

1 Purpose

- 1.1 The IJB has prepared annual accounts for the financial year 2019/20, these have now been audited by the IJB's Independent Auditors and the auditors have reported their view to the IJB's audit and risk committee of 3 September 2020.

2 Recommendations

- 2.1 As a result of this report Members are being asked to:-
- Note the report of the independent auditor
 - Approve the IJB's annual accounts for 2019/20

3 Background and main report

- 3.1 As a body governed by section 110 of the Local Government Scotland Act (1973) and the appropriate regulations and subsequent Acts, the IJB must prepare a set of annual accounts. The accounts must fulfil the requirements of the Act and the regulations and must give a true and fair view of the IJB's financial position.
- 3.2 The accounts must then be reviewed by an Independent Auditor who will report their findings to the Audit and Risk committee which will allow the auditors to bring any matters to the committee's attention.
- 3.3 In summary the auditor's report is unqualified - that is that they consider that the accounts meet the regulations and requirements of the Act and that the accounts are a true and fair view of the IJB's financial position.
- 3.4 The IJB's Audit and Risk Committee has received the report of the appointed auditors and recommend that the IJB accepts these Accounts and that the Accounts are signed on the IJB's behalf by the appropriate members of the IJB.

4 Policy Implications

- 4.1 There are no policy implications from this report.

5 Directions

- 5.1 There are no implications on directions from this report.

6 Equalities Implications

6.1 There are no equalities implications from this report

7 Resource Implications

7.1 There are no resource implications from this report.

8 Risk

8.1 The risks raised by this report are already included within the IJB risk register.

9 Involving people

9.1 The IJB's annual accounts will be published on the IJB website.

10 Background Papers

10.1 None.

AUTHOR'S NAME	Claire Flanagan
DESIGNATION	Chief Finance Officer
CONTACT INFO	claire.flanagan@nhslothian.scot.nhs.uk
DATE	20 th August 2020

Appendices:

Appendix 1 – Independent Auditors report

Appendix 2 – 2019/20 Annual Accounts

Midlothian Integration Joint Board

**Annual Audit Report to Members
and the Controller of Audit - year
ended 31 March 2020**

3 September 2020

Contents

Section	Auditor Responsibility	Page
Executive Summary	Summarise the key conclusions from our audit	03
Financial statements audit	Provide an opinion on audited bodies' financial statements Review and report on, as appropriate, other information such as the annual governance statement, management commentary and remuneration report	06
Best Value and Wider scope dimensions	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited body's: <ul style="list-style-type: none"> ▶ financial position and arrangements for securing financial sustainability ▶ suitability and effectiveness of corporate governance arrangements ▶ effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets We also conclude on the IJB's ability to demonstrate that it meets Best Value responsibilities to the Board	10
Appendices	Undertake statutory duties, and comply with professional engagement and ethical standards: Appendix A: audited body's responsibilities Appendix B: required auditor communications Appendix C: independence and audit quality Appendix D: action plan Appendix E: follow up of prior year recommendations	24

About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Midlothian Integration Joint Board (the IJB) for financial years 2016/17 to 2021/22. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary: Key Conclusions from our 2019/20 audit

We intend to issue an unqualified audit opinion on the IJB's 2019/20 financial statements

We updated our risk assessment in response to the global pandemic, and as a result placed additional focus on:

- ▶ **the adequacy of the IJB's disclosures in relation to the pandemic; and**
- ▶ **management's assessment of going concern.**

Financial Statements

We have concluded our audit of the IJB's financial statements for the year ended 31 March 2020. No audit adjustments were required to be made and there are no unadjusted differences that we are required to communicate. The draft financial statements and supporting working papers were of a good quality. We worked with the Chief Finance Officer to make improvements to the Management Commentary and notes to the financial statements to reflect the implications of the Covid-19 global pandemic on the financial statements, and the IJB's planning processes.

We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were satisfied that the Annual Governance Statement reflects the requirements of the *Delivering Good Governance Framework*, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.

Going Concern

Management is required to conclude on the going concern basis of preparation in the financial statements. As a result of the unprecedented financial and operational pressures faced by the IJB to respond to Covid-19, we placed additional emphasis on management's assessment of going concern, and particularly the need to report on the impact of financial pressures on the IJB and its financial sustainability going forward.

We note that the IJB has submitted regular mobilisation plans to the Scottish Government to estimate the financial impact of Covid-19, which reflect the impact of the pandemic on the delivery of services and the additional costs associated with Covid-19. Key areas of additional spend include:

- ▶ staffing costs to provide cover for front-line staff sickness, self-isolation and shielding;
- ▶ additional beds in the community hospital to support patient care; and
- ▶ prescribing and sustainability payments to external providers.

Under the Integration Scheme, the financial costs and therefore key financial risks remain with the IJB's partners, NHS Lothian and Midlothian Council. We were therefore satisfied that the IJB remains a going concern, but consider the related risks to the delivery of the IJB's Strategic Plan within our wider scope assessment of Financial Sustainability.

We drew upon our wider scope work to conclude on the IJB's approach to Best Value. We note that the IJB has a number of key characteristics of Best Value in place, including effective partnership working and robust governance arrangements.

A planned self assessment against the Audit Scotland's Best Value guidance for IJBs was delayed as a result of the global pandemic, and will be addressed in 2020/21. In our view, until this is in place, the IJB cannot fully demonstrate that it meets its Best Value responsibilities.

Wider Scope and Best Value

We summarise the conclusion we reached in response to our work on the wider scope dimensions below.

<p>Financial Sustainability</p> <p>The impact of Covid-19 has added further financial pressure and uncertainty to the IJB and its partners, including an estimated additional 1% budget gap. As a result, a refreshed Financial Strategy will be prepared in 2020/21. Financial pressures of this scale require either financial support from partners or the Scottish Government, or the re-prioritisation of services provided. The ability of partners to respond to the Strategic Plan, and specific Directions, will therefore determine the success of integration in Midlothian.</p> <p>RED</p>	<p>Governance and Transparency</p> <p>The key features of good governance at the IJB are in place and operating effectively. The IJB responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic. We were satisfied that Board members had access to key information as a result of the continuance of virtual meetings, and weekly briefings. The IJB has continued to develop arrangements to support improved integration and partnership working.</p> <p>GREEN</p>
<p>Financial Management</p> <p>The IJB delivered a £0.7 million underspend against budget in 2019/20. The IJB's reserve balances now total £4.4 million, of which £1.4 million has been earmarked for committed projects.</p> <p>We noted improvements to financial reporting during 2019/20 but that the IJB continues to report overspends against key budgets, including Learning Disabilities and Community Hospitals.</p> <p>GREEN</p>	<p>Value for Money</p> <p>The IJB's Strategic Plan is not yet fully supported by a Performance Management Framework and therefore cannot fully demonstrate the impact of integration, or the steps that will need to be taken to achieve the Strategic Plan.</p> <p>The Annual Performance Report highlights a number of areas of improvement, but some key indicators, including delayed discharges, remain below the national average.</p> <p>AMBER</p>

Introduction

As a result of the impact of Covid-19, Audit Scotland and the Accounts Commission agreed to extend our appointment as external auditor of the IJB by at least 12 months, to 2021/22.

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Midlothian Integration Joint Board ("the IJB"). Our appointment term has recently been extended by a further 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise the key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Controller of Audit, and presented to those charged with governance. This report is provided to Audit Scotland and will be published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the IJB employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as your external auditor.

Scope and Responsibilities

The Code sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the Audit and Risk Committee on 5 March 2020.

The impact of the Covid-19 Pandemic

The ongoing disruption to the delivery of health and social care as a result of the Covid-19 has a pervasive impact upon the financial statements.

The financial statements have been updated to reflect the impact of Covid-19 on the IJB's financial position and performance.

We conducted our planning in accordance with Audit Scotland's Code of Audit Practice in February 2020, and presented our Annual Audit Plan to the IJB's Audit and Risk Committee, before the declaration of the global Covid-19 pandemic and the resulting lockdown arrangements. We recognise that the pandemic has had a profound impact on the IJB, and on partner staff who deliver frontline services. As a result, we revisited our planning assessments for the 2019/20 audit.

The impact occurred late in the financial year, and as a result the financial results were in line with our expectations. There were no additional transaction streams before 31 March 2020 that would require new accounting policies or treatments.

The IJB has worked with partners and the Scottish Government to identify additional costs as a result of the pandemic within mobilisation plans. However, there was no material spike in activity prior to 31 March 2020. As a result of our assessment we have not identified any new financial statement risks. There are, however, a number of areas of the financial statements that have been impacted by Covid-19, including:

- ▶ **Governance Statement:** The IJB and its partners moved to critical service delivery in March 2020 at the commencement of the lockdown. The governance statement captures how the control environment changed during the period and what steps were taken to maintain a robust control environment during the disruption.
- ▶ **Disclosures and estimates:** Additional disclosures were required throughout the financial statements, including the management commentary, to reflect the additional risks facing the IJB and how these have impacted the key judgements and estimates made in preparation of the financial statements. These include disclosures on significant events after the balance sheet date.
- ▶ **Going concern:** In accordance with the CIPFA Code of Local Government Accounting, the IJB should prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. Covid-19 has created increased financial pressures throughout the public sector. Uncertainty remains about the level of financial support that may become available from the Scottish Government to reflect the financial consequences. In light of this, the audit placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements. The results of this assessment are reported in Section 2 on page 13.

We remain satisfied that the values reported to you in our Audit Planning Report for planning materiality, performance materiality and our audit threshold for reporting differences remain appropriate.

Adaption to remote working

Our audit fieldwork was completed remotely as a result of the Scottish Government’s lockdown restrictions. There were two key impacts:

- ▶ Additional work was required to assess the format of evidence provided and where necessary, procedures were performed to validate the authenticity of evidence.
- ▶ All contact with the Chief Finance Officer was conducted via virtual meetings. We would take this opportunity to thank the full team for their co-operation and support throughout this period.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £1.4 million. We have considered whether any change to our materiality was required in light of Covid-19 and we remain satisfied that the materiality values reported within our Annual Audit Plan remain appropriate.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

Overall Materiality

Tolerable Error

Nominal amount

£1.4 million

£1 million

£70,000

2% of the IJB’s net expenditure

Materiality at an individual account level

Level that we will report to committee

As outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

Financial statement audit

We are responsible for conducting an audit of the IJB’s financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view of the financial position of the IJB as at 31 March 2020 and its expenditure and income for the year then ended; and
- ▶ whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. Our findings are summarised in Section 2 of this report.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

Our findings are summarised in Section 3 of this report.

Best Value

Our Annual Audit Plan outlined a requirement to comment on how effectively the IJB demonstrates that it meets its Best Value responsibilities to the Board. Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value. We outline our findings and assessment for 2020/21 on page 26.

Our Plan also noted that we would consider the IJB's arrangements against guidance issued by Audit Scotland, *Auditing Best Value - Integration Joint Boards (March 2018)*. In light of the IJB's focus on responding to and recovery from the pandemic, we have elected to delay our work in this area until 2020/21, to allow us to draw upon the IJB's self-assessment.

We are also required to draw upon our wider scope work to conclude on the extent to which the IJB can demonstrate and evidence the achievement of Best Value. Our findings are summarised in Section 3 of this report.

Financial Statements audit

Introduction

The annual financial statements provide the IJB with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted one area that we identified as a fraud risk relating to the risk of fraud in revenue and expenditure recognition, including through management override of controls. This assessment was not changed as a result of the impact of Covid-19.

Compliance with Regulation

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the IJB to prepare financial statements, ensure their availability for public inspection and consideration by the board or a committee with an audit or governance remit. Schedule 6 of the Coronavirus (Scotland) Act 2020 allowed the IJB to postpone submitting the unaudited financial statements to auditors and publishing the audited financial statements until it was reasonably practicable to do so. No delay was necessary for the IJB, and we received the unaudited financial statements on 11 June 2020, in line with planned timescales.

The inspection notice was published by Midlothian Council on the IJB's behalf on 17 June 2020, in line with the requirements of the Regulations. No objections were received in relation to the financial statements.

Audit Outcomes

We identified no unadjusted audit differences arising from the audit. Our overall audit opinion is summarised on the following page.

The Regulations were amended to allow the IJB to delay preparation of the financial statements. However, the draft financial statements were submitted for audit in line with planned timescales. The inspection notice was published in accordance with requirements.

Our audit opinion

Element of opinion

Basis of our opinion

Conclusions

Financial statements

- ▶ Truth and fairness of the state of affairs of the IJB at 31 March 2020 and its expenditure and income for the year then ended
- ▶ Financial statements in accordance with the relevant financial reporting framework

We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement.

We are satisfied that accounting policies are appropriate and estimates are reasonable

We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.

We have issued an unqualified audit opinion on the 2019/20 financial statements for the IJB.

Going concern

- ▶ We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting

We conduct core financial statements audit work, including management's assessment of the appropriateness of the going concern basis

Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.

In accordance with the work reported on page 12, we have no matters to report.

Other information

- ▶ We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit

We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:

- ▶ Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.
- ▶ Audit Scotland's *Improving the Quality of Local Government Annual Accounts: Integration Joint Boards* Good Practice Note.

We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.

Matters prescribed by the Accounts Commission

- ▶ Audited part of remuneration report has been properly prepared.
- ▶ Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.

Our procedures include:

- ▶ Agreeing the format of the reports to regulations and agreeing the disclosures to underlying accounting records, including to the underlying partner's accounting records.
- ▶ Reviewing the content of narrative disclosures to information known to us.
- ▶ Our assessment of the Annual Governance Statement against the Delivering Good Governance Code.

We have issued an unqualified opinion.

Matters on which we are required to report by exception

We are required to report on whether:

- ▶ there has been a failure to achieve a prescribed financial objective,
- ▶ adequate accounting records have been kept,
- ▶ financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records, or
- ▶ we have not received the information we require.

We have no matters to report.

Significant and fraud audit risks

Risk of Fraud in expenditure recognition, including through management override of controls

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

Due to the nature of funding to the IJB from Midlothian Council and NHS Lothian, we rebutted the assumed fraud risk in respect of the income. For expenditure we associated the risk to the assurance over the existence and occurrence of expenditure incurred by the IJB in commissioning services from the partners.

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2019/20 our work included:

- ▶ We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services. Management present financial information to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from Midlothian Council and NHS Lothian.
- ▶ Review of additional revenue streams and cut off testing for additional income received as a result of the Covid-19 outbreak.
- ▶ As part of the year end process, the IJB obtained confirmation statements from the senior finance professionals at NHS Lothian and Midlothian Council of the spend by the respective bodies on delivering services, and hence their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- ▶ We obtained independent confirmation from the appointed auditor at both Midlothian Council and NHS Lothian of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.

Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

- ▶ We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

- ▶ We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the Midlothian Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all of these in the course of our work.

Judgements and Estimates

- ▶ We agreed with management's assessment that there are no material accounting estimates included in the financial statements. We confirmed the process for ensuring that there were no claims applicable to the IJB which required provision to be made as part of its participation in CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

Accounting Policies

- ▶ We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under IFRS or the Code.

Our conclusions

- ▶ Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Going concern

In accordance with the CIPFA Code of Practice on Local Government Accounting, the IJB prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity. CIPFA bulletin 05 (closure of the 2019/20 financial statements) states that while there is likely to be a significant impact of Covid-19 on local authority financial sustainability, the rationale for the going concern basis of reporting has not changed.

The rationale for going concern remains the same, but we placed increased focus on management's assertion of going concern and disclosures relating to financial sustainability as a result of the uncertainty and unprecedented budget pressures caused by Covid-19.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the IJB and its financial sustainability going forward. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements, including the expected impact on the Five Year Financial Plan.

The IJB's funding from and commissioning of services to partners has been confirmed for 2020/21, and a medium term financial plan has been prepared through to 2024. Work is ongoing with partners to refine the mobilisation plan prepared by the IJB at the request of the Scottish Government to quantify the financial impact of Covid-19 on the IJB in the immediate and medium term period. While there remains uncertainty about the level of Scottish Government funding in relation to Covid-19 additional costs, ultimately any costs will be met by the IJB's partners in line with the terms of the Integration Scheme.

The Integration Scheme sets out the process to be followed should the IJB overspend against the agreed budget. The Chief Finance Officer is expected to manage the budget to ensure that there are no overspends. Where an unexpected overspend is likely, the Chief Finance Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partners, to agree a recovery plan to balance the budget. Where this is unsuccessful and the IJB overspends at the year end, partners provide a voluntary additional one-off payment to reflect the level of overspend.

The IJB has therefore concluded that there are no material uncertainties around its going concern status.

Our conclusions

- ▶ We are satisfied that the IJB remains a going concern.
- ▶ We challenged management on the adequacy of some of the disclosures in relation to going concern and the expected medium term impact of Covid-19, and a number of improved disclosures were made to the financial statements.

Best Value and Wider Scope dimensions

Our wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on the achievement of Best Value.

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the IJB's arrangements for the four wider scope audit dimensions, and draw upon these assessments to form conclusions on the IJB's ability to demonstrate Best Value in its activities.

We apply our professional judgement to risk assess and focus our work on each of the dimensions. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension. We have drawn upon this work to form a view on how effectively the IJB can demonstrate that it meets its Best Value responsibilities to the Board.

The Wider Scope dimensions

Financial Management:

- Considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial Sustainability:

- Considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.

Governance and Transparency:

- Is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Value for Money

- Considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.

Financial Sustainability

Our Annual Audit Plan identified a significant risk in relation to continued financial and demographic pressures. The impact of Covid-19 has added further financial pressure and uncertainty to the IJB and its partners, including an estimated additional 1% budget gap. As a result, a refreshed Financial Plan will be prepared in 2020/21. Financial pressures of this scale require either financial support from partners or the Scottish Government, or the re-prioritisation of services provided. The ability of partners to respond to the Strategic Plan, and specific Directions, will therefore determine the success of integration in Midlothian.

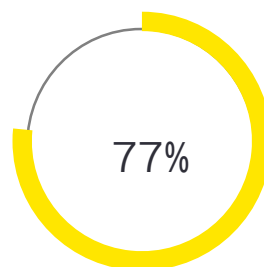
RED

Recommendation 1:
The unprecedented level of financial pressure caused by Covid-19 means that transformation to service design and delivery must be achieved as planned.

Medium Term Financial Planning

The IJB approved the 2019/20 budget at its meeting in April 2019. The budget recognised a financial gap of £3 million. As a result, a transformation programme was developed with health and social care partners to deliver planned savings of £2.2 million in 2019/20. As Exhibit 1, below, highlights, £1.65 million (77%) of savings were delivered, and as a result, the IJB continued to rely on non-recurrent additional funding to deliver a surplus in 2019/20. Planned transformation work within social care on Homecare, Learning Disabilities and transport were not delivered as planned. The IJB relies on the achievement of planned transformation programmes to deliver the vision established within the Strategic Plan.

Exhibit 1: Planned transformational savings within social care were not delivered in full



Source: Midlothian IJB Savings achieved in 2019/20

As part of the budgeting process, NHS Lothian and Midlothian Council provide indicative budgets for a five year period to allow the IJB to plan in the longer term. The most recent Five Year Financial Plan was presented to the IJB in June 2019. Significant budget gaps were identified for each year of the plan, rising to £10.8 million in 2023/24. The cost and service impact of Covid-19 have added further, significant financial pressures to the financial plan.

Midlothian Recovery Plan

As the Board responsible for key front line services to some of the most vulnerable sections of the community, Covid-19 had an immediate and significant impact on the way that services were delivered.

The IJB has begun the process of finalising its recovery plan, based on the Midlothian HSCP COVID-19 Response and the COVID-19 Response Strategic Plan. The Recovery Plan includes assessing the changes needed to the Financial Plan, and the impact on the IJB's Strategic Plan 2019-22 and key objectives. The Recovery Plan is wide-ranging, and includes:

- ▶ Reassessing investment decisions in light of the learning from the response to Covid-19; and
- ▶ Capitalising on the opportunities made possible, including the promotion of self-management of conditions, the pace in the use of technology and the relationship between primary and secondary care.

The IJB has committed to a review of the lessons learned from the crisis in Midlothian, including the benefits of the community planning partnership approach. The IJB has also acknowledged the heavy impact of Midlothian Covid-19 deaths within care home settings, and will assess the factors to learn from.

Mobilisation Plan

As part of the Scottish Government's response to Covid-19, the IJB has worked with partners to submit mobilisation plans, outlining the immediate and medium term financial impact. The first mobilisation plan was submitted in April 2020, and outlined additional costs in the region of £5.3 million in 2020/21. Routine submissions are provided to the Scottish Government to reflect the wider costs and impact on operational services across the IJB.

The mobilisation plans will be subject to further refinement locally, and benchmarking at national level, to ensure that a core set of assumptions is in place in relation to the duration and financial impact of the virus. While the Cabinet Secretary has approved the mobilisation plan in principle, the funding received to date falls short of the estimated impact. Initial funding received to date is £1.230 million. The IJB has therefore focused on reviewing all expenditure to assess where funding can be repurposed to support the additional costs from this emerging challenge.

Recommendation 2:
The IJB must revise and update the 5 Year Financial Plan as part of its Covid-19 Recovery Plan.

While the IJB will develop a refreshed Financial Plan during 2020/21, there are a number of other uncertainties that may impact financial planning, including:

- ▶ the impact of EU withdrawal, particularly on the cost of medicines and the social care sector workforce;
- ▶ significant financial pressures facing partner bodies; and
- ▶ the sustainability of the private care provider market in light of the challenge presented by the pandemic.

While we do not underestimate the level of work required to assess the full effect of the global pandemic on the IJB's financial, operational and strategic plans, it is vital that the IJB works with partners to update the 5 Year Financial Plan.

Financial Management

The IJB delivered a £0.7 million underspend against budget in 2019/20. The IJB's reserve balances now total £4.6 million, of which £1.6 million has been earmarked for committed projects.

The IJB continued to record overspends within key budgets such as Learning Disabilities and Community Hospitals. We note that the IJB has established a Finance and Performance Review Group to provide additional insight on forecasts and savings plans. This Group will provide early warning and challenge for the delivery of savings plans.

Financial Outturn

As Exhibit 1 below highlights, the IJB reported a surplus in the cost of delivering services of £0.743 million in 2019/20 (2018/19: surplus of £2.98 million).

Exhibit 1: The IJB delivered underspends in health services during 2019/20

	Income £'000	Expenditure £'000	Surplus £'000
Health Services	107,282	106,473	809
Social Care Services	42,593	42,659	(66)
Total	149,876	149,132	743

Source: Midlothian IJB 2019/20 Financial Statements

While, in common with prior years, there were overspends in the Learning Disabilities budget (£2.617 million) and Community Hospitals (£108,000), these were offset by a number of underspends including:

- ▶ £1.7 million related to services for older people; and
- ▶ additional resources (Social Care Fund) that the Scottish Government has directed to the IJB to support the delivery of social care services.

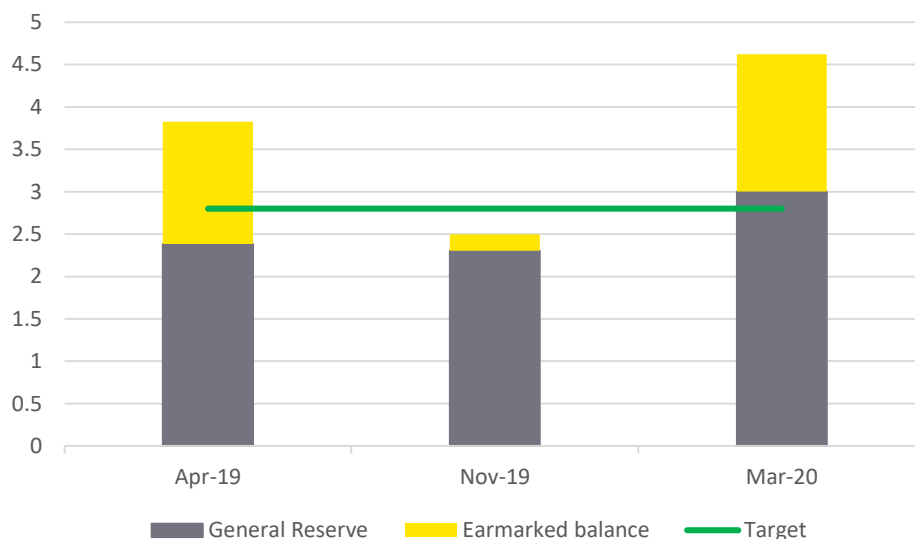
The set aside budget, managed by NHS Lothian, recorded an overspend of £378,000. Set aside represents the services that are provided by acute services for people across Lothian, including accident and emergency, general and geriatric medicine and cardiology. Services provided by NHS Lothian are provided on a pan-Lothian basis and a health budget setting model is currently in place, agreed by each of the IJBs in the areas. Expenditure reflects Midlothian IJB's share of the actual costs of the service, and are principally related to additional bank and agency nursing to cover sickness absence throughout the financial year.

Due to the timing of the pandemic in the UK, we noted minimal variation in expenditure during 2019/20, although the GP prescribing spend was higher than forecast in March 2020, resulting in a small overspend of £63,000.

Financial monitoring

The IJB prepares its financial statement and budget monitoring reports by consolidating financial data from its partners, Midlothian Council and NHS Lothian. The IJB receive a financial update report each quarter. Information is provided at a high level, with supporting commentary on key areas of movement. As Exhibit 2, below, notes the IJB's financial performance improved as budgets clarified throughout the financial year.

Exhibit 2: There was a significant improvement in the outturn against projections within financial monitoring reports.



Source: Midlothian IJB Financial Monitoring reports 2019/20

As a result of the underspend, the IJB was able to add to its reserves in 2019/20. During 2019/20, the IJB took the opportunity to review its Reserves Strategy to ensure that it continues to reflect the risk profile and priorities of the organisation. The IJB considered that a Reserves Strategy of 2% of expenditure (around £2.8 million) continued to be appropriate. As Exhibit 2 highlights, the IJB was able to achieve the target level in 2019/20, but this should continue to be reviewed in light of any lessons learned from the response to Covid-19.

Finance and Performance Review Group

During 2019/20, the IJB's Health and Social Care Partnership established a Finance and Performance Review Group to provide additional focus on savings and transformation plans with the partner organisations. Two sub-groups are in place, to provide additional insight on:

- ▶ Contracts and commissioning; and
- ▶ Capital planning.

The Group considers key areas of overspend, such as the Learning Disabilities service as a standing item on the agenda. Prior to the global pandemic the Group met on a monthly basis. As part of the IJB's recovery and remobilisation plans, the Group will provide additional financial insight to mobilisation plans and will continue to monitor delivery against transformational savings plans.

Governance and Transparency

The key features of good governance at the IJB are in place and operating effectively. The IJB responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic. We were satisfied that Board members have access to sufficient information as a result of the continuance of virtual meetings, and weekly briefings to all members.

The IJB has continued to develop arrangements to support improved integration and partnership working. The Integration Scheme is expected to be revised and adopted within 2020.

Local Code of Corporate Governance

The IJB's Local Code of Corporate Governance was approved by the IJB in June 2019, and draws upon the self-assessment assurance process led by internal audit to develop the Annual Governance Statement (AGS).

The IJB's AGS reports on its assessment of the effectiveness of the governance framework throughout the financial year, and key areas of improvement for 2020/21, including:

- ▶ The ongoing development of clearer links between the Strategic Plan and local and national outcomes; and
- ▶ Improvements to the Performance Management Framework.

We reviewed the AGS against the required guidance and we were satisfied that it was consistent with both the governance framework and key findings from relevant audit activity. As part of the audit process we did, however, work with management to improve the disclosure of how governance arrangements were maintained during the revised operating arrangements as a result of Covid-19.

Covid-19 Governance Arrangements

Governance arrangements were quickly developed to ensure that the IJB was kept informed of the impact of Covid-19. We were therefore satisfied that Board members had sufficient information to continue to fulfil their role.

Like all other public bodies in Scotland, the IJB moved to revised governance arrangements at the beginning of the UK lockdown period. The IJB considered a report on emergency recess arrangements at its first virtual meeting, held on 16 April 2020. The voting members of the IJB have continued to meet virtually throughout the crisis, and a weekly update has been provided to all IJB members providing key information and developments to ensure that all members remain well informed.

Key officers from the Midlothian Health and Social Care Partnership (HSCP) team are members of the Gold Command CMT NHS Lothian weekly meetings, as well as Midlothian Council CMT meetings. The Midlothian Chief Officer chairs the Lothian tactical HSCP group which meets on a twice weekly basis. In addition, we noted that the Midlothian approach, to draw upon existing community planning partnership arrangements, meant that information was shared in a co-ordinated response. While Scottish Government guidance issued in May 2020 meant that NHS Boards assumed accountability and responsibility for care governance across all care homes, we were satisfied that key information was disseminated to IJB Board members on a timely basis.

Assurance Statement

The IJB's Chief Internal Auditor produces an annual opinion on the adequacy and effectiveness of the IJB's framework of governance, risk management and control. The conclusion for 2019/20 notes that:

The Chief Internal Auditor has concluded that governance arrangements are adequate and that improvements have been made during 2019/20.

"My opinion is that, based on our reviews, risk assessments and knowledge, the MIJB's governance arrangements, risk management and systems of internal control are adequate. Improvements have been made by Management during the year. The MIJB operates under good public sector practice governance arrangements through its Board and Committee meetings that support scrutiny and transparency of decisions made. There is good compliance by the MIJB of the requirements of the Public Bodies (Scotland) Act 2014 and the guidance through its Directions to Partners (NHS Lothian and Midlothian Council) for the delivery of the services. The vision, strategic objectives and outcomes are reflected in the MIJB Strategic Plan 2019-2022. The MIJB is making continued progress towards delivering integrated Health and Social Care services but has considerably more to do, in common with other IJBs."

Audit and Risk Committee

The Audit and Risk Committee scheduled to occur in June 2020 was cancelled as a result of the emergency governance arrangements. The key business scheduled for the Committee, including consideration of the draft financial statements and annual governance statement, was fulfilled by a virtual meeting of the IJB.

During the year, the committee conducted a self assessment of its effectiveness and noted a number of areas where improvements were required to better understand assurance arrangements in place at partner organisations, in areas such as:

- ▶ The achievement of value for money; and
- ▶ Arrangements to prevent and detect fraud and irregularity.

Good Practice: Recruitment of Independent Member

In 2019, the IJB's independent audit committee member signalled their intention to step down. The IJB commenced a formal recruitment process in October 2019.

A Selection Panel for the purpose of interviewing and selecting a person as independent member of the IJB Audit and Risk Committee was established, comprising the Chair and one other member of the IJB Audit and Risk Committee, advised by the IJB Chief Internal Auditor. As a result, a new independent member has been recruited for a fixed period to 31 October 2022. We consider this to be good practice, particularly for developing organisations such as IJBs.

Source: Midlothian IJB 2019/20

Self Assessment of Arrangements to support Integration

In November 2018, Audit Scotland published a progress report on Health and Social Care Integration. The report highlighted a number of challenges faced by IJBs that impacted the pace and effectiveness of integration. The IJB conducted a self assessment against the six features that support integration were identified in May 2019, which noted two key areas for improvement action:

- ▶ the strategic planning processes; and
- ▶ ensuring that funding loses its identity as it becomes part of the IJB.

In December 2019, the IJB considered a request to conduct a self assessment of the maturity of the Midlothian HSCP in relation to integrated care. The HSCP was invited by NHS National Services Scotland to participate in the Scirocco Exchange Programme, which is an EU Funded Health programme aimed at knowledge transfer. As a result, the 2020/21 Directions included a requirement for partners to participate in the programme, with specific deadlines including:

- ▶ The collaborative leadership model should be progressed by July 2020.
- ▶ The Partnership should take opportunities for self-evaluation and improvement planning - for example Scirocco Knowledge Exchange Programme.
- ▶ Meaningful and sustained engagement with local communities and/or service users should be pursued.
- ▶ Work should progress to better capture the impact of the Partnership's integration arrangements on outcomes for local people and on the wider health and social care system by March 2021.

While we understand that deadlines will be impacted by the Covid-19 response, we note that this work is intended to support the progression and maturity of integration in Midlothian.

Integration scheme review

Legislation requires that the Integration Scheme which governs the operations of the IJB is reviewed by the partners at least every five years. A review was scheduled to have been concluded by June 2020, and had begun at March 2020, with the board being a formal consultee. Due to the impact of Covid-19 the review has not been completed with Council and NHS resources prioritised for addressing the pandemic. The current Integration Scheme will remain in place until the review process is completed and changes are approved by Scottish Ministers. Management has determined that IJB operations will not be affected in the short-term and will continue under the current Integration Scheme. While the significant ongoing uncertainty around the implications of Covid-19 make timetabling the review challenging, it is expected that the review will be revisited by the partners by the end of 2020. The board's participation as a consultee is a key matter to be addressed in 2020/21.

Value for Money

The IJB's Chief Internal Auditor notes that the Strategic Plan is not yet fully supported by a Performance Management Framework. The Board receives performance reports on progress against improvement goals at each meeting. This includes exception reporting and comparative data against the rest of Scotland.

The Annual Performance Report 2019/20 highlights a number of areas of improvement, but some key indicators, including delayed discharges, remain below the national average.

A
M
B
E
R

Performance Reporting

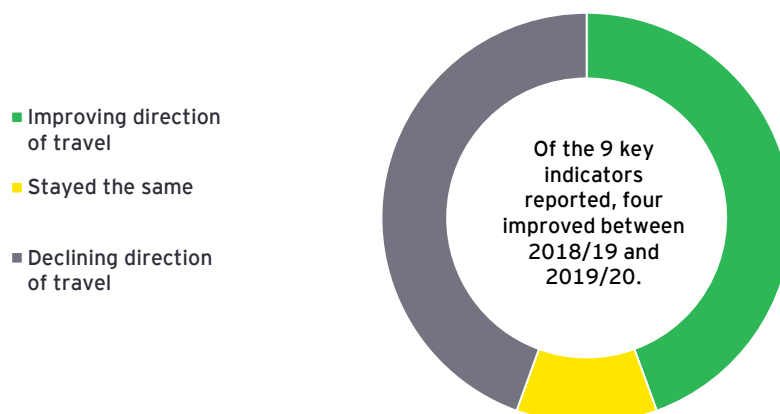
The IJB receives performance reports against IJB Improvement goals progress. Since December 2019, these reports have included benchmarking information from other IJBs in Scotland to allow the IJB members to form a view on performance in comparison to others. This includes exception reporting to provide context to the Board, along with planned mitigating actions. In addition, the IJB's Strategic Planning Group provides operational oversight over performance and the key contributory factors.

Despite the difficulties caused by Covid-19, the IJB was able to publish its Annual Performance Report in July 2020, in line with original timescales. The report highlighted a number of areas where significant progress has been made, including:

- ▶ The creation of a winter frailty team to support 3 GP practices. The team includes a GP, Occupational Therapist, District nurse and Local Area Coordinator from the Red Cross.
- ▶ Partnership work with Midlothian Council's Housing Services, including occupational therapy training for front line workers to support suitable, accessible housing, and continued work on a programme of housing developments designed to meet the needs of people with a Learning Disability.
- ▶ The development of online GP consultations to allow phone lines and appointments to be prioritised for vulnerable patients.

As Exhibit 3 demonstrates, for the indicators that the IJB was able to report in July 2020, performance remained mixed. While improvements were noted against key indicators such as delayed discharge levels, performance remains lower than the national average. Further analysis within the Annual Report highlights significantly variations in performance between the East and West localities.

Exhibit 3: Performance against key indicators improved overall in 2019/20



Use of resources

The Chief Internal Auditor continues to note within her annual report that it is not clear how the financial management procedures provide assurance that services delivered represent value for money and that resources are being used efficiently and effectively as specified in National Outcome 9.

While the financial monitoring reports that the IJB considered in 2019/20 continued to be presented at a high level, we are content that this reflects the strategic nature of the IJB's role. Improvements have been made to the financial reports to provide:

- ▶ Forecast outturns for social care and health spend;
- ▶ Forecast reserves position; and
- ▶ Updates against the transformation programme, including a RAG status on the likelihood of savings being achieved in full.

We also note that the IJB drew upon options appraisal in 2019/20 to provide Board members with clear information on the financial and service impact of decision making, such as the proposed use of the vacated Glenlee and Rossbank wards at Midlothian Community Hospital.

Good Practice: Use of Option Appraisal in Decision Making

Due to a change in practice by East Lothian IJB, the IJB identified an opportunity to secure alternative use for 16 beds available within the Midlothian Community Hospital Glenlee and Rossbank wards. The Board was asked to consider two options for the alternative use, a Step up / step down facility or chemotherapy/infusions beds.

The options appraisal presented to the Board included impact assessments against:

- ▶ The IJB's Strategic Plan, and the Directions that would be impacted;
- ▶ The resource implications, including workforce and financial;
- ▶ An equalities impact assessment; and
- ▶ The impact on the risk register.

The options appraisal paper also outlined the stakeholder engagement that would be fulfilled as part of the development of the preferred option.

Source: Midlothian IJB, March 2020

Best Value: Our assessment

We have drawn upon our wider scope work to conclude on the IJB's approach to Best Value. We note that the Board has a number of key characteristics of Best Value in place, including effective partnership working and robust governance arrangements. However, in our view, the IJB does not yet have a framework in place to allow it to demonstrate to the Board that Best Value is being achieved.

A planned self assessment against the Audit Scotland's Best Value guidance for IJBs was delayed as a result of the global pandemic, and will be addressed in 2020/21. This will be a key step to allow the IJB to demonstrate that it meets Best Value responsibilities to the Board.

A
M
B
E
R

Forming our judgement

As auditors to the IJB, we are required to comment on how effectively, in our view, the IJB demonstrates that it meets its Best Value responsibilities to the Board. In forming this judgement, we have drawn upon the work conducted in response to our wider scope responsibilities, and specifically:

- ▶ Our consideration of the IJB's financial planning processes;
- ▶ Governance arrangements, including monitoring reports on the use of resources and scrutiny arrangements;
- ▶ Our assessment of performance reporting to the Board, and to the public via the Annual Performance Report;
- ▶ The IJB's self-assessment arrangements, including review of its effectiveness and improvement plan against Audit Scotland's November 2018 report; and
- ▶ The ability of the IJB to effect change within Partners via the issue of Directions.

We also note that the IJB has not yet been able to conduct its own self-assessment against our assessment against guidance issued by Audit Scotland in March 2018, *Auditing Best Value - Integration Joint Boards*. Prior to the impact of the global pandemic, our annual audit work planned to support this self-assessment. The self-assessment, and our review, is now planned for 2020/21 will include consideration of:

- ▶ How the IJB is demonstrating the impact of integration;
- ▶ The effectiveness of plans in improving the outcomes for local people;
- ▶ How the integration partners are working together to deliver integration reform; and
- ▶ The overall pace and scale of change.



Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit and Risk Committee

D - Action plan

E - Follow up of prior year recommendations

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the IJB.

Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated 5 March 2019.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that management and members of the IJB consider the facts known collectively to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Risk Committee on 3 September 2020.

Audit Fees

	2019/20	2018/19
Component of fee:		
Total agreed auditor remuneration	£20,100	£17,200
Audit Scotland fixed charges:		
Pooled costs	£1,790	£1,670
Performance audit and best value	£5,360	£5,050
Audit support costs	£1,110	£1,080
Total fee	£28,360	£25,000

The expected fee for the IJB is set centrally by Audit Scotland and assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year and an unqualified audit opinion resulting from the audit.

As a result of the material additional audit procedures required in the year to address the additional risk around financial statement disclosures impacted by the direct and indirect consequences of Covid-19, we have proposed a 10% fee variation in line with the agreed process and rates set out by Audit Scotland. Discussions are ongoing with management.

Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2019 UK Transparency Report can be accessed on our website at https://www.ey.com/en_uk/who-we-are/transparency-report-2019. This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our inaugural Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the IJB since appointment can be found at: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-201920>.

Appendix C: Required communications

Required communication	Our reporting to you
Terms of engagement / Our responsibilities Confirmation by the Audit and Risk Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. Our responsibilities are as set out in our engagement letter.	Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice
Planning and audit approach Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Annual Audit Plan
Significant findings from the audit	Annual Audit Plan
<ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process 	Annual Audit Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements 	Annual Audit Report
Misstatements	Annual Audit Report
<ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management 	
Fraud	Annual Audit Report
<ul style="list-style-type: none"> Enquiries of the Audit and Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud 	
Consideration of laws and regulations	Annual Audit Report (to be issued on completion of audit work) or as occurring if material.
<ul style="list-style-type: none"> Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Audit and Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	

Required communication	Our reporting to you
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	<p>Annual Audit Plan</p> <p>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <p>Where appropriate, asking the Audit and Risk Committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

Appendix D: Action Plan

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	<p>We note that the IJB was unable to deliver all the planned transformational savings in 2019/20.</p> <p>The ability to deliver services differently, in line with the Directions, will be key to the success of the Strategic Plan.</p>	<p>The IJB should ensure that review mechanisms are in place to track the delivery of planned improvements and savings.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The savings planned for 2019/20 were challenging given the increasing demographics and demand for services. Although not all savings delivered in full the target was met in year and reported to the IJB. Ongoing monitoring of savings will continue and be reported routinely to the IJB.</p> <p>Responsible officer: Chief Finance Officer Implementation date: March 2020</p>
2	<p>The impact of the Covid-19 global pandemic has meant that the 5 Year Financial Plan now needs to be updated and reviewed.</p> <p>There remains uncertainty about the level of financial support that will be available from the Scottish Government.</p>	<p>The IJB must review the 5 Year Financial Plan, and Strategic Plan to respond to the impact of the global pandemic. This should include an assessment about the appropriateness of the Reserves Policy.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The 5 Year Financial Plan is currently being updated and as part of this will consider the Reserves Policy. The Directions are also being considered at the Strategic Planning Group for the impact of the pandemic.</p> <p>Responsible officer: Chief Finance Officer / Integration Manager Implementation date: March 2020</p>
3	<p>The IJB has not yet conducted a self-assessment against guidance issued by Audit Scotland in March 2018, <i>Auditing Best Value - Integration Joint Boards</i>.</p>	<p>The IJB should conduct a self-assessment against Best Value guidance to allow it to demonstrate to the Board key requirements are in place.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Work in this area has started but has been paused due to supporting the response to the pandemic. We will look to undertake this at a future Audit & Risk Committee.</p> <p>Responsible officer: Chief Finance Officer Implementation date: March 2020</p>

Prior Year Action Plan

This action plan summarises specific recommendations included within the 2019 Midlothian IJB Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and recommendation	Management response	Management response / Implementation timeframe
1	<p>The reserves strategy agreed in February 2017 set a target level of reserves of £1 million.</p> <p>The IJB now has general reserves of £1.49 million, against a projected budget gap of £10.8 million in the period to 2023/24.</p> <p>The IJB should review the reserves strategy to ensure that it continues to meet the needs of the organisation.</p> <p style="text-align: right;"><i>Grade 3</i></p>	<p>Management accepts this recommendation. Given the IJBs current reserves position and the policy being agreed in February 2017 management accepts a review of this would be beneficial.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: March 2020</p>	<p>The IJB reviewed the Reserves Strategy at its meeting in October 2019 and agreed that 2% of net expenditure continued to be appropriate.</p> <p>Reserve monitoring reports were enhanced throughout 2019/20 to provide clarity about the forecast balance.</p> <p>Audit Assessment: Complete</p>
2	<p>While the IJB operates at a strategic level, we consider that there is scope to improve the quality of financial reporting to ensure that the IJB can monitor the direction of travel against priorities within the Strategic Plan.</p> <p>There is scope to improve the financial monitoring reports for the IJB to provide members with sufficient assurance about the achievement of the strategic plan.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>The financial monitoring reports continue to be refined and we regularly seek feedback from members regarding reports providing them assurance and oversight. Further workshops are planned with all IJB members over the coming year to ensure they are supported to discharge the appropriate level of scrutiny to the financial reports.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: March 2020</p>	<p>Financial monitoring reports have been provided on a quarterly basis and provide enhanced information for the Board including:</p> <p>Forecast outturns for social care and health spend</p> <p>Forecast reserves position</p> <p>Updates against the transformation programme, including a RAG status on the likelihood of savings being achieved in full.</p> <p>Audit Assessment: Complete</p>

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and recommendation	Management response	Management response / Implementation timeframe
3	<p>The IJB recently developed a 5 year rolling financial plan. However, a number of uncertainties remain and there is not yet a balanced MTFP in place to support the implementation of the Strategic Plan.</p> <p>Continued work is required to finalise a medium-term financial plan, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis and the IJBs Strategic Plan is delivered.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The Medium Term Financial Plan continues to be refined and developed and through the RCRM transformation board the medium term financial recovery action will be developed. The IJB acknowledges uncertainty regarding financial sustainability across the public sector and the significant financial challenges facing both partners and therefore the IJB. We will look to utilise the Scottish Governments Medium Term Financial Framework for Health & Social Care to support this work.</p> <p>Responsible officer: Chief Financial Officer</p> <p>Implementation date: March 2020</p>	<p>The most recent 5 year financial plan in June 2019 identified a significant budget gap across the period of the Financial Plan, currently projected at £10.8 million (8% of the IJB's budget) by 2023/24.</p> <p>The IJB considered a revised financial outlook for 2020/21 within its financial monitoring report in December 2019. While this action was therefore in progress, it has subsequently been superseded by the Covid-19 pandemic.</p> <p>Audit Assessment: Superseded by Action Plan Point 2</p>
4	<p>The IJB places reliance on the partner bodies to mitigate a number of key operational risks, including the impact of EU Withdrawal. We consider that the risks relating to EU Withdrawal have not been fully articulated in relation to the strategic role of the IJB.</p>	<p>The IJB should satisfy itself that it has sufficient assurance that strategic risks relating to EU Withdrawal have been identified and mitigating actions taken.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>The IJB is revisiting its risk management approach in light of the Covid-19 global pandemic. An updated risk register will be considered by the IJB's Audit and Risk committee in September 2020.</p> <p>Audit Assessment: In progress</p>

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
5	Attendance from voting members at IJB meetings was mixed, but we note that the August 2019 meeting was not quorate and at a further meeting only three voting members and one substitute member were able to attend.	The IJB should review its frequency of meetings of the board and sub-committees to ensure that the cycle allows business to be addressed in a timely and effective basis, while ensuring the quantity of meetings is sustainable. <i>Grade 3</i>	The meeting frequency has been reviewed and we noted no similar attendance issues in 2019/29. Audit Assessment: Complete
6	There is scope to improve the performance reporting arrangements to provide assurance to the IJB that the delivery of the Strategic Plan is on track.	The IJB should review performance reporting arrangements to ensure that members have sufficient assurance that the Strategic Plan is on course and that the IJB is achieving Best Value. <i>Grade 2</i>	While we noted improvements in performance reporting during 2019/20, we consider that the IJB's planned Best Value self-assessment will provide further evidence that the IJB is achieving Best Value. Audit Assessment: In progress

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the IJB, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2019/20 audit cycle.

	Audit Activity	Deliverable	Timing
JAN	<ul style="list-style-type: none"> Audit planning; setting scope and strategy for the 2019/20 audit LAN meetings held with other scrutiny partners 	Annual Audit Plan	March 2020
FEB			
MAR			
APR	<ul style="list-style-type: none"> Ongoing assessment around wider scope dimensions and support of Audit Scotland requested information 	Impact report: Children and Young People's Mental Health	No longer applicable
MAY			
JUN			
JUL	<ul style="list-style-type: none"> Year-end substantive audit fieldwork on unaudited financial statements 	Audit clearance meeting	August 2020
AUG	<ul style="list-style-type: none"> Conclude on results of audit procedures Issue opinion on the IJB's financial statements 	Certify Annual Financial Statements	September 2020
SEP		Issue Annual Audit Report	

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2020 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

ey.com



Midlothian Integration Joint Board Audited Annual Accounts 2019/20

The Audited Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2019 to 31 March 2020, 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.

CONTENTS

Management Commentary	3
Statement of Responsibilities	17
Remuneration Report	19
Annual Governance Statement	22
Independent Auditor's Report	26
Comprehensive Income and Expenditure Statement	30
Movement in Reserves Statement	32
Balance Sheet	33
Notes to the Financial Statements	34
1. Significant Accounting Policies	34
2. Critical Judgements and Estimation Uncertainty	37
3. Subsequent Events	38
4. Expenditure and Funding Analysis	39
6. Related Party Transactions	40
7. Short Term Debtors	40
8. Short Term Creditors	41
9. VAT	41

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 2019 to 31 March 2020 is Stephen Reid, CA, CIPFA, Partner, Ernst and Young LLP, Atria One, 144 Morrison Street, Edinburgh, EH3 8EB.

Management Commentary

Introduction

The management commentary provides an overview of the key messages relating to the role, remit, members, objectives and the strategy of the Midlothian Integration Joint Board (the IJB). It describes the financial performance for the financial year ended 31 March 2020 and considers those issues and risks which may impact upon the IJB's financial position in the future.

The Role and Remit of the IJB

Midlothian IJB is an Integration Authority set up under the Public Bodies (Joint Working) Act (2014). It is a 'body corporate', that is a separate legal entity. 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 strategic plan of each IJB must be reviewed and approved by the IJB every 3 years. Midlothian IJB has approved its second Strategic Plan which covers April 2019 to March 2022. A link to the Strategic Plan is included on page 12.

Membership of Midlothian Integration Joint Board

The IJB met eight times in 2019/20. There have been some changes to the membership of the IJB since the accounts for 2018/19 were published. The members of the IJB at March 2020 were as follows:-

Member	Nominated/Appointed by	Role
Catherine Johnstone (replaced Angus McCann 22 nd August 2019)	Nominated by Midlothian Council	Voting Member, Chair
Carolyn Hirst (replaced Derek Milligan 22 nd August 2019)	Nominated by NHS Lothian	Voting Member, Vice Chair
Angus McCann (Chair until 22 nd August 2019)	Nominated by NHS Lothian	Voting Member
Derek Milligan (Vice Chair until 22 nd August 2019)	Nominated by Midlothian Council	Voting Member
Jim Muirhead	Nominated by Midlothian Council	Voting Member, Chair of Audit and Risk Committee
Pauline Winchester	Nominated by Midlothian Council	Voting Member
Alex Joyce	Nominated by NHS Lothian	Voting Member
Tricia Donald	Nominated by NHS Lothian	Voting Member
Morag Barrow (replaced Allister Short in 30 th September 2019)	Appointed by the IJB	Chief Officer
Claire Flanagan	Appointed by the IJB	Chief Finance Officer
Alison White	Nominated by Midlothian Council	Chief Social Worker
Fiona Huffer	Appointed by the IJB	Allied Health Professionals Lead
Caroline Myles	Nominated by NHS Lothian	Chief Nurse
Hamish Reid	Nominated by NHS Lothian	General Practitioner
James Hill (replaced Aileen Currie 12 th Sept 2019)	Appointed by the IJB	MLC Staff Side Representative
Vacant (previously Pam Russell until 9 th Jan 2020)	Appointed by the IJB	Carer representative
Ewan Aitken	Appointed by the IJB	Voluntary Sector Representative
Keith Chapman	Appointed by the IJB	User Representative
Wanda Fairgrieve	Appointed by the IJB	NHS Staff Representative
Johanne Simpson (replaced Nik Hirani 2 nd October 2019)	Nominated by NHS Lothian	Medical Practitioner

Note -

The Chief Officer of the IJB was Allister Short until September 2019 where Morag Barrow took on the role.

The IJB's Operations for the Year

The Midlothian IJB has now been operational for four years. The governance systems are now well established and good progress is being made on integrating management arrangements and frontline services. We continue to work towards our long-term objectives through the continuing dedication and skill of our staff; our partners in the voluntary and independent sectors; and all the informal carers and neighbours upon whom the health and care system is entirely dependent.

The planned redesign of Health and Social Care is outlined in the three year Strategic Plan 2019-22. A link to the Strategic Plan is included in the Strategy Section below.

The work of the Health and Social Care Partnership during 2019/20, under the governance of the IJB is summarised below. However it is important to acknowledge that COVID-19 did disrupt service provision during March 2020 as the Partnership responded to the pandemic. A strategic approach to this was taken and the IJB was involved appropriately, the Annual Governance Statement below outlines the response taken.

The IJB's Annual Performance report which provides further details on the activity of the IJB was published in August 2020 and this report is available on the IJB's webpage and link below:

https://www.midlothian.gov.uk/info/1347/health_and_social_care/200/health_and_social_care_integration

New Services and Approaches

Several new services and approaches have been introduced to improve people's health and wellbeing. We have focused on making sure people are only in hospital when they need to be through helping them get home sooner with the "Discharge to Assess" Team and the "Hospital at Home" Service. We have also improved services for people with mental health needs, substance misuse and offending behaviour in our new premises at Number 11 in Dalkeith.

Improving Services for Older People



Demand for care at home is exceeding supply and resulting in delays in hospital, people at home at higher risk of admission to hospital and family members/informal carers becoming fatigued and stressed. While challenges remain, changes to service delivery have resulted in an additional 1000 hours a week when compared to the previous year and work to develop a future vision for Care at Home has progressed.

Hospital at Home Team provides acute care for up to 15 patients in a virtual ward – with an average length of stay of 6 days. Most of the patients are over 65. The majority are referred by their GP through the Flow Centre but around 25% are from the "Front Door" of the acute hospitals. Patients have a range of conditions e.g. infections, musculoskeletal problems, limited functional abilities and delirium and/or dementia

Mental Health, Substance Misuse and Community Justice Services



In order to improve outcomes for people who could benefit from mental health, substance misuse and/or justice services, a multi-agency hub 'Number 11' was opened in Dalkeith. Peer support workers and third sector providers are now based in Number 11 alongside health and social care staff such as social workers, CPNs, substance misuse doctors, nurses and occupational therapists.

Frailty

The increasing prevalence of frailty, as a result of our rapidly ageing population, is contributing to a health and care system that will be unsustainable in its current form. People with severe and moderate frailty (3,500 people) account for 4% of Midlothian's population and 31% of unscheduled activity in the Royal Infirmary of Edinburgh in 2019.

During 2019/20 Midlothian HSCP and Midlothian GP Cluster continued to use the electronic frailty index (eFI) to inform strategic direction and service developments.

New models of care were tested. One involved the British Red Cross Neighbourhood Links service working with three GP practices (Penicuik, Eastfield and Danderhall). All people identified with Mild Frailty were being contacted by the practice and the Red Cross followed up contacts. The Red Cross then supporting people with, for example, simple home adaptations, assessment and repair of walking aids, loneliness and isolation, access to community groups, blue badge applications, access to carer services such as VOCAL, Alzheimer's Scotland and Grassy Riggs, claiming entitled benefits (the service led into additional financial resources for people who can use this for better quality food, heating, home helps, travel and accessing groups.) Evaluation of these new models will continue into 2020.

Technology Enabled Care



The IJB has encouraged the Partnership in its ambitions for digital transformation that will support integration. Work progressed on a Framework in 2019 and there are plans to work with the third sector and digital organisations to progress local programmes. Technological developments as a result of the COVID-19 pandemic have been notable and will be progressed further.

We have been exploring how technology can transform care for frail people. Midlothian HSCP is using a population health management approach to understand who has frailty and how they use health and care services, looking at how emerging technology can work alongside more traditional ways of caring. The main elements of the

programme are Living Well in Penicuik (emphasis on extended clinical contact and care coordinated through a frailty locality MDM), MidMed, a frailty practice within Newbattle General Practice, Winter Frailty team, which showed the HSCP how shifting resource to create multidisciplinary teams anchored to General Practices addressed a gap in services and improved patient experience and outcomes, and the Winter14 sessions which supported all practices to improve anticipatory care for frail people.

Developing a Local Approach to Acute Services

In Midlothian, despite considerable efforts to strengthen community services and prevention, progress in reducing hospital-based activity was inconsistent (with the exception of the pandemic period). The challenge is to design and implement more radical change at a faster pace to ensure that our hospital services are able to provide high quality, timeous treatment when community-based alternatives are neither appropriate nor viable. Midlothian HSCP is committed to working with partners to reduce both attendance at A&E and unplanned admissions whilst also facilitating earlier discharge.



The **Discharge to Assess** consists of occupational therapists, physiotherapists, community care assistants and clinical support workers who support patients after a stay in hospital. They have supported 430 patients since they started in early 2019. They assess a patient's needs once they are back at home so they don't have to wait for their assessment in hospital.

This work is supported by community based service change such as plans around rehabilitation and diabetes prevention and the reduction of crises through, for example, improved identification and support around Frailty (involving the third sector) . In addition, the Partnership recognises that supporting people to stay out of hospital or to be discharged sooner will often be dependent on the ability of family carers to provide support. This means continually strengthening support systems to family carers.

Unpaid (Family Carers)

Work continued to support carers, in partnership with local organisations such as VOCAL and health and social care services. Work progressed on a collaborative approach to developing a Carer Strategy, involving carers and a broad stakeholder group.

Learning Disability, Autism and Complex Needs Housing

A specification was progressed in 2019-20 for further housing for people with Learning Disability, Autism and Complex Needs as part of the Phase 3 Housing Programme, and these should be ready to move into by 2021. This housing will take advantage of significant and recent developments in technology to support people to live safely and independently.

Plans for Next Year and beyond

We must acknowledge the huge challenges we face due to the coronavirus pandemic and the impact the virus had on Midlothian. As well as presenting a tremendous challenge to our services, staff and partners, the crisis also creates an opportunity to build on existing and newly forming community connections. Early plans are developing, working with the people in our communities to explore what opportunities for community resilience can be developed during the crisis to ensure strong, sustainable, supportive communities into the future. We look forward to building a stronger Midlothian, whatever the 'new normal' will be.

The COVID crisis has further evidenced our interdependency upon a wide range of organisations and stakeholders. The need to work on a pan-Lothian basis in relation to an NHS Lothian response to the COVID crisis was self-evident. The need for very close working between GPs, Primary Care Teams and Social Care Services has been critical. Collaboration across the Council has required daily planning and management. Weekly meetings of the Community Planning Partnership reflected the criticality of effective interagency working. Local community responses have served to illustrate how vital voluntary organisations, volunteers, neighbours and family carers are to underpinning the delivery of health and care. Planning recovery will entail working with all these stakeholders.

We will continue to work with colleagues in acute services and other Lothian IJBs to reshape unscheduled care, maximising opportunities to reduce admissions to acute care, to increase rehabilitation opportunities and to offer local services by reshaping Midlothian Community Hospital.

Develop a Home First model for Midlothian by redesigning intermediate care services; continue developing our Care at Home services with our new Care at Home vision and the Frailty work programme

We will work with the Council to develop housing for people with learning disabilities and build extra care housing for older people and disabled people. As part of the European Sirocco Programme we hope to learn how to improve our services from health and care developments in other European countries.

The IJB's Financial Position at 31 March 2020

Summary

For the year ending 31 March 2020, the IJB was underspent. That is the costs incurred in delivering the IJB's functions by Midlothian Council and NHS Lothian are less than the income that the IJB received from NHS Lothian and Midlothian Council.

In summary, the position is as follows :-

	Income	Expenditure	Surplus
	£000's	£000's	£000's
Health Services	107,282	106,473	809
Social Care Services	42,593	42,659	(66)
Total	149,876	149,132	743

This surplus has been transferred to the reserve which is described further below.

Although the IJB has a range of functions delegated to it, these are delivered through a range of services provided by the partners (Midlothian Council and NHS Lothian) and these are further described below in the analysis of the Income and Expenditure position.

Analysis of the Financial Statements

The financial statements are all presented on a net basis.

Income and Expenditure

The table below gives details of the IJB's expenditure in 2019/20. Key variances are explained further in the Overview of 2019/20 section below.

	Unaudited Budget		Expenditure		Variance	Note
	Health	Social	Health	Social		
	£000's	Care	£000's	Care	£000's	
		£000's		£000's		
Direct Midlothian Services						
Community AHPS	2,153		2,021		132	
Community Hospitals	5,556		5,665		(108)	
District Nursing	3,489		3,343		147	
General Medical						
Services	15,750		15,885		(134)	
Health Visiting	1,991		1,699		292	
Mental Health	2,607		2,422		185	
Other	10,718		10,252		466	1
Prescribing	18,368		18,305		63	
Resource Transfer	5,197		5,187		9	2
Older People		18,352		16,646	1,706	
Learning Disabilities		13,598		16,214	(2,617)	
Mental Health		869		845	24	
Physical Disabilities		3,381		3,736	(355)	
Assessment and Care						
Management		3,146		2,806	340	
Other		3,247		2,412	835	3
Midlothian Share of pan-Lothian						
Set Aside	18,705		19,082		(378)	4
Mental Health	2,244		2,352		(108)	
Learning Disabilities	1,350		1,499		(149)	
GP Out of Hours	1,208		1,287		(79)	
Rehabilitation	792		695		97	
Sexual Health	640		643		(3)	
Psychology	761		779		(17)	
Substance Misuse	467		441		26	
Allied Health						
Professions	1,362		1,307		55	
Oral Health	1,738		1,707		31	
Other	2,449		2,166		283	
Dental	5,111		5,111		0	5

Ophthalmology	1,702		1,702		0	5
Pharmacy	2,924		2,924		0	5
	107,282	42,593	106,473	42,659	743	

Notes

1. Other includes £4.816m for the Social Care Fund. These are resources which the Scottish Government has directed to the IJB through NHS Lothian and are shown as health; however, these funds are then transferred to the Council and used to support the delivery of social care services.
2. Resource Transfer are funds for specific purposes which are transferred from health to social care. However, these remain part of the health budget and are reported there.
3. Other includes care for non-specific groups, substance misuse services and other management and performance costs.
4. Set Aside are the budgets for those functions delegated to the IJB which are managed by the Acute Services management teams within NHS Lothian. These services are :-
 - Accident and Emergency
 - Cardiology
 - Diabetes
 - Endocrinology
 - Gastroenterology
 - General Medicine
 - Geriatric Medicine
 - Rehabilitation Medicine
 - Respiratory Medicine
 - Various ancillary support services for the above

These services are delivered at the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital.

5. In the Health system, expenditure to support the delivery of community dentistry, community opticians and community pharmacists is termed as 'non cash limited' (NCL) but is clearly part of the delivery of primary care services and these functions are delegated to the IJB. However, being NCL there is no budget as such but any expenditure incurred is supported in its entirety by the Scottish Government. The NCL values are not part of the budget setting process, there being no budget, but NHS Lothian has matched the NCL expenditure with income to cover this expenditure.

The charges (shown as expenditure above) 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 2019/20 for hosted services is 10% and, generally, 10% of the Lothian element of the set aside budgets and the non-cash limited budgets.

Overview of the 2019/20 Position

From the above table, it can be seen that there were a range of financial issues identified. These are summarised below into service areas

Direct Midlothian Services

Within the £65.8m health budgets, although there were operational overspends within Community Hospitals and GMS, these were offset by vacancies across the system, underspends in Prescribing and slippage of Programmes (Programmes starting later in the year than planned and thus generating an underspend).

Within the £42.6m social care budgets the pressures at the year-end were a significant overspend within adult services, specifically those for clients with complex needs with learning and physical disabilities. This pressure was offset by an underspend in services for older people. This position supports a shift in the balance of care, keeping older people safe in their homes and community for as long as possible.

Midlothian Share of pan-Lothian services

The hosted services position shows an overspend within Learning Disability Services due to additional beds and placements being required above funded levels. A similar issue existed with regards to Mental Health services requiring additional capacity in year to cope with high demand. Lothian out of Hours Services also reported a pressure in year related to the high cost of medical staffing required to cover rosters especially around the festive period.

The main pressures in the health set aside budgets are within General Medicine areas and are driven by ongoing staffing issues, where recruitment continues to be a challenge, plus ongoing bed pressures across all sites. Infectious Diseases financial pressure in year relates to drug costs over budget. Junior Medical pay pressure was driven by additional staffing requested to cover rotas for sickness; maternity and vacancies, causing an over-establishment against funded levels in particular within A&E areas. The position has improved from the previous year but still remains a pressure.

Reserves

The IJB has reserves at the end of 2019/20 of £4.621m, compared to reserves of £3.878m in March 2019. The movement can be described as follows:-

	2019/20 Opening £000's	2019/20 Transfers Out £000's	2019/20 Transfers In £000's	2019/20 Closing £000's
Committed Project Funds				

Commitment to Specific Posts	307	(307)	75	75
Primary Care Investment Fund	240	(240)	57	57
MELDAP	196	(196)	205	205
Commitment to GPs	150	(150)	0	0
Integrated Care Fund	145	(145)	187	187
Commitment to Wellbeing Service	121	(121)	0	0
Action 15	96	(96)	55	55
Technology Enabled Care	86	(86)	246	246
Slippage in Local Programmes	85	(85)	333	333
Transformation of Older People's Services	34	(34)	0	0
Smile Project (Big Lottery funding)	16	(16)	0	0
Autism Strategy	12	(12)	12	12
Electronic Frailty Index (Health Foundation)	7	(7)	7	7
School Counselling		0	220	220
Wellbeing Service		0	157	157
EGIERDA Project (Big Lottery funding)		0	63	63
Committed Project Funds	1,493	(1,493)	1,617	1,617
General Reserves	2385	(441)	1060	3004
Total	3,878	(1,934)	2,677	4,621

The IJB similar to last year proposes to use its reserves in 2020/21 as follows:-

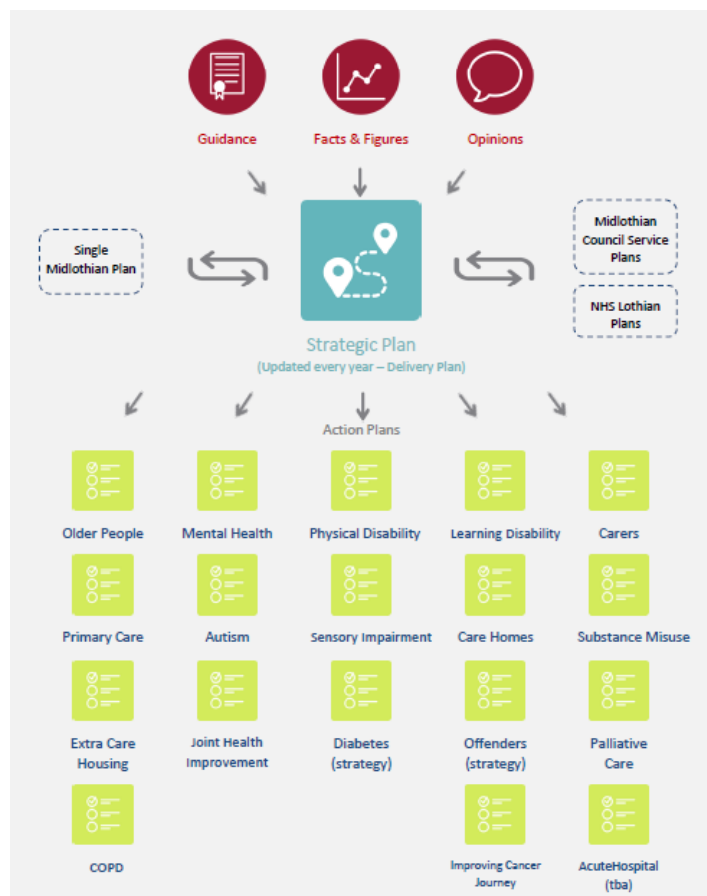
- Reserves earmarked for specific projects will be used to support these projects – for example the continuation of substance misuse services (using the MELDAP reserve) and the further development of the use of Technology Delivered Care (using the TEC reserve)
- Transformation work continues as does the support for this which includes a Programme Manager to work with acute and other service staff to deliver agreed outcomes. The focus continues on the Mental Health plan and on work to support the IJB's ambition to reduce its bed use in the Acute hospital sites, particularly in relation to the respiratory pathway and the frailty model. This development will require investment as part of a 'spend to save' approach
- Waiting Times performance will continue to be supported as there are a number of community services that are reporting significant waiting times (Psychological Therapies, Substance Misuse, occupational therapy assessment), and projects will be developed to reduce these waiting times and to ensure that the service is sustainable thereafter
- Delayed Discharge as previously reported to the IJB continues to require support to allow timely discharge from hospital and resource will be allocated to support the implementation of the delayed discharge action plan
- There will also be proposals put to the IJB during 2020/21 regarding utilising reserves to support addressing care gaps within some services. This will be reported through the IJB business meetings with papers with propositions.

The IJB's Strategy and Business Model

A link to the Strategic Plan is below:

https://www.midlothian.gov.uk/info/1347/health_and_social_care/200/health_and_social_care_integration

The actions outlined in the strategy form the basis of more detailed plans for client groups and key services. They also form the basis of the Directions we give to NHS and Midlothian Council.



The IJB aims to achieve this vision by changing the emphasis of services, placing more importance and a greater proportion of our resources on the approaches described

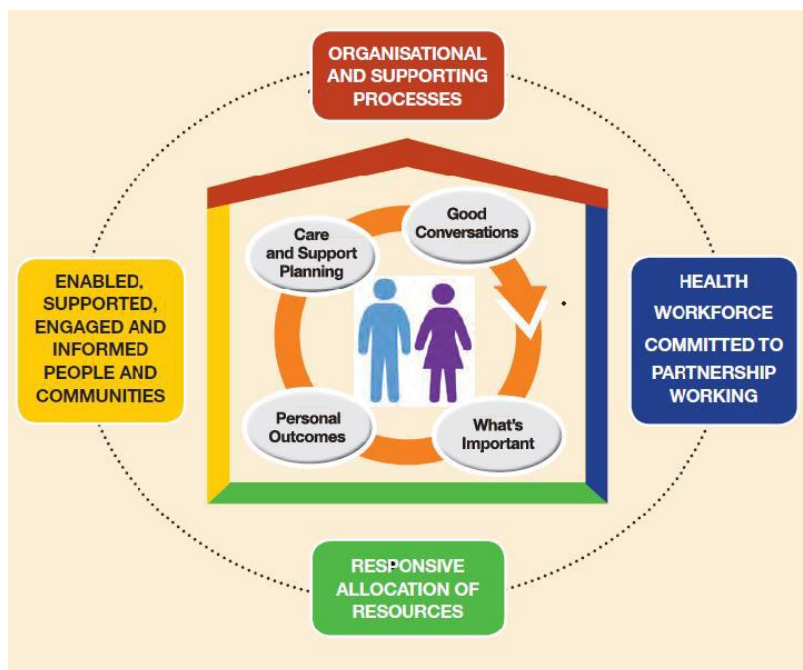


What matters to you?

We have trained staff to have meaningful conversations with people, families and carers who receive our services to identify achievable goals. Midlothian Council is one of three local authorities to receive Scottish Government funding to train staff to recognise and respond to the signs and impacts of trauma

One of the models we use for delivering person-centred, integrated care is the House of Care. This creates space for people to have 'a good conversation' on what is important to them and helps them recover or live well with their health conditions.

Using the image of a house helps us to appreciate how all the parts need to be in place, equally strong and joined up for this approach to be successful.



The IJB will continue the process of full integration of the services delivery teams, not just between NHS and Council delivered services but also moving pan-Lothian services into the locally managed and locally delivered services. This will generate operational and managerial synergies and should reduce costs, however this will be a step in the redesign of services into the establishment of multi-disciplinary teams delivering care in a community based setting.

Key Risks, Challenges and Uncertainties

Despite the continuing threat of COVID-19, partners are planning how to return to addressing the wider health and care needs of the people of Midlothian Both Health and Social Care have detailed plans to remobilise services and return to a new normal. Midlothian HSCP has produced a Mobilisation which continues to underpin much of the activity and investment locally to allow the HSCP to provide an effective and appropriate response to the COVID-19 pandemic. Midlothian Council has produced a four-phase route map through and out of the crisis, with the strategy for recovery based on a Wellbeing Economy designed to achieve wellbeing, inclusion and fairness for our communities, and to protect and enhance our environment, and an overarching aim of carbon neutral by 2030. Plans include reinstating care home visiting, exploring how we continue to support people shielding, launching a GP publicity campaign to encourage self-management, focusing on digital options, and implementing a detailed recovery action plan locally.

The challenge for the IJB is to transform the delivery of its delegated functions whilst supporting the delivery of financial balance within the financial resources available.

There remain a series of uncertainties:-

A growing and aging population

Midlothian is the second smallest Local Authority in mainland Scotland but the fastest growing. 12,000 new houses will be built in the next 3 years. This will pose challenges for all our health and social care services whilst also changing the face of some of the local communities. As people live for longer many more people will be living at home with frailty and/or dementia and/or multiple health conditions. An increasing number of people live on their own, and for some this will bring a risk of isolation.

Higher Rates of Long-Term Conditions

Managing long-term conditions is one of the biggest challenges facing health care services worldwide, with 60% of all deaths attributable to them. Midlothian has a higher incidence than the national prevalence of cancer, diabetes, depression, hypertension, chronic obstructive pulmonary disease and asthma. Older people are more susceptible to developing long-term conditions; most over 65s have two or more conditions and most over 75s have three or more conditions. People living in areas of multiple deprivation are at particular risk with, for example, a much greater likelihood of early death from heart failure. They are also likely to develop 2 or more conditions 10-15 years earlier than people living in affluent areas. It is estimated that people with long-term conditions are twice as likely to be admitted to hospital and have a longer length of stay accounting for 80% of all GP visits and for 60% of hospital admissions.

(Data Source Midlothian Joint Needs Assessment, page 43 onwards – link below https://www.midlothian.gov.uk/downloads/file/3430/joint_needs_assessment_2019_final)

High rates of mental health needs

Many mental health problems are preventable, and almost all are treatable, so people can either fully recover or manage their conditions successfully and live fulfilling healthy lives as far as possible. The incidence of mental health issues in Midlothian, while similar to the rest of Scotland, is a concern. Living in poverty increases the likelihood of mental health problems but also mental health problems can lead to greater social exclusion and higher levels of poverty. People who have life-long mental illness are likely to die 15-20 years prematurely because of physical ill-health.

People place a high value on being able to access effective health services when they need them. People expect to receive high quality care services when these are needed whether as a result of age, disability or long term health conditions. Yet there are a number of pressures on our services.

Financial Pressures

Public Finances face severe challenges. Locally the Council continues to face severe reductions in its overall budget but has sought to protect social care budgets from the level of cuts required in other services. There is no doubt that we need to do things differently: the traditional approach to delivering health and care services is no longer financially sustainable. 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.

Workforce Pressures

Two of the main areas of concern to the public in recent times have been difficulties in accessing primary care and not always receiving care at home despite being assessed as in need of the service. Recruitment and retention is a growing problem in health and social care. There is a shortage of GPs; a significant proportion of District Nurses are nearing retirement; while care at home providers find it difficult to attract and keep care at home workers despite measures such as the living wage and guaranteed hours. The aging population means these pressures will almost certainly increase. There is a clear need to plan ahead and find alternative solutions to ensure services are able to meet people's needs.

Acute hospitals

Acute Hospitals are under huge pressure due to unsustainable demand and financial restrictions. We need to invest in community based alternatives that will minimise avoidable and inappropriate admissions and facilitate earlier discharge.

Finally the coronavirus pandemic resulted in a disruption for many services. Partners are actively working on how services can adapt, if possible, during this time but this presents significant challenge. Given the uncertainty surrounding the coronavirus pandemic at this stage resuming all services in this new environment, following our response to this pandemic, again provides a considerably difficult situation for Partners.

Catherine Johnstone
IJB Chair

Morag Barrow
Chief Officer

Claire Flanagan
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.

Signed on behalf of Midlothian Integration Joint Board.

Catherine Johnstone
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 2020 and the transactions for the year then ended.

Claire Flanagan
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.

In 2019/20, there was a rotation of who nominated the Chair and Vice Chair. Catherine Johnstone, nominated by Midlothian Council became Chair, replacing Angus McCann, nominated by NHS Lothian. Carolyn Hirst became Vice Chair, nominated by NHS Lothian, replacing Derek Milligan, nominated by Midlothian Council.

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 2019/20 (PY nil).

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. This remuneration is £8,584 per annum (PY £8,416). Angus McCann, as a non-executive member of NHS Lothian Board who was also the Chair of Midlothian IJB until 22nd August 2019. He received an additional 143 notional day's remuneration specifically for his role as Chair of the IJB in 2019/20. This remuneration is £3,363 for 2019/20 (PY £8,416). Carolyn Hirst became Vice-Chair of Midlothian IJB on 22nd August 2019 and received an additional 222 notional day's remuneration specifically for this role, this remuneration in 2019/20 was £5,221 (PY nil).

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 Morag Barrow 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 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. As Morag replaced Allister Short as Chief Officer 30th September 2019, part year costs for both Allister and Morag's are shown for 2019/20 along with Full Year Equivalent costs (FYE).

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 Claire Flanagan. 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 as a Finance Business Partner. 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. Morag Barrow was appointed on 30th September 2019; costs below are showing for the time in post, along with the full year equivalent (FYE) annual costs for 2019/20. Previous to this Allister Short was in post and is therefore also showing full year for 2018/19, part year for costs for 2019/20 and a FYE. David King retired in October 2018, his costs are therefore 6/12ths for 2018/19. Claire Flanagan was appointed in October 2018, her costs are therefore 6/12 of the annual costs for 2018/19 and full year for 2019/20.

Total 2018/19	Senior Employees Salary, Fees & Allowances	Total 2019/20	FYE 2019/20
£		£	£
42,530	Allister Short (to 29 September 2019)	23,118	46,363
-	Morag Barrow (from 30 September 2019)	22,720	45,317
16,104	David King (to October 2018)		
11,030	Claire Flanagan (from October 2018)	23,812	23,812

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 tables 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 pension contributions		Accrued pension benefits			
	For year to 2020	For year to 2019	As at 31 March 2020		Difference from 31 March 2019	
	£	£	Pension £000's	Lump Sum £000's	Pension £000's	Lump Sum £000's
Morag Barrow	-	-	16	41	n/a	n/a
Allister Short	9,634	12,617	21	39	3	3
Claire Flanagan	14,485	9,582	13	24	2	2
David King		7,198			n/a	n/a

Disclosure by Pay Bands

Pay band information is not separately disclosed as all staff pay information has been disclosed in the information above.

Exit Packages

The IJB did not support nor did it direct to be supported by its partners, any exit packages during 2019/20.

Catherine Johnstone
IJB Chair

Morag Barrow
Chief Officer

Annual Governance Statement

Annual Governance Statement 2019/20

Introduction

The Annual Governance Statement explains the MIJB's governance arrangements and system of internal control and reports on their effectiveness.

Scope of Responsibility

The MIJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the MIJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the MIJB's policies, aims and objectives. Reliance is also placed on NHS Lothian and Midlothian Council (the partners) systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the MIJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

The Board of the MIJB comprises voting members, nominated by either NHS Lothian or Midlothian Council, as well as non-voting members including a Chief Officer appointed by the Board.

The MIJB's Local Code of Corporate Governance (MIJB Local Code), which was approved by the Board in June 2019, sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The MIJB Local Code reflects the changing context of integration and is consistent with the principles and recommendations of the new CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' (2016) and the supporting guidance notes for Scottish authorities. The overall aim of the Framework is to ensure that: resources are directed in accordance with agreed policy and according to priorities; there is sound and inclusive decision making; and there is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined in the MIJB Local Code in existence during 2019/20 included:

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the approved

Scheme of Integration, which serves as the approved constitution, and Standing Orders to make sure that public business is conducted with fairness and integrity. Reliance is placed on the values and standards set out in the codes of conduct within the employer partner organisations, which incorporate “The Seven Principles of Public Life” identified by the Nolan Committee on Standards in Public Life.

The MIJB is dependent upon arrangements within the partner organisations for areas such as:

- ensuring legal compliance in the operation of services;
- handling complaints;
- ethical awareness training and whistleblowing policies and procedures;
- staff appointment and appraisal processes which take account of values and ethical behaviour;
- identifying, mitigating and recording conflicts of interest, hospitality and gifts; and
- procurement of goods and services which are sustainable, represent value of money and which reinforce ethical values.

Other areas where the MIJB places significant reliance on arrangements in place within the partner organisations are set out in the remainder of the statement.

The Chief Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Professional advice on the discharge of duties is provided to the Board by the MIJB Chief Officer supported by Chief Financial Officer, Chief Internal Auditor and Board Clerk as appropriate.

B. Ensuring openness and comprehensive stakeholder engagement

Board meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality.

Unless confidential, decisions made by the Board are documented in the public domain.

In response to the pandemic and the requirement to move quickly and decisively to manage the subsequent pressures on health and social care services, the IJB approved Emergency Recess arrangements that included temporary decision making arrangements at its meeting on 16th April 2020.

Under these temporary arrangements authority is delegated, if required to meet immediate operational demand, to the Chief Officer, Chair and Vice Chair of the IJB. The Chief Officer and Chief Finance Officer will produce reports requiring consideration and approval by the IJB, as is established practice. These will be circulated electronically to the IJB for consideration with virtual meetings of IJB voting members and officers taking place.

Community engagement was encouraged as part of the development of the Scheme of Integration and the Strategic Plan of the Health and Social Care Partnership and

Delivery Plans were developed following consultations with interested parties including members of the public.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The vision, strategic objectives and outcomes are reflected in the Midlothian Health & Social Care Partnership's Strategic Plan 2019-2022 which has been updated to reflect on-going assessment of need. Implementation is underpinned by the associated Annual Delivery Plan.

Implications are considered during the decision making process within the standard report template covering Policy, Equalities, Resources, Risk, and Involving People.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

In determining how services and other courses of action should be planned and delivered the partnership has a statutory responsibility to involve patients and members of the public.

The Midlothian Health & Social Care Partnership's Strategic Plan 2019-2022 is based on consultation during its review and update.

The MIJB has issued directions to the partners for service delivery and for service redesign and recommissioning in line with the transformation programme.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The MIJB Chief Officer is responsible and accountable to the Board for all aspects of management.

Regular meetings are held between the Chief Officer and the Chair and Vice Chair of the MIJB. The MIJB Chief Officer also meets regularly with representatives from the partner organisations.

Members of the MIJB Board are provided with the opportunity to attend Development Sessions relevant to their role as part of their development programme.

There is a leadership development programme for the joint management team supported by workforce plans with a key focus on team leader development.

F. Managing risks and performance through robust internal control and strong public financial management

The MIJB Chief Officer has overall responsibility for directing and controlling the partnership. The MIJB Board is responsible for key decision-making.

The MIJB has approved a Risk Management Strategy which includes: the reporting structure; types of risks to be reported; risk management framework and process; roles and responsibilities; and monitoring risk management activity and performance.

The MIJB Chief Financial Officer is responsible for the proper administration of all aspects of the Partnership's financial affairs including ensuring appropriate advice is given to the Board on all financial matters.

The MIJB's system of internal financial control is dependent upon on the framework of financial regulations, regular management information (including Revenue Budget Monitoring reports to the Board), administrative procedures (including segregation of duties), management supervision and systems of delegation and accountability within the partner organisations.

The MIJB also relies upon the partners for:

- Counter fraud and anti-corruption arrangements; and
- Management of data in accordance with applicable legislation.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The Shared Chief Internal Auditor of Midlothian Council is the MIJB's Chief Internal Auditor appointed to provide an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out in conformance with the Public Sector Internal Audit Standards.

The MIJB responds to the findings and recommendations of Internal Audit, External Audit, Scrutiny and Inspection bodies. The MIJB Audit Committee is integral to overseeing assurance and monitoring improvements in internal control and governance.

Performance Reports were presented to the Board for monitoring and control of achievement of Local Improvement Goals. The Annual Performance Report for 2019/20 outlining progress against strategic objectives over the year, was published in August 2020, and is now available on the IJB webpage, link given in page 5 above.

The Annual Accounts and Report for 2019/20 setting out the financial position in accordance with relevant accounting regulations is also being prepared.

Review of Adequacy and Effectiveness

The MIJB is required to conduct, at least annually, a review of the effectiveness of its governance framework.

The review was informed by: an annual self-assessment against the MIJB's Local Code of Corporate Governance which was updated to ensure it is consistent with the principles of the CIPFA/SOLACE Framework (2016), carried out by MIJB Management; MIJB Internal Audit reports; MIJB External Audit reports; relevant reports by other external scrutiny bodies and inspection agencies; and relevant partners' (NHS Lothian and Midlothian Council) Internal Audit and External Audit reports.

Improvement Areas of Governance

The review activity outlined above has identified the following areas where further improvement in governance arrangements can be made to enhance compliance with the Local Code:

1. Continue to demonstrate the linkages within the Strategic Plan to local and national objectives and alignment of Directions.
2. Further develop the Performance Management Framework to align performance measures to key priorities and outcomes of the Strategic Plan and enhance specification within the Annual Delivery Plans of how outcomes are to be measured.
3. Continue to engage in the strategic planning processes of NHS Lothian's Hospitals to promote the actions required to deliver the Midlothian IJB Strategic Plan.

The implementation of these actions to enhance the governance arrangements in 2020/21 will be driven and monitored by the MIJB Chief Officer in order to inform the next annual review. Internal Audit work planned in 2020/21 is designed to test improvements and compliance in governance.

Conclusion and Opinion on Assurance

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the MIJB's governance arrangements and system of internal control, while recognising that improvements are required to fully demonstrate compliance with the Local Code in order for the MIJB to fully meet its principal objectives. Systems are in place to regularly review and improve governance arrangements and the system of internal control.

Covid-19 Response

The above assurance reflects the assessment of governance in place during normal operations in 2019/20 prior to the significant coronavirus (Covid-19) outbreak in late March 2020. The Midlothian Health and Social Care Partnership played a strategic role in the emergency response with innovations, new business processes and solutions, and new technology being embraced in order to deliver services to the community. This was achieved using new ways of decision-making, leadership and implementation including virtual meetings and systems remote access.

Catherine Johnstone
IJB Chair

Morag Barrow
Chief Officer

Independent Auditor's Report

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 (“the Integration Joint Board”) for the year ended 31 March 2020 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 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of Midlothian Integration Joint Board as at 31 March 2020 and of its income and 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 2019/20 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 for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. 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 were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the Integration Joint 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. Non-audit services prohibited by the Ethical Standard were not provided to the Integration Joint Board. 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

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 Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about

Integration Joint Board's 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.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Chief Finance Officer and Midlothian Integration Joint Board Audit and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities, 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.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Integration Joint 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.

The Integration Joint Board's Audit and Risk Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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 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, the audited part of the Remuneration Report, 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, our responsibility is to read all the other information in the annual accounts and, in doing so, consider 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 other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited 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 audited 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.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in our Annual Audit Report.

Use of our report

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, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, *for and on behalf of Ernst & Young LLP*
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

September 2020

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.

Midlothian IJB Comprehensive Income and Expenditure Statement

2018-19 Net Expenditure £000s		2019-20 Net Expenditure £000s
100,190	Health Care Services - NHS Lothian	106,473
39,081	Social Care Services - Midlothian Council	42,659
139,271	Cost of Services	149,132
(142,249)	Taxation and Non-Specific Grant Income	(149,875)
(2,978)	Surplus on Provision of Services	(743)

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.

Movement in Reserves Statement

The movement in reserves statement shows the value of the IJBs reserve and how this has grown during 2019/20, a large proportion of this reserve is earmarked for future projects and commitments.

Movements in Reserves During 2019/20

	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000's	£000's	£000's
Opening Balance at 31 March 2019	3,878	0	3,878
Total Comprehensive Income and Expenditure	743	0	743
Increase or Decrease in 2019/20	743	0	743
Closing Balance at 31 March 2020	4,621	0	4,621

Balance Sheet

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.

Midlothian IJB Balance Sheet

31 March 2019 £000s		31 March 2020 £000s	Note
	Current Assets		
3,878	Debtors	4,621	7
000	Creditors: amounts falling due within one year	000	8
3,878	Total assets less current liabilities	4,621	
	Capital and Reserves		
1,493	Earmarked Reserve	1,617	
2,385	General Reserve	3,004	
3,878	Total Reserves	4,621	

Claire Flanagan
Chief Finance Officer

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarise the IJB's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020.

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 2019/20, 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.

Basis of Preparation

The IJB financial statements for 2019/20 have been prepared on a going concern basis. 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. In accordance with the CIPFA Code of Local Government Accounting (2019/20), the IJB is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity. This has been reinforced by the most recent CIPFA guidance bulletin 05 (closure of the 2019/20 financial statements) which states that while there is likely to be a significant impact of Covid-19 on local authority financial sustainability, the rationale for the going concern basis of reporting has not changed. The accounts are prepared on the assumption that the IJB will continue in operational existence for the foreseeable future.

The IJB's funding from and commissioning of services to partners has been confirmed for 2020/21, and a medium term financial plan has been prepared through to 2023/24. The IJB is working within the context of the Covid-19 pandemic, an unprecedented global crisis. Work is ongoing through the mobilisation plan prepared by the IJB at the request of the Scottish Government to quantify the impact of Covid-19 on the IJB's financial performance going forward. However, ultimately additional costs will be met by the IJB's partners in line with the integration scheme. Therefore the IJB considers there are no material uncertainties around its going concern status.

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 net charges by the partners to the IJB.

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.

Debtors and Creditors

The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet. 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.

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.

The IJB has none of the above.

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 reserves of £4.621m at 31 March 2020.

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

The IJB's useable reserve is broken down as follows:-

	2019/20 Closing £000's
Committed Project Funds:	
Commitment to specific posts	75
Primary Care Investment Fund	57
MELDAP	205
Integrated Care Fund	187
Action 15	55
Technology Enabled Care	246
Slippage in Local Programmes	333
Autism Strategy	12
Electronic Frailty Index (Health Foundation)	7
School Counselling	220
Wellbeing Service	157
Embedding a Gender Informed Effective Response to Domestic Abuse (Big Lottery funding)	63
Total Earmarked Reserves	1,617
General Reserves	3,004
Total Reserves	4,621

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 2019/20 was £6,000 (PY £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 2020 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. Subsequent Events

In accordance with the requirements of International Accounting Standards 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified.

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts is adjusted to reflect such events.
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

In early 2020 the existence of a new coronavirus (Covid-19) was confirmed which has since spread across a significant number of countries, leading to disruption to businesses and economic activity, including significant disruption to the activity and future plans of all UK Government bodies. While the emergence of Covid-19 is not a post balance sheet event in itself, the potential impact from developments after the 31 March 2020 yearend have been considered accordingly for disclosure in the financial statements. These developments include:

- Changes to service delivery arrangements for delegated functions which were developed and implemented as part of the Midlothian Health and Social Care Mobilisation Plan response to the pandemic.
- This included the establishment of a Covid-19 tactical core management team who met daily early on in the pandemic; thrice weekly extended management team meetings; the establishment of teleconferencing calls with Care Home managers three times a week to support the care home process; and weekly briefing reports disseminated to all IJB Board members to ensure adequate communication of significant matters throughout the pandemic.
- The development of a Midlothian HSCP Recovery Plan in full recognition of the continuing major threat to the population posed by Covid-19, presented to the Board in June 2020.

• Limited additional expenditure incurred during 2019/20 in relation to the pandemic is included in the accounts for the year.

• There will be material financial implications during 2020/21, which will apply to next year's financial statements.

From our assessment we have not identified any financial impact on the 31 March 2020 financial position.

4. Expenditure and Funding Analysis

2018/19 £000's	Expenditure	2019/20 £000's
	Services specifically for Midlothian	
61,069	Health	64,778
39,081	Social Care	42,659
	Midlothian's share of Lothian Health Services	
21,517	Hosted	22,613
17,604	Set Aside	19,082
139,271	Total	149,132
	Funded By:	
39,932	Midlothian Council	42,593
102,317	NHS Lothian	107,282
142,249		149,876
2,978	Surplus	743

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 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

5. Corporate Service

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

2018/19 £000's		2019/20 £000's
43	Staff	46
25	Audit Fee	27
68	Total	73

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

6. 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.

2018/19 £000's		2019/20 £000's
100,189	NHS Lothian	106,473
(4,943)	Resource Transfer	(5,187)
(4,816)	Social Care Fund	(4,816)
90,430		96,470
39,081	Midlothian Council	42,659
4,943	Resource Transfer	5,187
4,816	Social Care Fund	4,816
48,840	Total	52,662

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.

7. Short Term Debtors

The IJBs short term debtors are broken down as follows:-

2018/19 £000's		2019/20 £000's
2,245	Funding due from NHS Lothian	3,054
1,633	Funding due from Midlothian Council	1,567

3,878 Total

4,621

8. Short Term Creditors

The IJBs short term creditors are broken down as follows:-

2018/19		2019/20
£000's		£000's
0	Funding due to NHS Lothian	0
0	Funding due to Midlothian Council	0
0	Total	0

9. VAT

The IJB is not VAT registered. The VAT treatment of expenditure in the IJB's accounts depends on which of the Partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as income from the Commissioning IJB.

