



**Midlothian
Integration Joint Board**

**Draft Unaudited Annual Accounts
2018/19**

The Unaudited Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2018 to 31 March 2019, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and Service Reporting Code of Practice.

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Audit Arrangements

Under arrangement approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of Midlothian Integration Joint Board for the period 1 April 2018 to 31 March 2019 is Ernst and Young LLP, 10 George Street, Edinburgh, EH2 2DZ.

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 2019 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 IJB published its Strategic Plan for these functions covering the period from April 2016 to March 2019 in March 2016. The IJB also publishes an Annual Delivery plan, the plan for 2018/19 being agreed by the IJB at its May 2018 meeting.

Membership of Midlothian Integration Joint Board

The IJB met eight times in 2018/19. There have been a number of changes to the membership of the IJB since the accounts for 2017/18 were published. The members of the IJB at March 2019 were as follows :-

Member	Nominated/Appointed by	Role
Angus McCann	Nominated by NHS Lothian	Voting Member, Chair
Derek Milligan	Nominated by Midlothian Council	Voting Member, Vice Chair
Catherine Johnstone	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
Carolyn Hirst	Nominated by NHS Lothian	Voting Member
Allister Short	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
Aileen Currie	Appointed by the IJB	MLC Staff Side Representative
Pam Russell	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
Nik Hirani	Appointed by the IJB	Medical Practitioner

Note -

The Chief Finance Officer of the IJB was David King until his retirement in October 2018 where Claire Flanagan took on the role.

The IJB's Operations for the Year

2018/19 was the third operational year for the IJB. The ambitions for the financial year were laid out in the IJB's 2018/19 annual delivery plan, these were :-

- Reshape Primary Care
- Develop coherent approach to Out of Hours services
- Reducing the use of Unscheduled Care in Acute Hospitals
- Reduce expenditure on Prescribing
- Reshape Learning Disability services
- Review and redesign Carers services
- Develop a Care Home strategy
- Implement new approaches to Care at Home
- Shift the balance of care in Mental Health services
- Strengthen prevention and recovery in Criminal Justice
- Implement a new Public Engagement Strategy
- Design and implement a Prevention strategy and the links to offending and substance misuse
- Reducing the cost of Learning Disability services
- Strengthening the multi-agency approach to Health Inequalities.

Considerable progress has been made on these ambitions specifically on:

- Improvement of Primary Care services with the roll out of physiotherapists, pharmacists and mental health nurses within practices.
- Frailty programme has undertaken a full analysis which has been completed for all Midlothian frail patients and now looks to progress a test of change into a frailty pathway
- Community Respiratory Team this team was enhanced to increase the support for managing COPD in the local community aiming to prevent acute admissions.
- The Wellbeing service is also now fully established in all 12 Midlothian practices.
- Discharge to Assess team was also started at the end of the financial year which will support the work to reduce acute hospital delays

The IJB's Annual Performance report which provides further details on the activity of the IJB and this report is available on the IJB's website.

The IJB's Position at 31 March 2019

Summary

For the year ending 31 March 2019, 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	102,317	100,189	2,127
Social Care Services	39,932	39,081	851
Total	142,249	139,270	2,978

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 2018/19

	Budget	Budget	Expenditure	Expenditure	Variance	Note
	Health	Social	Health	Social Care		
	£000's	Care	£000's	£000's	£000's	
		£000's				
Direct Midlothian Services						
Community AHPS	2,273		2,103		170	
Community Hospitals	4,969		5,274		-305	
District Nursing	2,667		2,593		74	
General Medical Services	14,763		14,847		-84	
Health Visiting	1,666		1,596		70	
Mental Health	2,234		2,059		176	
Other	11,969		9,866		2,103	1
Prescribing	18,088		17,788		301	
Resource Transfer	4,943		4,943		0	2
Older People		17,265		14,985	2,281	
Learning Disabilities		12,510		14,388	-1,878	
Mental Health		853		841	12	
Physical Disabilities		3,295		4,046	-751	
Assesment and Care Management		3,065		2,865	200	
Other		2,943		1,957	985	3
Midlothian Share of pan-Lothian						
Set Aside	17,146		17,604		-458	4
Mental Health	2,013		2,065		-52	
Learning Disabilities	1,388		1,442		-55	
GP Out of Hours	1,051		1,051		0	
Rehabilitation	754		670		84	
Sexual Health	570		565		5	
Psychology	748		744		4	
Substance Misuse	693		702		-8	
Allied Health Professions	1,241		1,173		68	
Oral Health	1,633		1,573		60	
Other	2,305		2,330		-25	
Dental	4,913		4,913		0	5
Ophthalmology	1,649		1,649		0	5
Pharmacy	2,639		2,639		0	5
	102,317	39,932	100,189	39,081	2,978	

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. This also includes £327k of funds which have been taken to the IJB's reserve to be carried forward for specific projects. This is detailed in the discussion on reserves below.
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 is 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 2018/19 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 2018/19 position

From the above table, it can be seen that there were a range of financial issues identified.

Direct Midlothian Services

Within the health budgets, although there were operational overspends within Community Hospitals and GMS, these were offset by underspends in Prescribing and slippage (that is some programmes starting later in the year than planned and thus generating an underspend) within the system.

Within the social care budgets the pressures at the year-end were a significant overspend within adult services, specifically those for clients with Learning Disabilities and Physical Disabilities. This pressure was offset by underspend in services for older people, although there are underlying pressures in some specific services including MERRIT and care at home.

Midlothian Share of pan-Lothian services

The hosted position shows an overspend within the Learning Disabilities services and Mental Health being offset with underspends in community dental (Oral Health), and Rehabilitation Services

The significant overspend within the health budgets is within set aside the main pressures being :-

- A&E – ongoing recruitment issues resulting in additional costs of locums/agency to cover and make safe staffing rotas as well as the additional costs of RIE Minor Injuries Unit
- Diabetes – Pressures on providing new, replacement & additional supplies for Adult Insulin Pumps
- Junior Medical – 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. Tighter controls regarding authorisation for additional staffing and reviewing rotas before issues arise are in place and have reduced the pressure during 2018/19
- General Medicine – Pressure driven by ongoing staffing issues (significant at St John's Hospital – where recruitment is proving difficult) and ongoing bed pressures across the sites.
- Infectious Diseases - significant drug pressure reported in year, although expenditure is showing a reduction from 17/18

Reserves

The IJB has reserves at the end of 2018/19 of £3.878m. The IJB had reserves of £900k in March 2018. The movement in can be described as follows :-

	2018/19 Opening	2018/19 Transfers Out	2018/19 Reclassified	2018/19 Transfers in	2018/19 Closing
	£000's		£000's	£000's	£000's
Committed Project Funds					
MELDAP	132	-132		196	196
SG Funding TEC	77	-77		86	86
Commitment to specific posts			37	270	307
Primary Care Investment Fund				240	240
Commitment to GPs				150	150
Integrated Care Fund				145	145
Commitment to Wellbeing Service (PCIF)				121	121
Action 15				96	96
Slippage in Local Programmes				85	85
Other	34	-34		68	68
Committed Project Funds	243	-243	37	1,457	1,493
General Reserves	657	-73	-37	1838	2385
Total	900	-316	-	3295	3878

The IJB similar to last year proposes to use its reserves in 2019/20 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 Programme – a programme of work has been developed to further support the transformation agenda which will include a Programme Manager to work with acute and other service staff to deliver agreed outcomes. The initial focus will be on progressing 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. This development will require investment as part of a 'spend to save' approach
- Waiting Times – the IJB has 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, there continues to be a need to support timely discharge from hospital and resource will be allocated to support the implementation of the delayed discharge action plan
- The residual element of the general reserve will be used as required to support in-year financial pressures, recognising the continuing underlying and significant overspend in social care.
- There will also be proposals put to the IJB during 2019/20 in support utilising reserves to support addressing care gaps within some services.

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The IJB's Strategy and Business Model



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



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

1. Prioritising the Allocation of Resources

The IJB will make decisions by reviewing the resources available and prioritising them to achieve the agreed outcomes. Guidance on this process has been issued by the Scottish Government and the themes laid out in this guidance are those that flow through the IJB's strategies. These themes are based on a fundamental review of the current use of resources in order to support the redesign of the overall health and social care system. The move of resources should reflect the key strategic aims of the IJB. The key principles guiding this movement are outlined in this report, along with some specific plans which are being developed to achieve the required shifts in expenditure.

2. Making More Efficient use of Resources

There are immediate pressures on the IJB which require action to bring the expenditure in line with the monies now being made available by the Council and NHS Lothian :-

Social Care: The Realistic Care Realistic Expectations Programme is intended to identify significant savings through more efficient and more equitable ways of providing social care services. This is being overseen by the Council Business Transformation Group

Prescribing: In response to major pressures upon the local prescribing budget GPs and the Pharmacy Service are implementing a series of changes to reduce expenditure

Service Integration: The social care and health teams within the Partnership are being joined together into one overall team with a single management structure. This will generate operational synergies and stop 'double doing' – for example multiple assessments etc.

3. Public Engagement

The emerging financial challenges facing the partners, and therefore the budgets likely to be available to the IJB, require a concerted programme of public engagement. Transforming health and care services will only succeed if the people of Midlothian understand the changes being considered, are able to influence these and are prepared to support them. A Communication and Engagement Plan in relation to Realistic Care has been developed and is now being implemented.

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 and Uncertainties

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

1. It remains difficult for the partners to recruit elements of the workforce to deliver the IJB's functions, e.g. GPs, District Nurses and Care workers.
2. The increasing population in Midlothian remains a challenge which may exacerbate the staffing pressures above.
3. 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.

Angus McCann
IJB Chair

Allister Short
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.

Angus McCann
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 2019 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.

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 2018/19.

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. Angus McCann, as a non-executive member of NHS Lothian Board who was also the Chair of Midlothian IJB has received an additional notional day's remuneration specifically for his role as Chair of the IJB in 2018/19. This remuneration is £8,416 per annum.

Remuneration: Officers of the IJB

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

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner

organisation. The remuneration terms of the Chief Officer’s employment are approved by the IJB.

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

Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer and in the interests of transparency, the remuneration of the Chief Finance officer is included below. The Chief Finance officer is 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.

Total 2017/18	Senior Employees	Salary, Fees & Allowances 2018/19	Total 2018/19
£		£	£
29,263	Eibhlin McHugh (to October 2017)	-	-
19,959	Allister Short (from November 2017)	42,530	42,530
26,802	David King (to October 2018)	16,104	16,104
-	Claire Flanagan (from October 2018)	11,030	11,030

Allister Short was appointed in November 2017, his costs above are therefore 5/12th’s of the annual costs for 2017-18. David King retired in October 2018, his costs are therefore 6/12ths for 2018-19, thereafter Claire Flanagan was appointed in October 2018, her costs are therefore 6/12 of the annual costs for 2018-19.

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 2019	For year to 2018	As at 31 March 2019		Difference from 31 March 2018	
	£	£	Pension £000	Lump Sum £000	Pension £000	Lump Sum £000
Allister Short	11,600	10,864	18	36	2	2
Claire Flanagan	8,167	0	11	22	-	-
David King	6,618	11,127	37	110	1	4
Eibhlin McHugh	0	11,721	-	-	-	-

Disclosure by Pay Bands

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

Number of Employees in Band 2017/18	Remuneration Band	Number of Employees in Band 2018/19
0	£50,000 - £54,999	0
0	£55,000 - £59,999	0
0	£60,000 - £65,000	0
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	£115,000 - £119,999	0

Exit Packages

The IJB did not support nor did it direct to be supported by its partners, any exit packages during 2018/19.

Angus McCann
IJB Chair

Allister Short
Chief Officer

Annual Governance Statement

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) sets out the framework and key principles, which require to be complied with, to demonstrate effective governance. The MIJB Local Code has been revised during the year to reflect 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. This will be presented for scrutiny by the MIJB Audit and Risk Committee then for approval by the full Board. 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 revised Framework in existence during 2018/19 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.

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 Locality 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 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. An Annual Performance Report for 2018/19 is being prepared to outline progress against strategic objectives over the year.

The Annual Accounts and Report for 2018/19 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 Internal Audit; 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.
- 2 Enhance specification within the Annual Delivery Plans of how outcomes are to be measured.
- 3 Develop a Medium Term Financial Plan.
- 4 Further develop the Performance Management Framework.

The implementation of these actions to enhance the governance arrangements in 2019/20 will be driven and monitored by the MIJB Chief Officer in order to inform the

next annual review. Internal Audit work planned in 2019/20 is designed to test improvements and compliance in governance and risk management arrangements, achievement of transformation and change in service delivery (and the associated workforce development), and performance management.

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.

Angus McCann
IJB Chair

Allister Short
Chief Officer

Independent Auditor's Report

This will be inserted when this report is completed after the audit of these unaudited accounts

DRAFT

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

2017-18 Net Expenditure £000s		2018-19 Net Expenditure £000s
99,115	Health Care Services - NHS Lothian	100,190
38,023	Social Care Services - Midlothian Council	39,081
137,138	Cost of Services	139,271
-138,038	Taxation and Non-Specific Grant Income	-142,249
-900	Surplus on Provision of Services	-2,978

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

Movements in Reserves During 2018/19

	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000's	£000's	£000's
Opening Balance at 31 March 2018	900	0	900
Total Comprehensive Income and Expenditure	2978	0	2978
Increase or Decrease in 2018/19	2978	0	2978
Closing Balance at 31 March 2019	3878	0	3878

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 2018		31 March 2019
£000s		£000s
	Current Assets	
900	Debtors	3,878
	Creditors: amounts falling due within one year	
000		000
900	Total assets less current liabilities	3,878
	Capital and Reserves	
244	Earmarked Reserve	1493
656	General Reserve	2385
900	Total Reserves	3878

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 2018/19 financial year and its position at the year-end of 31 March 2019.

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 2017/18, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

Accruals of Income and Expenditure

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

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

Funding

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

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 £3.878m at 31 March 2019.

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

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

Earmarked Reserve	£000's
Commitment to specific posts	307
Primary Care Investment Fund	240
MELDAP	196
Commitment to GPs	150
Integrated Care Fund	145
Commitment to Wellbeing Service (PCIF)	121
Action 15	96
Technology Enabled Care (SG funding)	86
Slippage in Local Programmes	85
Transformation of Older People's Services	34
Smile Project (Big Lottery funding)	16
Autism Strategy (SG funding)	12
Electronic Frailty Index (Health Foundation)	7
General Reserves	2,385
Total Reserves	3,878

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 2018/19 was £6,000.

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

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

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

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

2. Critical Judgements and Estimation Uncertainty

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

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' options that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none)
- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates
- There are no items in the IJB's Balance Sheet at 31 March 2019 for which there is a significant risk of material adjustment in the forthcoming financial year.

Provisions

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

3. Events After the Reporting Period

The Annual Accounts were authorised for issue by the IJB on 14 xxx. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing as at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Expenditure and Funding Analysis

2017/18		2018/19
£000's	Expenditure	£000's
	Services specifically for Midlothian	
59,270	Health	61,068
38,023	Social Care	39,081
	Midlothian's share of Lothian Health Services	
21,273	Hosted	21,516
18,572	Set Aside	17,604
137,138	Total	139,270
	Funded By:	
38,805	Midlothian Council	39,932
99,233	NHS Lothian	102,317
138,038		142,249
900	Surplus	2,978

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.

Corporate Service

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

2017/18		2018/19
£000's		£000's
49	Staff	43
24	Audit Fee	25
73	Total	68

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

5. Related Party Transactions

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

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

2017/18		2018/19
£000's		£000's
99,115	NHS Lothian	100,189
-4,776	Resource Transfer	-4,943
-5,100	Social Care Fund	-4816
89,239		90,430
38,023	Midlothian Council	39,081
4,776	Resource Transfer	4,943
5,100	Social Care Fund	4,816
47,899	Total	48,840

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

6. VAT

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