

# **Midlothian Integration Joint Board**

## **Draft Annual Accounts 2016/17**

## **CONTENTS**

<b>Management Commentary .....</b>	<b>4</b>
<b>Statement of Responsibilities .....</b>	<b>9</b>
<b>Remuneration Report.....</b>	<b>11</b>
<b>Annual Governance Statement .....</b>	<b>14</b>
<b>Comprehensive Income and Expenditure Statement.....</b>	<b>24</b>
<b>Movement in Reserves Statement .....</b>	<b>25</b>
<b>Balance Sheet.....</b>	<b>26</b>
<b>Notes to the Financial Statements.....</b>	<b>27</b>
1. Significant Accounting Policies.....	27
2. Critical Judgements and Estimation Uncertainty .....	29
3. Events After the Reporting Period .....	29
4. Expenditure and Funding Analysis .....	30
5. Expenditure and Income Analysis by Nature.....	30
6. Taxation and Non-Specific Grant Income.....	30
7. Debtors.....	30
8. Creditors.....	30
9. Provisions.....	30
10. Usable Reserve: General Fund.....	30
11. Unusable Reserve: Employee Statutory Adjustment Account.....	30
12. Agency Income and Expenditure .....	30
13. Related Party Transactions.....	31
14. Contingent Liabilities .....	31
15. Contingent Assets .....	31
16. VAT .....	31

### **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<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017 is Ernest and Young LLP, 10 George Street, Edinburgh, EH2 2DZ

## **Management Commentary**

### **The Role and Remit of the IJB**

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

The IJB is governed by the Local Government Scotland Act (1973) along with the 2014 regulations and these accounts are prepared on that basis.

These accounts cover the period from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017.

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

<b>Member</b>	<b>Nominated/Appointed by</b>	<b>Role</b>
Catherine Johnstone	Nominated by Midlothian Council	Voting Member, Chair
Peter Johnston	Nominated by NHS Lothian	Voting member, Vice Chair
Bob Constable	Nominated by Midlothian Council	Voting Member
Bryan Pottinger	Nominated by Midlothian Council	Voting Member
Derek Milligan	Nominated by Midlothian Council	Voting Member, Chair of Audit and Risk Committee
Alex Joyce	Nominated by NHS Lothian	Voting Member
John Oates	Nominated by NHS Lothian	Voting Member
Alison McCallum	Nominated by NHS Lothian	Voting Member
Eibhlin McHugh	Appointed by the IJB	Chief Officer
David King	Appointed by the IJB	Chief Finance Officer
Alison White	Nominated by Midlothian Council	Chief Social Worker
Caroline Miles	Nominated by NHS Lothian	Chief Nurse
David Caesar	Nominated by NHS Lothian	Consultant
Hamish Reid	Nominated by NHS Lothian	General Practitioner
Patsy Eccles	Appointed by the IJB	NHS Staff Representative
Aileen Currie	Appointed by the IJB	MLC Staff Side Representative
Margaret Kane	Appointed by the IJB	User/Carer representative

Ewan Aitken	Appointed by the IJB	Voluntary Sector Representative
Keith Chapman	Appointed by the IJB	User representative

Note – all members except those indicated as voting members are non-voting members

### **The IJB's Operations for the Year**

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

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

NHS Lothian formally proposed a budget in June 2016, the IJB undertook a further financial assurance process and accepted that Budget at its August meeting. The IJB's budget from both NHSiL and Midlothian Council has been subject to changes during the financial year. MLC had carried forward resource on behalf of its social care from 2015/16 and released these resources to the IJB as required during 2016/17. NHS Lothian both continued to revise its health budget setting model in collaboration with the IJB and also received further allocations from the Scottish Government in year. Some of these further Scottish Government in year allocations supported delegated functions with the budgets being made available to the IJB.

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

### **The IJB's Position at 31 March 2017**

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

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

It should be noted that the charge from NHS Lothian includes the notional Midlothian share of the 'non-cash limited' services being General Ophthalmic Services, General Pharmaceutical Services and General Dental services.

The non-cash limited functions do not have budgets as such and the cost of delivering these function is met in full by the Scottish Government. Therefore the IJB has no budgets for these services although they are delegated functions to the IJB and require to be reported as part of the 2016/17 out-turn. NHS Lothian has, accordingly, assumed income to cover the costs of these services.

The charges made by Midlothian Council to the IJB are the net direct costs incurred in the delivery of social care services in Midlothian. The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the Core services are based on the net direct actual costs incurred in Midlothian but charges for hosted and set aside services are based on the total actual costs for these service shared across the IJBs per the budget setting model. The Midlothian share of the total actual costs incurred in 2016/17 for hosted services is 10% and, generally, 10% of the Lothian element of the set aside budgets.

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

	MLC £m	NHSiL £m
Opening Budget	37.25	78.69
Social Care Fund		3.59
Add'n budget in year	0.41	4.41
2016/17 budget	37.66	86.69
NCL		8.70
Additional n/r Support	0.74	0.86
<b>Net charge to IJB</b>	<b>38.24</b>	<b>96.25</b>

The Integration scheme is clear 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.

Midlothian Council is carrying forward (from 2016/17 to 2017/18) £1.2m on behalf of the IJB in line with its previous policies. These funds will be available to the IJB in 2017/18.

## **The IJB's Strategy and Business Model**

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

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

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

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

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

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

## **Key Risks and Uncertainties**

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

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

## **Analysis of the Financial Statements**

The financial statements are all presented on a net basis.

### **Income and Expenditure**

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

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

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

This position is further analysed in detail in section 5 of the notes to the financial statements

### **Balance Sheet**

Given that the IJB has broken even in 2016/17 and that there are no outstanding balance either carried into this financial year not brought forward into future years (the IJB has no assets per its Integration Scheme) there are no entries in the IJB's balance sheet for 2016/17.

### **Reserves**

The IJB has not reserves at the end of 2016/17. However, as noted above Midlothian Council has carried forward resources that will be made available to the IJB in 2017/18.

IJB Chair

**Eibhlin McHugh**  
Chief Officer

**David King**  
Chief Financial  
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 financial 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 & Governance Committee on .

Signed on behalf of the Midlothian IJB

### **Responsibilities of the Chief Financial Officer**

The chief financial 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 financial 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 financial officer has also:

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

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

**David King**  
Chief Financial  
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 explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

### **Remuneration: IJB Chair and Vice Chair**

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

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

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

### **Remuneration: Officers of the IJB**

The IJB does not directly employ any staff in its own right, 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.

#### **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.

<b>Total 2015/16 £</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances £</b>	<b>Total 2016/17 £</b>
	<b>TBC</b>		

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

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

<b>Senior Employee</b>	<b>In Year Pension Contributions</b>		<b>Accrued Pension Benefits</b>		
	For Year to 31/03/16  £	For Year to 31/03/17  £		Difference from 31/03/16  £000	As at 31/03/17  £000
<b>TBC</b>					

### 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.

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

## **Exit Packages**

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

IJB Chair

**Eibhlin McHugh**  
Chief Officer

## **Annual Governance Statement**

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

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

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

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

- Ensuring members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the IJB;
- Creating the conditions to ensure that all IJB members and the IJB's partners (Midlothian Council and NHS Lothian) are able to fulfil their responsibilities in accordance with legislative and regulatory requirements;
- Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear;
- Developing formal and informal partnerships to allow resources to be used more efficiently and outcomes achieved more effectively;
- Having a clear vision, which is an agreed formal statement of the IJB's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the IJB's overall strategy, planning and other decisions;
- Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision;
- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided;
- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets;
- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints;

- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources;
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively;
- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the IJB's financial position and outlook;
- Aligning the risk management strategy and policies on internal control with achieving objectives;
- Evaluating and monitoring risk management and internal control on a regular basis;
- Ensuring effective counter fraud and anti-corruption arrangements are in place;
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor;
- Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon;
- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance;
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on the assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement);
- Ensuring that recommendations for corrective action made by the external auditor are acted upon.

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

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

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

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

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

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

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

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

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

### **Statutory and other Compliance**

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



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

- Membership - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated.
- Standing Orders - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at its inaugural meeting. They comply with statutory requirements.
- Committees - the Board has established an Audit & Risk Committee with a detailed remit and powers and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders.
- Meetings - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees, except in clearly defined and limited circumstances.
- Strategic Plan - the Board established its Strategic Planning Committee as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures.
- Officers - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit & Risk Committee.
- Finance - the Board received reports in relation to financial assurance prior to the setting of budgets (for both 2016/17 and 2017/18) for the functions delegated by Midlothian Council and NHS Lothian, and adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements.
- Code of Conduct - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. The Scottish Government approved the IJB's code of conduct on 1 June 2016.

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

### **Action Plan**

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

<b>Area for Improvement identified in 2015/16</b>	<b>Action Undertaken in 2016/17</b>
<p><b>IJB's Vision</b></p> <p>Develop and promote our purpose and vision.</p>	<p>The IJB has continued to develop and share its vision as laid out in its Strategic Plan. Papers have been presented to the IJB for discussion and a series of workshops have been conducted with the IJB to develop and promote the purpose and vision. The IJB has consulted widely through its Strategic Planning Group and its series of 'hot topics' meetings and has published a series of newsletters and other communications with its partners and the public.</p>
<p><b>Code of Conduct</b></p> <p>Finalisation of the Code of Conduct.</p>	<p>This was approved by the Scottish Government in June 2016.</p>
<p><b>Effective Scrutiny</b></p> <p>Ensure effective scrutiny arrangements.</p>	<p>An independent member of the Audit and Risk Committee was appointed at the June 2016 meeting. The Audit and Risk committee met four times in 2016/17.</p>
<p><b>Complaints</b></p> <p>Ensure appropriate arrangements are in place to deal with complaints.</p>	<p>The IJB is working with NHS Lothian, Midlothian Council and the other Lothian IJBs to finalise a process to deal with complaints. It is expected that this will be completed before the end of the 2017 calendar year.</p>
<p><b>Corporate support to the IJB</b></p> <p>Ensure appropriate corporate support and information is provided to the IJB.</p>	<p>The IJB has been appropriately supported by its Partners. The CO and the CIA is provided by Midlothian Council and the CFO is provided by NHS Lothian. Midlothian Partnership's resources have been enhanced by NHS Lothian and the Partnership supports the IJB on a day to day</p>

<b>Area for Improvement identified in 2015/16</b>	<b>Action Undertaken in 2016/17</b>
	basis.
<b>Risk register</b>  Ensure risk management is embedded.	The IJB's risk register was formally adopted by the Audit and Risk Committee and has been updated for the Audit and Risk Committee meetings.
<b>Performance Information</b>  Ensure that appropriate performance management systems are available to the IJB which will include the demonstration of best value and following the public pound requirements.	See below
<b>Recording of financial transactions</b>  Finalise arrangements for the recording of financial transactions of the IJB.	As agreed in the Integration Scheme, Midlothian Council are recording the financial transactions of the IJB in an appropriate financial ledger system
<b>Financial Risk Sharing</b>  Agreement to a financial risk sharing agreement between the IJB and its partners.	A financial risk sharing agreement was reached for 2016/17. This is discussed in the management commentary.
<b>SLA for Internal Audit</b>  Agreement by NHS Lothian to the IJB's Internal Audit SLA.	Midlothian Internal Audit has made resources available and NHS Lothian IA has made 25 days available to the IJB for IA work. A SLA is in the process of being finalised.
<b>Document Retention Policy</b>  The IJB does not have a retention policy in place.	The IJB, working with its partners and the other Lothian IJBs, is finalising a policy on document management based on the Scottish Government's model scheme. This will cover the retention policy.

<b>Area for Improvement identified in 2015/16</b>	<b>Action Undertaken in 2016/17</b>
<p><b>Business Continuity</b></p> <p>The IJB does not have a business continuity plan.</p>	<p>The IJB does not provide any operational services directly, all of its functions are either delivered by NHS Lothian or Midlothian Council. The IJB therefore relies on the business continuity plans of its partners.</p>
<p><b>Financial planning</b></p> <p>Improved financial planning process over amounts to be delegated to the IJB.</p>	<p>See below</p>
<p><b>Revised code of Corporate Governance</b></p> <p>Update the existing Code of Corporate Governance following issue of the new International Framework of Good Governance in the Public Sector.</p>	<p>The IJB is preparing a revised code in line with the new model code of corporate governance.</p>
<p><b>Fraud</b></p> <p>Undertake a risk assessment of the fraud related risks relevant to the IJB.</p>	<p>An assessment of fraud related risk has now been undertaken with the assistance of the Internal Audit Section. Given that the IJB has no direct access to funds and no authority to contract with any bodies, the risks of frauds are considered to be very low.</p>
<p><b>Registration with the Information Commissioner</b></p> <p>Obtain legal opinion on the requirement to register the IJB with the Information Commissioner (and if confirmed then to register).</p>	<p>A legal opinion has been sought and the IJB does not have to be registered with the Information Commissioner at this time. This will be continuously reviewed.</p>
<p><b>Information Sharing Agreement</b></p> <p>Following Legal approval of the Information Sharing Agreement to obtain the appropriate signatures on the agreement.</p>	<p>The IJB is a signatory to the pan-Lothian data sharing agreement. This is an agreement between NHS Lothian, the four Councils in the</p>

<b>Area for Improvement identified in 2015/16</b>	<b>Action Undertaken in 2016/17</b>
	Lothian area and the four IJBs in the Lothian area.
<p><b>Record audit issues raised</b></p> <p>Log issues identified from Internal and External Assurance providers onto an appropriate system to allow tracking for implementation (for example the Audit Scotland Report on Integration Joint Boards).</p>	<p>All issues raised by Internal and External audit are logged on Covalent (the Council's Internal Audit issue tracking system) for tracking purposes. This information is updated regularly and presented to the IJB's Audit and Risk Committee.</p>
<p><b>Compliance with regulations on the recording and presentation of the IJB's accounts</b></p> <p>Through the Finance Officer, the Board will require to agree an annual process to secure compliance with the legislation and accounting practices which apply to its annual accounts and financial statements.</p>	<p>This was agreed as part of the annual accounts process and sign-off for 2015/16. This matter will be fully dealt with as part of the 2016/17 annual accounts.</p>
<p><b>Information and data protection</b></p> <p>As a devolved public body, the Board is subject to a variety of statutory regimes, such as freedom of information and data protection, and appropriate policies and procedures will require to be developed and approved to secure compliance.</p>	<p>This is covered by the Public Records Act actions and the IJB is developing its plan in 2017/18 in cooperation with its partners.</p>
<p><b>Standards officer</b></p> <p>A standards officer has not yet been appointed for the IJB.</p>	<p>A standards officer has been appointed, Alan Turpie the Principle Solicitor for Midlothian Council.</p>
<p><b>IJB Web Site</b></p> <p>An IJB Web site needs to be developed.</p>	<p>The IJB continues to use the Midlothian Council's website wherein the IJB has its own specific area. The IJB is still developing its own distinct web site.</p>

<b>Area for Improvement identified in 2015/16</b>	<b>Action Undertaken in 2016/17</b>
<b>Financial Planning</b> <p>Improvements in the financial planning processes including financial plans from the Partners for future years.</p>	<p>Financial planning processes continue to be developed with the partners. A report laying this out was presented to the IJB at its October 2016 meeting.</p>

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

<b>Areas for improvement Identified in 2016/17</b>	<b>Actions proposed in 2017/18</b>
<b>Updated code of corporate governance</b> <p>The 'Delivering Good Governance in Local Government: Framework' was updated by CIPFA/SOLACE in 2016 but this has not yet been fully embedded.</p>	<p>See above under 'revised code of corporate governance'.</p>
<b>Workforce Planning</b> <p>The MIJB will have to develop its workforce plans with an emphasis of moving from specialised institution based workforce into a generalised community based workforce.</p>	<p>The IJB is working with NHS Lothian and Midlothian Council on the development of a workforce plan.</p>
<b>Improvement of Financial Planning</b> <p>Improve financial planning timescales by moving to a 3 year plan rather than the current position of a detailed 1 year plan with indicative values for the next 2 years.</p>	<p>The IJB is working with Midlothian Council and NHS Lothian to develop a multi-year financial plan. A financial strategy incorporating this multi-year principle was outlined in a report to the IJB at its October 2016 meeting.</p>
<b>Performance Reporting</b> <p>The IJB should develop performance reports.</p>	<p>The IJB continues to develop its process to ensure that the Directions are being fully delivered by its partners and that the IJB is fully informed on its performance. Papers have been presented to the IJBs to</p>

Areas for improvement Identified in 2016/17	Actions proposed in 2017/18
	develop this model along with a workshop on performance management (April '17).
<b>Internal Audit SLA</b> Gain approval from NHS Lothian of the Service Level Agreement between the Internal Audit Services of Midlothian Council, NHS Lothian and the Midlothian Integration Joint Board.	See above under 'SLA for Internal Audit'.

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

IJB Chair

**Eibhlin McHugh**  
Chief Officer

## External Auditor's Report

### **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.

<b>2016/17</b>	<b>2016/17</b>
Net	Net
Expenditure	Expenditure
£m	£m
0 NHS Lothian	96.25
Midlothian Council	38.24
<b>0 Cost of Services</b>	<b>134.49</b>
0 Taxation and Non-Specific Grant Income (Note <b>x</b> )	134.49
<b>0 Surplus or Deficit on Provision of Services</b>	<b>0.00</b>
<b>0 Total Comprehensive Income and Expenditure</b>	<b>0.00</b>

*“The IJB was established on 01 April 2016. Integrated delivery of health and care services did not commence until 01 April 2016. Consequently the 2016/17 financial year is the first fully operational financial year for the IJB and the figures above reflect this.”*



**Movement in Reserves Statement**

The IJB had no reserves in 2016/17 nor does it hold any reserves in 2017/18

**Balance Sheet**

The IJB has neither assets or liabilities at 31<sup>st</sup> March 2017

**David King**  
Chief Financial  
Officer

Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves includes reserves relating to statutory adjustments as shown in the Movement in Reserves Statement.

## **Notes to the Financial Statements**

### **1. Significant Accounting Policies**

#### **General Principles**

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

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

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

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

#### **Accruals of Income and Expenditure**

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

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

#### **Funding**

The IJB is wholly funded through funding contributions from the statutory funding partners, Midlothian Council and NHS Lothian. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Midlothian.

#### **Cash and Cash Equivalents**

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB

does not present a 'Cash and Cash Equivalent' figure on the balance sheet. There are no outstanding funding balances from either partners at 31<sup>st</sup> March 2017.

### Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding 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. The charges from the employing partner are treated as employee costs.

### Provisions, Contingent Liabilities and Contingent Assets

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

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

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

### Reserves

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

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

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

### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. The NHS Lothian and Midlothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

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.

## **2. Critical Judgements and Estimation Uncertainty**

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

**to be completed**

The Financial Statements include some estimated figures. Estimates are made taking into account the best available information, however actual results could be materially different from the assumptions and estimates used. The key items in this respect are listed below.

### 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 by 31<sup>st</sup> June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the

financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2017 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

**4. Expenditure and Funding Analysis**

To be completed

**5. Expenditure and Income Analysis by Nature**

*To be completed*

**6. Taxation and Non-Specific Grant Income**

To be completed

**7. Debtors**

To be completed

**8. Creditors**

*To be completed*

**9. Provisions**

To be completed

**10. Usable Reserve: General Fund**

To be completed

**11. Unusable Reserve: Employee Statutory Adjustment Account**

To be completed

**12. Agency Income and Expenditure**

To be completed

**13. Related Party Transactions**

To be completed

**14. Contingent Liabilities**

To be completed

**15. Contingent Assets**

There are none

**16. VAT**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

**Where to find more information**

**In this Document**

**On Our Website**

**Acknowledgement**