

**REPORT TO ABERDEENSHIRE INTEGRATION JOINT BOARD AUDIT
COMMITTEE – 20 JUNE 2018**

UNAUDITED ANNUAL ACCOUNTS FOR THE YEAR TO 31 MARCH 2018

1 Recommendations

The Audit Committee is recommended to:

1.1 Consider the unaudited Annual Accounts for the year to 31 March 2018.

2 Discussion

- 2.1 IJB Risk 1: Sufficiency and affordability of resource.
- 2.2 Aberdeenshire Integration Joint Board (IJB) has a statutory responsibility to prepare its Annual Accounts by 30 June, following the 31 March financial year end. The format of the accounts follows local authority accounts and hence complies with the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).
- 2.3 Preparation of the accounts must also be in accordance with the Local Authority Accounts (Scotland) Regulations 2014 and these include a requirement that the Integration Joint Board (IJB) or a Committee with audit responsibilities must meet to consider the unaudited Annual Accounts as submitted to the auditor no later than 31 August.
- 2.4 The Annual Accounts contain a number of important narrative reports including the Management Commentary and an Annual Governance Statement, along with the financial statements themselves. As these accounts are unaudited, the comments from our external auditor will be included once they have completed their audit work. However, the accounts are not draft, but are subject to audit, as they represent the financial position of the IJB at the end of the financial year.
- 2.5 The unaudited Annual Accounts show a breakeven position for 2017/18. This is arrived at after fully utilising all reserves from 2016/17 of £9,000. In addition, the IJB required additional funding of £3,474,000 to achieve the breakeven position and this is currently assumed in the accounts. The IJB will formally ask NHS Grampian and Aberdeenshire Council to fund the balance of £3,474,000 at the formal Integration Joint Board this afternoon in line with the agreed Integration Scheme.
- 2.6 Members are asked to consider the Annual Accounts for the year to 31 March 2018.

- 2.7 At this stage, only the Statement of Responsibilities and the Balance Sheet require to be signed by the Chief Finance Officer. Once the accounts have been audited, the following statements require to be signed:

Management Commentary	Chair of the IJB, Chief Officer, Chief Finance Officer
Remuneration Report	Chair of the IJB, Chief Officer
Statement of Responsibilities	Chair of the IJB, Chief Finance Officer
Annual Governance Statement	Chair of the IJB, Chief Officer
Balance Sheet	Chief Finance Officer

- 2.8 The Monitoring Officer within Business Services has been consulted and their comments incorporated into this report.

3 Equalities, Financial and Staffing Implications

- 3.1 An equality impact assessment is not required because the reason for this report is to allow the Integration Joint Board to discuss and comment on historical and factual data in the accounts and there will be no differential impact, as a result of this report, on people with protected characteristics.
- 3.2 There are no direct financial or staffing implications arising from this report.

Alan Wood
Chief Finance Officer

Report prepared by Sandra Ross, Principal Accountant
13 June 2018

APPENDIX 1



ANNUAL ACCOUNTS

2017/18



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Management Commentary

Welcome to Aberdeenshire Integration Joint Board's (IJB) Annual Accounts for 2017/18. The main purpose of the Annual Accounts is to set out the financial position of the IJB for the financial year but also to demonstrate that appropriate governance is in place regarding public funds and that the expected levels of service delivery have been achieved.

The Annual Accounts have been prepared in accordance with the relevant legislation, regulations and the proper accounting practices, which primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

The Annual Accounts are a financial representation of the Board's strategic priorities and set out on an annual basis an investment of approximately £300 million per year across local communities through a Medium Term Financial Strategy covering the financial years 2018/19 – 2022/23.

The Management Commentary is intended to provide a suitable overview to a complex document allowing the reader to determine the IJB's overall performance for the year. The Management Commentary is structured as follows:

- The Role and Remit of Aberdeenshire's IJB
- Strategy and Business Model
- Performance
- Finances
- Principal Risks and Uncertainties
- Progress on Action Plan from 2016/17
- Outlook for future years

The Role and Remit of Aberdeenshire's IJB

The IJB was established on 6 February 2016 under The Public Bodies (Joint Working) (Scotland) Act 2014. The IJB has responsibility for the strategic planning and delivery of adult health and social care services within Aberdeenshire. Through a partnership agreement between Aberdeenshire Council and NHS Grampian, known as The Integration Scheme, locally agreed operational arrangements for the delivery of integrated services have been set out. Its purpose is to improve the wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. More details can be found in the Integration Scheme at:

<http://www.aberdeenshire.gov.uk/media/15520/aberdeenshire-intergration-scheme-final.pdf>

Management Commentary (continued)

Members of the Board for the period 1 April 2017 to 31 March 2018 were as follows:

Voting Members

Name	Organisation
Cllr Anne Stirling (Chair from 18 May 2017 until 31 March 2018, Vice Chair from 01 April 2018)*	Aberdeenshire Council
Dr Lynda Lynch (Vice Chair until 31 March 2018, Chair from 01 April 2018)*	NHS Grampian
Cllr Anne Allan (Chair until 18 May 2017)	Aberdeenshire Council
Amy Anderson (from 18 May 2017)	NHS Grampian
Cllr Raymond Christie (until 18 May 2017)	Aberdeenshire Council
Sharon Duncan	NHS Grampian
Cllr Alison Grant (until 18 May 2017)	Aberdeenshire Council
Alan Gray	NHS Grampian
Cllr Bill Howatson	Aberdeenshire Council
Cllr Denis Robertson (from 18 May 2017)	Aberdeenshire Council
Cllr Ann Ross (from 18 May 2017)	Aberdeenshire Council
Eric Sinclair	NHS Grampian

*In line with the Integration Scheme Cllr Anne Stirling stepped down as Chair of the IJB on 31/03/18 and was replaced by Dr Lynda Lynch, who will be signing off the 2017/18 annual accounts

Non-Voting Members

Name	Position
Adam Coldwells	Chief Officer
Alan Wood	Chief Finance Officer
Robert Driscoll	Chief Social Work Officer
Dr Chris Allan	General Medical Practitioner
Eunice Chisholm	Nurse practitioner representative
Paul Bachoo (until 14 March 2018)	Medical Practitioner – Secondary Care Adviser
Dr Malcolm Metcalfe (from 14 March 2018)	Medical Practitioner - Secondary Care Adviser

Management Commentary (continued)

Stakeholder Representatives Non-Voting Members

Name	Position
Inez Kirk	Trade union representative
Martin McKay	Trade union representative
David Hekelaar	Third sector representative
Sue Kinsey	Third sector representative
Denise Cromar (from 26 July 2017 until 25 October 2017)	Service User Representative
Elizabeth Fairley (from 20 December 2017)	Carer representative

Strategy and Business Model

The IJB is responsible for adult and social care services across the Aberdeenshire area and oversees the Health & Social Care Partnership (H&SCP) whose key strategic aim is to achieve sustainable, positive health and social care outcomes for people living in Aberdeenshire.

Aberdeenshire Health and Social Care Partnership’s vision is:

“Building on a person’s abilities, we will deliver high quality person centred care to enhance their independence and wellbeing in their own communities.”

The vision is underpinned by our philosophy and principles:

- Care and treatment should be designed round the needs of the person.
- People are entitled to expect the best possible advice, care and support from our staff, in a timely way and in the right place. Health and social care should be provided by a single team.
- Every individual is able to contribute to their own health and wellbeing, make their views known, and participate positively in their own care.
- A person’s family, their social network and their close community all have a part to play to achieve healthy lifestyles and to support those who need help to continue to live in their own homes.

This vision is supported by the three year Strategic Plan which sets out how the Partnership intends to deliver on nine National Health and Wellbeing Outcomes. A copy of the Strategic Plan can be found at:

<http://www.aberdeenshire.gov.uk/media/16182/health-and-social-care-strategic-plan-march-2016-final.pdf>

Management Commentary (Continued)

A development session was held for IJB members during the summer recess to refresh the themes and strategic priorities for the three year Strategic Plan and Commissioning Plan 2017-2019. The Commissioning Plan was subsequently considered and approved by the IJB at its meeting of 20 December 2017.

The Strategic Plan identified 4 themes and 15 priorities to be progressed on a local level. A Commissioning Plan was then developed outlining the work required to meet the priorities. The Plan focussed on areas where it was recognised that transformational change could be achieved. Progress on delivering the 15 priorities is reported to the IJB on a six monthly basis. The IJB held a development session with the new Board following the Local Government elections, to reflect and evaluate the themes and priorities within the Strategic Plan in order to ensure their relevancy over the coming financial year.

This in turn led to a streamlining of themes (two) and priorities (ten) with stronger links from funding to priorities being made, whilst continuing to ensure delivery against the Scottish Government's 9 National Health and Wellbeing core indicators. A copy of the Commissioning Plan can be found at: <https://www.aberdeenshire.gov.uk/media/21932/gdt24706-hscp-commissioning-plan-2017-2019.pdf>

The 2 key strategic themes and the supporting priorities for Aberdeenshire H&SCP are:

Theme 1: Partners within health and social care, at individual, community and professional level.

Priorities

- Meaningful engagement with all stakeholders to optimise effective planning and use of resources.
- Developing the support mechanisms that enable people to have improved health and wellbeing.
- Empowering the workforce.
- Ensuring quality through safe, effective and sustainable service provision

Theme 2: The best of health and care for everyone

Priorities

- Reducing inequalities to provide equitable outcomes for our communities.
- Involving people as partners with early identification, management and appropriate support to promote recovery and achieve their potential.
- Public protection.
- Prevention and early intervention to promote healthy lifestyles and resilient communities.
- Development of services that are fit for the future.
- The most appropriate and effective use of acute and community resources.

To ensure delivery of the two strategic themes and ten priorities, the H&SCP delivery team has agreed four programmes of work, outlined below, that will drive forward the service change required to deliver models of care in line with the Strategic Plan and within identified resources:

- Facilitating Shared Ownership and Engagement
- Reshaping Care at Home
- Enabling Health and Wellbeing
- Safe, Effective and Sustainable

Management Commentary (Continued)

Care is delivered on the basis of localities, with twenty multi-disciplinary locality teams working in an integrated manner with services from all sectors to offer care and treatment that best meets those local needs. The localities work to ensure health and social care teams and the people in the area they serve can have a clear influence on the resources that are available and the development of services and support.



Performance

A key focus for Aberdeenshire H&SCP over the last year has been to continue to make progress towards ensuring the most effective use of acute and community resources, in particular supporting more people to remain at home where appropriate and reducing the need for hospital admission. Under the auspices of the Reshaping Care at Home programme a number of projects have continued to work towards delivery of this strategic priority, including the Virtual Community Ward (an integrated team approach to providing rapid response and extra care around patients at risk of hospital admission), and ongoing work around the development of sustainable solutions for care at home, rehabilitation and enablement, technology enabled care, responder services and intermediate care resources.

Progress against this can be assessed against the 6 core indicators previously agreed by the Ministerial Strategic Group for Health and Community Care (MSG) to help measure performance under integration across Scotland. All Integration Authorities are asked to report progress against these indicators and a summary of Aberdeenshire’s performance (based on most recent available data) is provided through the following link.

[Ministerial Strategic Group Indicators – Aberdeenshire HSCP Performance](#)

Management Commentary (Continued)

Aberdeenshire H&SCP has actively reviewed hospital activity and taken a strategic approach to reducing admissions and emergency occupied bed days. Aberdeenshire's performance against these indicators has generally measured favourably and above national averages in many instances. Moving forward however, this will become ever more challenging in light of the significant projected increases in Aberdeenshire's older population. Accordingly, an objective for future years will be to maintain and improve where realistic, current rates of performance against projected demographic growth.

Performance monitoring gives assurance about areas the partnership is performing well in and areas for improvement. Performance reports are published on a quarterly basis. In addition the H&SCP is required to publish an Annual report which looks back over the previous year's successes and challenges against both national and local priorities.

Current performance reporting arrangements within Aberdeenshire H&SCP have been in place since its inception. In light of the H&SCP strategic priorities and themes recently being reviewed and streamlined, and with locality planning processes complete, a review of the current performance management arrangements is in progress. This is to ensure these remain appropriate and that each indicator is measured because it provides meaningful and valuable data which informs decision-making, governance and scrutiny for the IJB, and supports local service delivery and improvement.

Over the last year, bi-monthly meetings have continued to take place with the Chief Executives from NHS Grampian and Aberdeenshire Council, the Chief Officer and Chief Finance Officer to enable scrutiny and whole system improvements. A Partnership Manager attends each of the meetings to illustrate the work they are leading; this often reflects their Programme of work for strategic change. These sessions are also seen as a crucial enabler in building partner relationships.

Aberdeenshire H&SCP continues to have very good performance across the majority of the national measures. As an example, based on most recent available data (quarter 3 - 2017/18), Aberdeenshire was in the top 50% for 14 of the 19 reported national indicators. This is a major achievement, reflecting positively on Aberdeenshire H&SCP's integrated approach to service delivery and partnership working.

Whilst there is a high standard of performance against the national indicators, the local indicators have challenging targets to meet. Through the quarterly performance reporting process any indicators which are out with target tolerances are identified and improvement actions taken to address this performance. The performance and outcomes will continue to be reviewed.

Management Commentary (continued)

Key achievements in the year have been:

- Development of locality plans through which all six localities have identified and agreed their local priorities, engaging with communities and staff within their locality, and identifying specific areas of work to be taken forward in line with the H&SCP strategic plan and the National Health and Wellbeing outcomes.
- Review of Minor Injuries Units across Aberdeenshire (review ongoing) involving extensive public engagement with local communities.
- Development of the Aberdeenshire Adult Carer Strategy with significant work undertaken to ensure our preparedness for implementation of the Carers Act (from April 2018).
- National funding was secured during March 2018 to support and encourage GP practices in Grampian to free practice appointments and practice staff time through the use of home and mobile health monitoring (HMHM) for blood pressure monitoring. This initiative is being led by Aberdeenshire HSCP.
- The use of video consultations direct from people's homes and mobile devices is being supported and encouraged to allow greater and more convenient access to routine care and more specialist support.
- Maintaining a high standard of services for adults and older people with many services being rated as good or excellent by the Care Inspectorate. This has risen by 1% from last year's figure of 89% to 90%.

Finances

2017/18 Financial Year

The IJB set a balanced budget for 2017/18 of £303 million after recording a very small surplus in the previous financial year. It was recognised that 2017/18 would be a more challenging year financially, due to demographic pressures and the expected continuation of cost pressures across prescribing and particularly in areas of demand driven activity.

Throughout the financial year cost pressures were forecast and the IJB instructed the H&SCP Management Team to put in place a plan to correct the forecast over budget position, which at one point was some £5.1 million over budget. In addition, NHS Grampian and Aberdeenshire Council were made aware on a timeous basis of the likelihood of the IJB returning an over budget position and that their financial support may be required. The Management Team responded, and an improved year end position has been achieved, that of £3.5 million over budget.

As all the IJB's reserves have been exhausted, an agreement has been reached with partners to initially fund the £3.5 million: NHS Grampian £2 million and Aberdeenshire Council £1.5 million. The IJB's Medium Term Financial Strategy is the vehicle by which future financial plans are discussed and agreed in line with priorities and this will include discussions with partners around the 2017/18 additional funding.

Management Commentary (continued)

Analysis of the Financial Statements

Some of the main areas of budget pressures occurred within Community Hospitals, Prescribing, Older People Home Care and Adult Services Community Care. These were partially offset by areas of activity being within budget at the year end, namely: Older People Care Management, Adult Services Substance Misuse and Other Direct Patient Care .

Medium Term Financial Strategy

As the IJB Revenue Budget for 2018/19 is part of a Medium Term Financial Strategy covering five financial years, the approach for the 2018/19 budget recognised the continuation of pressures arising during the 2017/18 financial year. A strategic and medium term view of resources is essential if the IJB is to deliver on its priorities.

The IJB’s revenue budget for 2018/19 totals £306.892 million and was agreed on the 14th of March 2018 and included proposed savings of £5,286,000. The breakdown of the funding included in the budget can be seen in more detail below:

IJB 2018/19 Budget – Funding Sources	£'000
NHS Grampian	148,842
NHS Resource Transfer	12,825
Scottish Government Funding	13,384
Aberdeenshire Council	107,544
Community Justice Grants	(2,868)
Expected Scottish Government Funding	500
Sub total	280,227
Set aside	26,665
Total	306,892

The integrated approach to the production of the IJB’s Medium Term Financial Strategy involved all partners resulting in information and knowledge being shared leading to a greater understanding of the strategies being employed to achieve agreed priorities. This is essential during a time when all partners have increasing demands on services but limited resources. The strategy for the 2018/19 budget took account of the current financial position, recognised the need to re-balance some base budgets and acknowledged future demographic challenges whilst reflecting the IJB’s priorities all against the financial background and funding package available for the 2018/19 financial year to the IJB.

A number of risks were identified and accepted during the preparation of the revenue budget. This is an essential part of budget setting as the elimination of risk can be costly whilst also proving impractical. Therefore, the potential implications and mitigations associated with risk were discussed before figures were included in the revenue budget.

Management Commentary (continued)

Principal Risks and Uncertainties

The Board recognises that the management of risk is one of its key responsibilities. The risk register has been updated and identifies eleven high level risks. The first risk register was developed by the IJB at a workshop session in February 2016 and approved at the IJB meeting on the 16th of March 2016. The risks identified in the register were aligned to the priorities in the Partnership's Strategic Plan and the Commissioning Plan. The themes and priorities were reviewed and revised at a workshop session during the summer of 2017 and following the approval of an updated Commissioning Plan by the IJB at its meeting of 20 December 2017, it approved a revised risk register at its meeting of 17 January 2018. The risks are:

1. Sufficiency of resource;
2. Health and social care policy;
3. Workforce capacity;
4. Service capacity/business transformation;
5. Adherence to legislation;
6. Public communication and engagement;
7. Effective leadership by the IJB;
8. Working with partner organisations;
9. Child protection;
10. Service standards;
11. Public protection

The risk register includes details of the control measures and gaps in those controls. Assurance measures, provided by the working groups, compile a detailed action plan for each risk, which is the responsibility of the chair of each group to monitor. The H&SCP senior management team receive a monthly update on all the risks.

Each report presented to the IJB is linked to the relevant risk(s) to ensure continued management of risks. The full risk register, which includes the plans that are in place to manage the risk, can be viewed at:

<http://committees.aberdeenshire.gov.uk/committees.aspx?commid=486&meetid=19003>

Management Commentary (continued)

Progress on Action Plan from 2016/17

A key part of the external audit of the IJB’s annual accounts is the identification of any issues or risks that have come to the attention of Audit Scotland during the audit. Their annual audit report contains an Action Plan setting out specific recommendations, responsible officers and dates for implementation for the recommendations. During 2016/17 four risks were identified with progress on addressing these detailed below:

Issue / Risk 1 – The IJB’s financial regulations provide signposting to partners fraud policies but are silent on whistleblowing policies.			
Risk: Arrangements are not effective.			
Recommendation: There is scope to review the completeness of the IJB’s fraud arrangements.			
Agreed Management Action	Responsible Officer	Target Date	Progress to Date
The existing Whistleblowing policies of partners will be reviewed and recommended for adoption.	Chief Finance Officer	December 2017	The prevention and detection of fraud is paramount in public organisations. Associated with this is the balance of the occurrence of risk with resources expended. Therefore, the IJB will continue to adopt the policies of partners for its single employee. This position will be reviewed during the scheduled review of the Financial Regulations.

Issue / Risk 2 – Structures are now in place for localities with the first locality plans expected with effect from 2018/19.			
Risk: With known pressures in the area such as GP and carer shortages, there are risks of insufficient capacity in communities to be able to build services.			
Recommendation: Locality Plans should include detailed information on shortages and capacity issues to ensure that strategic planning is based on realistic information.			
Agreed Management Action	Responsible Officer	Target Date	Progress to Date
This is a known area of risk; therefore, locality knowledge and service knowledge are being utilised to determine appropriate solutions. Workforce planning will form a sustainable longer term approach.	Chief Officer	Ongoing	The Welsh sustainability tool was completed with each of our GP Practices and findings presented to the IJB – this highlights the risks of each GP practice within Aberdeenshire. The workforce plan has been updated and is being presented to the IJB in July 2018. The locality plans were completed and presented to the IJB in May 2018.

Management Commentary (continued)

Issue / Risk 3 –The Board is at an early stage in developing workforce planning for integrated teams.

Risk: With an ageing workforce, especially in rural areas, there are risks that integration will be difficult to implement.

Recommendation: Continue to progress long term workforce planning to demonstrate the development of integrated teams and highlight potential gaps in skills and experience.

Agreed Management Action	Responsible Officer	Target Date	Progress to Date
Embed effective Workforce Planning on the lessons learned from the ongoing integration of colleagues from partner organisations.	Chief Officer	April 2018	The workforce plan is completed and being presented to the IJB in July 2018.

Issue / Risk 4 – The Board produced its first annual performance report to meet the statutory deadline. Due to the early stage of development, some information could not be provided e.g. split of funding between localities, an assessment of best value in service delivery.

Risk: The annual report which is a statutory requirement does not deliver against expectations.

Recommendation: Plans should be put in place to collate the required information.

Agreed Management Action	Responsible Officer	Target Date	Progress to Date
Performance information is reported regularly and is therefore collated regularly. It is intended to increase the data produced, including financial data and report this to Management Team and in time for the next annual report.	Chief Officer and Chief Finance Officer	April 2018	Financial monitoring information is now available on a locality basis. This has been reported to the IJB and to the Management Team.

Management Commentary (continued)

Outlook for future years

The Strategic Plan states the outlook clearly: we recognise that the changes we need to make will require a different relationship between individuals, the communities of Aberdeenshire and organisations that provide health and social care advice and support. These changes will take time, but they are essential if we are to achieve our vision that care will be based on people's abilities not disabilities, it will be high quality, person-centred and locally based, and it will support the person to be as independent as possible.



Lynda Lynch
Chair



Adam Coldwells
Chief Officer



Alan Wood
Chief Finance Officer

22 August 2018

Statement of Responsibilities

The Integration Joint Board's Responsibilities

The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Joint Board, 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; and
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Aberdeenshire Integration Joint Board Audit Committee at its meeting on 22 August 2018.

Signed on behalf of Aberdeenshire Integration Joint Board

Lynda Lynch
Chair
22 August 2018

Statement of Responsibilities

The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the IJB's Annual Accounts in accordance with the proper practices 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; and
- complied with the Local Authority Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- kept adequate accounting records which were up to date; and
- 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 Aberdeenshire Integration Joint Board as at 31 March 2018 and the transactions for the year then ended.

Alan Wood, MA (Hons), CPFA
Chief Finance Officer
22 August 2018

Annual Governance Statement

Introduction

Aberdeenshire Integration Joint Board (IJB) is responsible for adult and social care services across the Aberdeenshire area. The IJB oversee the Health & Social Care Partnership whose key strategic aim is to achieve sustainable, positive health and social care outcomes for people living in Aberdeenshire through working in partnership with communities.

The IJB's Annual Governance Statement describes the current governance arrangements and reports on the effectiveness of the system of internal control.

Scope of Responsibility

Aberdeenshire Integration Joint Board has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used appropriately. The IJB also strive to make arrangements to secure continuous improvement in the way in which its resources are managed, having regard to a combination of economy, efficiency and effectiveness.

To meet this responsibility the IJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of policies, aims and objectives. Through the close working relationship with Aberdeenshire Council and NHS Grampian reliance is also placed upon their systems of internal control. These systems support compliance with both organisations' policies and in turn promotes the achievement of each organisation's aims and objectives, as well as those of the IJB.

The Governance Framework and Internal Control System

The Board of the IJB comprises voting members, nominated from Aberdeenshire Council and NHS Grampian, representatives from adult health and social care services, carers groups, trade unions and the third sector as well as non-voting members including a Chief Officer appointed by the Board.

The framework developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) entitled 'Delivering Good Governance in Local Government' was updated in 2016 and provides a structured approach to defining the principles that should underpin governance arrangements. Whilst the framework is written specifically for local government, the principles are applicable to integration authorities, and include:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the IJB's capacity, including the capability of its leadership and the individuals within it
- Managing risk and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting and audit to deliver effective accountability

Annual Governance Statement (Continued)

The IJB's governance arrangements are consistent with these principles and also reflect the requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016).

The system of corporate governance and internal financial control continues to be based on a framework with appropriate delegation and accountability. This includes the Board's Standing Orders, management information, performance and risk management, comprehensive financial management systems, regular and annual financial reports and a periodic review of all financial procedures. Financial Regulations are approved and in place.

The Integration Joint Board has two sub-Committees: an Audit Committee and the Clinical and Adult Social Work Governance Committee.

The governance framework is enhanced by:

- Feedback from the IJB and the Audit Committee carrying out its scrutiny role;
- Interaction and dialogue from Workshop sessions with the IJB and Management Team;
- Internal Audit and External Audit of Aberdeenshire Council, NHS Grampian and the Board;
- Work undertaken by external review bodies including the Care Inspectorate, Health Improvement Scotland and Audit Scotland;
- Input and comment from managers within Aberdeenshire Council, NHS Grampian and the Board; and
- Customer and stakeholder feedback.

Annual Governance Statement (Continued)

Review of Effectiveness

The review of the effectiveness of the governance framework, including the system of internal control, is carried out throughout the year by various means including:

- The Integration Joint Board
Feedback from the Board, the Audit Committee and the Clinical and Social Work Governance Sub-Committee carrying out their scrutiny roles;
- Senior Management Team
Assurances from the Senior Management Team which includes the Chief Officer, four Partnership Managers, clinical lead officers and the Chief Finance Officer;
- The Chief Officer
Who provides a senior point of overall strategic and operational advice to the IJB. He is also a member of the senior management teams of NHS Grampian and Aberdeenshire Council. This enables the Chief Officer to work with senior management of both organisations to carry out the functions of the IJB in accordance with the Strategic Plan. He is line managed jointly by the Chief Executives of the Council and the Health Board and is accountable to both;
- The Chief Finance Officer
Who has the statutory responsibility for the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. His responsibilities are set out in the Statement of Responsibilities;
- The Head of Children's Services at the Council
Who is Chief Social Work Officer and provides professional advice to Board members and officers in the provision of Social Work Services. He also has a responsibility for overall performance improvement and the identification and management of corporate risk in so far as these relate to Social Work Services;
- The Standards Officer
Who is responsible for keeping a register of Interests and providing advice in relation to Code of Conduct issues at a local level. The Council's Legal Services Manager has been appointed to this role;
- Internal Audit
In both the Council and NHS Grampian are responsible for the independent audit of all financial and non-financial systems in their respective organisations. Aberdeenshire Council's Chief Internal Auditor provides an Internal Audit service to the IJB; and
- External organisations
That carry out independent audits or inspections of the Board, the Council and NHS Grampian. These include external audit by auditors appointed by the Accounts Commission, inspection of care services by the Care Inspectorate and inspection of health facilities by Health Improvement Scotland.

The Board also places reliance on the governance arrangements that are in place in Aberdeenshire Council and NHS Grampian.

Aberdeenshire Council has adopted a Code of Corporate Governance which ensures the accountability and probity of officers of the Council. The Governance Code is consistent with the principles and reflects the requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2016) as set out in *Delivering Good Governance in Local Government: Framework (2016)*, and the Council's financial management arrangements conform to the governance requirements set out therein. The Council's Code of Corporate Governance and the related systems of internal financial control provide reasonable assurance that responsibilities will be met.

Annual Governance Statement (Continued)

On the basis of the Chief Internal Auditor's report and his review of the Council's corporate governance arrangements, the Chief Executive of the Council is satisfied that the arrangements provide assurance, are adequate and are operating effectively.

NHS Grampian is required to operate within the aspects of the Scottish Public Finance Manual (SPFM) which are set out within the guidance issued to Chief Executives and more generally to all Board members by the Scottish Government Health Directorates as being applicable to NHS Boards. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety. As Accountable Officer, the Chief Officer is responsible for maintaining an adequate and effective system of internal control that identifies, prioritises and manages the principal risks facing the organisation, promotes achievement of the organisation's aims and objectives and supports compliance with the organisation's policies and safeguarding public funds. The Board continually monitors and reviews the effectiveness of the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of national and local targets and demonstrating best value and the efficient use of resources. Key elements of the system of internal control include:

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;
- Management letters and other reports issued by external audit;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports relating to the recent reviews carried out by Health Improvement Scotland, the Care Inspectorate and other inspection agencies; and
- Transparent assumptions regarding the timing of investment to deliver a significant reduction in high risk backlog maintenance in clinical areas agreed by the Scottish Government Health and Social Care Directorates as part of the Board's Asset Management Plan.
- Annual statements of assurance from each of the core governance committees of the Board;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- During the year, minutes of the meetings of the core governance committees were provided to all Board members; and
- Consideration of the governance statement and its disclosures by Internal Audit, the Audit Committee and Board members.

Annual Governance Statement (Continued)

Based on the evidence considered during the review of the effectiveness of the internal control environment operating within NHS Grampian, the Chief Executive is not aware of any outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance that applies to NHS Boards in relation to governance, risk management and internal control.

The IJB Audit Committee have appointed Aberdeenshire Council's Internal Auditors to undertake the Internal Audit function of the IJB. The Chief Internal Auditor prepares a risk based audit plan each year and reports this to the Audit Committee. Thereafter, the Chief Internal Auditor reports to the Audit Committee on the delivery of the plan and provides an annual audit report, including the internal audit opinion on the internal controls used by the Integration Joint Board.

The Integration Joint Board Audit Committee provides assurance to the Board that appropriate systems of internal control are in place to ensure that: business is conducted in accordance with the law and proper standards; public money is safeguarded and properly accounted for; Financial Statements are prepared timeously, and give a true and fair view of the financial position of the Board for the period in question; and that reasonable steps are being taken to prevent and detect fraud and other irregularities. It has also established a Clinical and Social Work Governance Sub-Committee to oversee the assurance around delivery of safe, high quality services.

Chief Internal Auditor Opinion

The Chief Internal Auditor has the responsibility to independently review on an annual basis the adequacy and effectiveness of the IJB's internal control environment. He reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's internal control system in the year to 31 March 2018.

Opinion

It is my opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control in the year to 31 March 2018.

Whilst issues were identified in audits that have been completed, as reported to the IJB Audit Committee, areas of good practice, improvement, and procedural compliance were also identified.

Basis of Opinion

My evaluation of the control environment is informed by a number of sources:

- The audit work completed by Internal Audit during the year to 31 March 2018 in relation to the Integration Joint Board and relevant areas within Aberdeenshire Council;
- Progress made with implementing agreed Internal Audit recommendations;
- The assessment of risk completed during the updating of the audit plan;
- Reports issued by the Board's external auditors;
- Internal Audit's knowledge of the Board's and Aberdeenshire Council's framework of governance, risk management and performance monitoring arrangements.
- Consideration will be given to the contents of NHS Grampian's Internal Audit annual report when available.

Annual Governance Statement (Continued)

Action Plan

The IJB will continue to place fundamental importance on the governance arrangements. This will involve:

- A formal review of the Scheme of Governance between June and December 2018 and;
- The establishment of a Code of Corporate Governance;
- Adoption of regular Self Assessment and evaluation linked to the Code of Corporate Governance;
- Implementing the recommendations from internal and external audit and other audits and inspections;
- Review the governance arrangements around corporate projects;
- Support members to carry out their scrutiny function through continuous professional development, awareness and workshop sessions;
- An open and transparent medium term financial strategy that has at its core the IJB's priorities;

Conclusion and Opinion on Assurance

Our annual governance statement summarises the IJB's governance arrangements and affirms our commitment that they are reviewed regularly and remain appropriate for the activities and delivery of services by the IJB. Subject to the above assurances, the development and implementation of the Action Plan and on the basis of the evidence contained in this statement, we are satisfied that the internal control environment is adequate, operating effectively and provides the necessary objective assurances.

Lynda Lynch, Chair

Adam Coldwells, Chief Officer

22 August 2018

Remuneration Report

Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified Board 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 of the Chair and Vice-Chair

The voting members of the Board are appointed through nomination by NHS Grampian and Aberdeenshire Council. Nomination of the Board Chair and Vice Chair post holders alternates between a Councillor and a Health Board Representative.

Councillor Anne Allan was formally appointed as Chair of the Board with effect from 1 October 2016 until 18 May 2017. Subsequently, in May 2017, following the local government elections a new Council administration was formed and Councillor Anne Stirling was appointed as the Chair of the Integration Joint Board (IJB) on 18 May 2017 until 31 March 2018 when she then became Vice Chair. Both Councillors received remuneration from Aberdeenshire Council in their capacities as senior councillors with no additional allowances paid by the IJB. The remuneration of senior Aberdeenshire Councillors is disclosed in the remuneration report included within Aberdeenshire Council's Annual Accounts.

Dr Lynda Lynch was formally appointed as Vice Chair of the Board with effect from 1 October 2016 until 31 March 2018. Following this, Dr Lynda Lynch assumed the role of Chair on 1 April 18. She receives remuneration from NHS Grampian in her capacity as a non-executive member of NHS Grampian Board and no additional allowance is paid by the IJB. The remuneration of NHS Grampian Board members is disclosed in the remuneration report included within NHS Grampian's published Annual Report and Accounts.

Remuneration: Officers of the Board

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

The Chief Officer is regarded as a Board employee and treated as a relevant person under the accounts regulations, although he is employed by NHS Grampian and is subject to the NHS pay and conditions. The annual remuneration of all employees of the Board is set by reference to national arrangements agreed by the Scottish Government under Ministerial Direction and in accordance with relevant NHS Pay and Conditions of Service Circulars.

Officers receive business mileage and subsistence allowances in accordance with amounts agreed nationally and adopted by the Board. Officers are eligible to join the National Health Service Superannuation Scheme for Scotland.

Remuneration Report (continued)

Remuneration

The term remuneration means gross salary, fees and bonuses, allowances and expenses, and compensation for loss of employment. It excludes pension contributions paid by the Employer. Pension contributions made to a person's pension are disclosed as part of the pension benefits disclosure below.

Remuneration of Senior Employees

Total Remuneration 2016/17 £		Salaries, Fees and Allowances 2017/18 £	Total Remuneration 2017/18 £
111,369	Adam Coldwells, Chief Officer	115,039	115,039
111,369	Totals	115,039	115,039

The Chief Finance Officer is appointed by the IJB and is employed by Aberdeenshire Council as their Head of Finance and Section 95 Officer. Aberdeenshire Council meets the full costs of this remuneration.

Note

For 2016/17 and 2017/18 there were no payments for Bonuses, Taxable Expenses, Compensation for Loss of Employment, and Non-Cash Benefits. These columns have been removed from the above table.

Exit Packages

There were no exit packages during the financial year

Senior Employee

The term senior employee means:

1. Any employee who has responsibility for the management of the Board to the extent that the person has the power to direct or control the major activities of the Board (including activities involving the expenditure of money), during the year to which the Report relates, whether solely or collectively with other persons;
2. who holds a post that is politically restricted by reason of section 2(1) (a), (b) or (c) of Local Government and Housing Act 1989 (4); or
3. Whose annual remuneration, including any remuneration from a local authority subsidiary body, is £150,000 or above.

Remuneration Report (continued)

Remuneration of Employees receiving more than £50,000

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 2016/17	Remuneration Band	Number of Employees in Band 2017/18
1	£110,000 - £114,999	-
-	£115,000 - £119,999	1

Pension Benefits

The term pension benefits covers in-year pension contributions for the employee by the Board and the named person's accrued pension benefits at the reporting date.

Pension Benefits of Senior Employees

The Board has no directly employed employees. The Chief Officer is regarded as a Board employee, but as he is employed by NHS Grampian he is a member of the National Health Service Superannuation Scheme for Scotland.

In accordance with regulations, the IJB is responsible for funding in-year employer contributions in respect of the Chief Officer. The table shows the IJB's funding during the year to support pension benefits. It also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from the officer's own contributions.

NHS Grampian however remains responsible for future employer pension liabilities and consequently, no pension liability is reflected in the IJB's Balance Sheet at 31 March 2018.

Senior Employee	In-Year Pension Contributions		Accrued Annual Pension Benefits		
	For Year to 31/03/17 £	For Year to 31/03/18 £		Difference from 31/03/17 £	As at 31/03/18 £
Adam Coldwells, Chief Officer	16,594	17,141	Pension	3,629	40,485
			Lump Sum	3,235	101,408
Totals	16,594	17,141	Pension	3,629	40,485
			Lump Sum	3,235	101,408

Lynda Lynch
Chair
22 August 2018

Adam Coldwells
Chief Officer

Independent Auditor's Report

Independent Auditor's Report (continued)

Comprehensive Income and Expenditure Statement (CIES)

This statement shows the cost of providing services for the year according to accepted accounting practices.

Gross Expenditure 2016/17 £'000	Restated Income 2016/17 £'000	Restated Net Expenditure 2016/17 £'000		Gross Expenditure 2017/18 £'000	Income 2017/18 £'000	Net Expenditure 2017/18 £'000
18,607	(151)	18,456	Community Hospitals	18,956	(63)	18,893
27,909	(2,613)	25,296	Other Community Health Services	27,592	(3,268)	24,324
36,693	-	36,693	Primary Care	37,036		37,036
43,765	-	43,765	Primary Care Prescribing	45,074		45,074
7,572	(143)	7,429	Community Mental Health	7,892	(179)	7,713
12,374	-	12,374	Aberdeenshire Share of Hosted Services (health)	13,562		13,562
1,792	-	1,792	Out of Area Treatments	1,909		1,909
26,665	-	26,665	Set Aside Services	24,527		24,527
98	-	98	IJB Costs	171		171
5,547	(410)	5,137	Management & Business Services	6,105	(178)	5,927
53,499	(5,006)	48,493	Adult Services	56,818	(5,172)	51,646
81,196	(9,627)	71,569	Older People, Physical & Sensory Disabilities	84,653	(10,580)	74,073
4,170	-	4,170	Funds	1,819		1,819
319,887	(17,950)	301,937	Cost of Services	326,114	(19,440)	306,674
	(301,946)	(301,946)	Taxation and Non-Specific Grant Income		(306,665)	(306,665)
		(9)	(Surplus) / Deficit on Provision of Services			9
		(9)	Total Comprehensive Income and Expenditure			9

See Notes 1-5, 9

There are no statutory or presentation adjustments which affect the IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the CIES. Consequently an Expenditure and Funding Analysis is not provided in these annual accounts as it would be a replication of the CIES.

Movement in Reserves Statement

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund Balance are separately identified from the movements on accounting practices.

Movements in Reserves During 2017/18	General Fund Balance £'000
Opening Balance at 31 March 2017	(9)
Total Comprehensive Income and Expenditure	9
Adjustments between accounting basis and funding basis under regulations	
Increase or Decrease in 2017/18	9
Closing Balance as at 31 March 2018	0

Balance Sheet

The Balance Sheet shows the value of the Board’s assets and liabilities as at the Balance Sheet date. The net assets of the Board (assets and liabilities) are matched by the reserves held by the Board.

2016/17 £'000		2017/18 £'000	Notes Ref
9	Short Term Debtors	-	6
9	Current Assets		
-	Short Term Creditors	-	
	Current Liabilities		
		-	
9	Net Assets	-	
(9)	Usable Reserves	-	7
(9)	Total Reserves	-	
	Other Notes		10-11

The unaudited accounts were issued on 13 June 2018, and the audited accounts were authorised for issue on 22 August 2018.

Alan Wood MA (Hons), CPFA
Chief Finance Officer
22 August 2018

Note 1 – Significant Accounting Policies

1.1 General Principles

The Annual Accounts summarises the Board's transactions for the 2017/18 financial year and its position at the year ended 31 March 2018.

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 Annual Accounts are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the Code), 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.

1.2 Accruals of Income and Expenditure

Activity is accounted for in the year in which it takes place, not simply when cash payments are made or received. 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.

1.3 Funding

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

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

Note 1 – Significant Accounting Policies (continued)

1.5 Employee Benefits

(i) Short-Term Employee Benefits

Salaries, wages and employment related payments are recognised in the year in which the service is received from employees.

(ii) Pension Costs

The Chief Officer is regarded as a Board employee and treated as a relevant person under the accounts regulations, although he is employed by NHS Grampian and is subject to NHS pay and conditions. The statutory responsibility for employer pension liabilities lies with NHS Grampian. NHS Grampian participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. NHS Grampian is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 "Employee Benefits". As a result, the amount charged to the CIES represents NHS Grampian's employer contributions payable to the scheme in respect of the year. The contributions deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary who determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the CIES at the time NHS Grampian commits itself to the retirement, regardless of the method of payment.

1.6 Events after the Balance Sheet Date

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

- those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events; and
- those that are indicative of conditions that arose after the reporting period – the Annual Accounts are not adjusted to reflect such events, but where a category of events would have a material effect disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

Note 1 – Significant Accounting Policies (continued)

1.7 Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

The Board provides clinical services to patients under the statutory responsibility of NHS Grampian. In connection with this, it is responsible for any claims for medical negligence arising from the services it commissions, up to a specific threshold per claim. For claims in excess of this threshold NHS Grampian and the Board IJB are members of CNORIS. This is a risk transfer and financing scheme which was established in 1999 for NHS organisations in Scotland, the primary objective of which is to provide a cost effective risk pooling and claims management arrangement for those organisations which it covers.

The Regulations governing the CNORIS Scheme were amended on 3 April 2015 so that Integration Joint Boards and Local Authorities could apply to the Scottish Ministers to become members of the Scheme.

CNORIS provides indemnity to member organisations in relation to Employer's Liability, Public/Product Liability and Professional Indemnity type risks (inter alia) no less wider than that generally available within the commercial insurance market.

NHS Grampian and Aberdeenshire Council have relevant insurance cover in place to cover the employees who are employed by and the services that are delivered by those organisations. The Board has joined CNORIS to provide cover for Board members. The partners are equally funding this at a total cost of £3,000.

The Board is required to make provision for any claims notified by the NHS Central Legal Office according to the value and probability of settlement. Where a claim is not provided for in full, the balance would be included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for would be recorded as a debtor and that in respect of amounts disclosed as contingent liabilities would be disclosed as contingent assets.

1.8 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 CIES and will 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.

Note 1 – Significant Accounting Policies (continued)

1.9 Reserves

The Board has power to maintain a General Fund reserve, and can set aside an amount to increase the reserve. When expenditure is to be financed from the reserve, it is charged to the appropriate service in that year to score against the Surplus/Deficit on the Provision of Services in the CIES. The reserve is then appropriated back into the General Fund Balance to fund the expenditure. 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.

The balance of the General Fund reserve as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

1.10 VAT

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

Note 2 – Accounting Standards that have been Issued but have not yet been Adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted and could have a material impact on the accounts. This applies to new or amended standards within the 2017/18 Code.

There are no new or amended Accounting Standards issued but not yet adopted that will have a material impact on the 2017/18 Annual Accounts.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 1, the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Annual Accounts is:

- There is a degree of uncertainty about future levels of funding for local government and the NHS, which may have an impact on the Board. However, the Board has determined that this uncertainty alone is not sufficient to provide a material change to the level of service provision. The level of future uncertainty and associated risk is considered as part of the Board's medium term financial planning.

Note 4 – Expenditure and Income Analysis by Nature

31 March 2017 £'000		31 March 2018 £'000
139,473	Services Commissioned from Aberdeenshire Council	147,528
177,891	Services Commissioned from NHS Grampian	178,012
143	Employee Benefit Expenditure	147
-	Other IJB Operating Expenditure	171
233	Insurance & Related Expenditure	232
18	Fees payable to Audit Scotland for services undertaken in the Code of Audit Practice	24
(9,869)	Service Income : Fees, Charges & Other Service Income	(13,203)
(2,594)	Service Income: Aberdeenshire Council	(2,728)
(3,358)	Service Income: NHS Grampian	(3,509)
(301,946)	Partners Funding Contributions and Non- Specific Grant Income	(306,665)
(9)	Total Corporate (Income) / Expenditure	9

Note 5 – Taxation and Non-Specific Grant Income

31 March 2017 £'000		31 March 2018 £'000
102,395	Funding Contribution from Aberdeenshire Council	103,946
191,186	Funding Contribution from NHS Grampian	199,246
8,365	Partnership Funds	3,473
301,946	Taxation and Non-Specific Grant Income	306,665

The funding from NHS Grampian shown above includes £24,527,000 in respect of “set aside” resources primarily in respect of acute hospital services. NHS Grampian continue to manage these costs whilst the IJB has a strategic role over the level of demand placed on them.

Partnership Funds comprise of £1,833,000 in respect of the Integrated Care Fund, £149,000 in respect of Delayed Discharge Fund, £583,000 in respect of Primary Care Transformation Funds and a further £908,000 from various smaller funds.

Note 6 – Short Term Debtors

31 March 2017 £'000		31 March 2018 £'000
5	NHS Grampian	-
4	Aberdeenshire Council	-
9	Total Short Term Debtors	-

Note 7 – Usable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a contingency fund to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the IJB's risk management framework.

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a general contingency.

31 March 2017 £'000		Transfers In £'000	Transfers Out £'000	31 March 2018 £'000
(9)	Earmarked: Integration & Change	(9)	9	-
(9)	General Fund	(9)	9	-

Note 8 – Agency Income and Expenditure

On behalf of all IJBs within the NHS Grampian Health Board, the IJB acts as the lead manager for Chronic Oedema, Diabetes and Retina Screening, Marie Curie, Heart Failure Service, Continence, HMP Grampian and Police Scotland Contracts. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

The amount of expenditure and income relating to the agency arrangement is shown below:

31 March 2017 £'000		31 March 2018 £'000
3,542	Expenditure on Agency Services	3,789
(3,542)	Reimbursement for Agency Services	(3,789)
-	Net Agency Expenditure excluded from the CIES	-

Note 9 – Related Party Transactions

The IJB has related party relationships with NHS Grampian and Aberdeenshire Council. In particular, the nature of the partnership means that the IJB may influence, and be influenced by, its partners.

In the year, the following financial transactions were made with NHS Grampian and Aberdeenshire Council in relation to integrated health and social care functions:

Income – Receipts for Integrated Functions

31 March 2017 £'000		31 March 2018 £'000
(178,144)	NHS Grampian	(178,248)
(139,623)	Aberdeenshire Council	(147,857)
(317,767)	Total	(326,105)

Expenditure – Payments for the Delivery of Integrated Functions

31 March 2017 £'000		31 March 2018 £'000
177,595	NHS Grampian	178,257
140,163	Aberdeenshire Council	147,857
317,758	Total	326,114

Note 9 – Related Party Transactions (continued)

Key Management Personnel

The only non-voting Board member employed by NHS Grampian and recharged to the IJB is the Chief Officer. The details are provided in the remuneration report.

The Chief Social Work Officer and Chief Finance Officer are non-voting members of the IJB and the costs of these posts are borne by Aberdeenshire Council. The details are provided in the remuneration report.

Note 10 – Events After the Balance Sheet Date

The unaudited accounts were issued on 13 June 2018 by Alan Wood MA (Hons), CPFA, Chief Finance Officer, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information, if appropriate.

There have been no material events since the date of the Balance Sheet which necessitate the revision of the figures in the financial statements or notes thereto including contingent assets and liabilities.

Note 11 – Defined Benefit Pension Scheme

The Board has no directly employed employees. The Chief Officer is regarded as a Board employee, but as he is employed by NHS Grampian he is a member of the National Health Service Superannuation Scheme for Scotland.

NHS Pension Scheme

NHS Grampian participates in the National Health Service Superannuation Scheme for Scotland which is an unfunded notional defined benefit scheme where contributions are credited to the Exchequer and the balance in the account is deemed to be invested in a portfolio of Government securities. The pension cost is assessed every five years by the Government Actuary. Details of the most recent actuarial valuation can be found in the separate statement of the Scottish Public Pensions Agency (SPPA).

The most recent actuarial valuation at 31 March 2017 discloses a liability of £59.7 billion (March 2016: £44.8 billion). The employer's rate of contribution during 2017/18 was 14.9%.

Changes to the scheme were implemented from 1 April 2008 and again from 1 April 2015.

Note 11 – Defined Benefit Pension Scheme (continued)

The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54th of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2017/18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment. All members, unless covered by agreed protection arrangements, automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at www.sppa.gov.uk

The previous NHS Superannuation Scheme (Scotland)

This scheme closed to new joiners on 31 March 2015 but any benefits earned in either NHS 1995 or NHS 2008 sections are protected and will be paid at the section's normal pension age using final pensionable pay when members leave or retire.

The 1995 Section

Benefits are calculated on a 'final salary' basis at a normal retirement age of 60. Annual benefits are normally based on 1/80th of the best of the last three years pensionable pay for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions on a tiered basis, dependent on earnings, of between 5.2% and 14.7% of pensionable earnings. Pensions are increased in line with the Consumer Price Index.

The 2008 Section

Benefits are calculated on a "final salary" basis at a normal retirement age of 65. Pension will have an accrual rate of 1/60th and be calculated on the basis of the average of the best consecutive three years pensionable pay in the ten years before retirement. There is an option to exchange part of Pension benefits for a cash lump sum at retirement, up to 25% of overall Pension Value. Members pay tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings.

