

**ADDITIONAL CIRCULATION**



Aberdeen City Health & Social Care Partnership  
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To: Members of the Risk, Audit and Performance Committee

Town House,  
ABERDEEN, 21 June 2021

**RISK, AUDIT AND PERFORMANCE COMMITTEE**

The undernoted items are circulated in connection with the meeting of the **RISK, AUDIT AND PERFORMANCE COMMITTEE** to be held on **TUESDAY, 22 JUNE 2021 at 10.00 AM.**

FRASER BELL  
CHIEF OFFICER - GOVERNANCE

**BUSINESS**

AUDIT

- 10 Audited Accounts - HSCP.21.056 - Late Report (Pages 3 - 64)
- 11 External Audit Report - HSCP.21.057 - Late Report (Pages 65 - 96)

Should you require any further information about this agenda, please contact Derek Jamieson, tel 01224 523057 or email [derjamieson@aberdeencity.gov.uk](mailto:derjamieson@aberdeencity.gov.uk)

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## Risk, Audit and Performance Committee

<b>Date of Meeting</b>	22 June 2021
<b>Report Title</b>	Audited Final Accounts 2020/21
<b>Report Number</b>	HSCP.21.056
<b>Lead Officer</b>	Alex Stephen, Chief Finance Officer
<b>Report Author Details</b>	Alex Stephen, Chief Finance Officer alestephen@aberdeencity.gov.uk
<b>Consultation Checklist Completed</b>	No
<b>Appendices</b>	A: Letter of Representation B: Audited Final Accounts 2020/21

### 1. Purpose of the Report

- 1.1. The Risk, Audit and Performance Committee (RAPC) reviewed and considered the unaudited final accounts at its meeting on the 27 April 2021;
- 1.2. The purpose of this report is to allow RAPC to consider and approve the audited final accounts for 2020/21.

### 2. Recommendations

It is recommended that the RAPC:

- a) Consider and agree the Integration Joint Board's (IJB) Audited Accounts for 2020/21, as attached at Appendix A.
- b) Instruct Officers to submit the approved audited accounts to NHS Grampian and Aberdeen City Council.
- c) Instruct the Chief Finance Officer to sign the representation letter, as attached at Appendix B.



## **Risk, Audit and Performance Committee**

### **3. Summary of Key Information**

- 3.1. This is the fourth time that a full set of accounts have been prepared for the Integration Joint Board (IJB).
- 3.2. A great deal of work has been undertaken at a national level to agree on a proposed approach to the Integration Joint Board Accounts. Even then there will be changes in format and the disclosures contained in the accounts based on local circumstances. However, the major disclosures and format is based on a template commissioned by the Scottish Government with the Chartered Institute of Public Finance and Accountancy (CIPFA).
- 3.3. The accounts are based on the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and follow the format of the accounts used by local authorities as the IJB is recognised as a local government body, under Part VII of the Local Government (Scotland) Act 1973.
- 3.4. The audit of the accounts took place early June 2021. The final audited accounts have been brought back to the RAPC for approval. During the audit process some minor changes were made to the accounts, largely presentational changes. The pension information for the Chief Officer was updated, as the information was not available for the un-audited accounts.
- 3.5. During the checking process on the accounts, officers became aware of income which should have been recorded in the accounts that was omitted. This was rental income from one of our main suppliers, which has been omitted from the accounts over the last three financial years. The 2020-21 accounts were adjusted for this income, which resulted in an improved financial position of £2.8 million. Therefore, the integration and change fund reserve has grown by a further £2.8 million.
- 3.6. Aberdeen City Council have embarked on a process to shorten the timescale for closing the final accounts. As the IJB accounts feed into the Aberdeen City Council accounts, the IJB accounts have been collated quicker than most other IJBs in Scotland. The intention is that the Aberdeen City Council



## Risk, Audit and Performance Committee

accounts, including the group accounts, will be drafted, audited and approved by 30 June 2021 at the latest.

3.7. The accounts follow the following format:

- **Management Commentary** - Explains the performance over the last financial year and highlights some of the potential risks during the next financial year.
- **Remuneration Note** – contains details of the pay and pension benefits accrued by the senior officers of the IJB during 2020/21.
- **Annual Governance Statement** – Highlights the Governance Framework in place and describes performance and improvements against the local code of governance.
- **Financial Statements** – contains details of the financial transactions, including the Income & Expenditure Account, Balance Sheet and Movement in Reserves Statement.
- **Notes to the Accounts** – including the financial policies used by the IJB over this period and the relevant disclosures required through the code.

3.8. At the end of the financial year the IJB has £18,235,780 in its useable reserve at the end of the financial year, which has largely been allocated for specific projects.

### 4. Implications for IJB

4.1. **Equalities** – There are no equalities implications arising from this report.

4.2. **Fairer Scotland Duty** – there are no direct implications for the Fairer Scotland Duty arising from this report.

4.3. **Financial** – the financial implications are highlighted throughout the report and in the appendix.

4.4. **Workforce** - there are no direct implications arising from this report.



## **Risk, Audit and Performance Committee**

4.5. **Legal** – publishing annual accounts is a requirement under the Local Authority Accounts (Scotland) Regulations 2014, which set out the statutory requirements on the IJB in respect to the annual accounts, their availability for public inspection and the consideration and signing by the IJB.

4.6. Other - NA

### **5. Links to ACHSCP Strategic Plan**

5.1. Sustainable finance is highlighted as one of the fundamental elements which we need to develop further in order to meet all our strategic objectives. The audited annual accounts provide an independent opinion on the financial statements.

### **6. Management of Risk**

#### **6.1. Identified risks(s) and link to risks on strategic risk register:**



- **Strategic Risk 2:** There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend.
- **Strategic Risk 4:** There is a risk that relationship arrangements between the IJB and its partner organisations (Aberdeen City Council and NHS Grampian) are not managed to maximise the full potentials of integrated & collaborative working. This risk covers the arrangements between partner organisations in areas such as governance; corporate service; and performance.
- **Strategic Risk 6:** There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care.
- **Strategic Risk 7:** There is a risk of failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.



## Risk, Audit and Performance Committee

6.2. **How might the content of this report impact or mitigate these risks:**

The audited accounts are an important document for the IJB, demonstrating financial performance over the year and are independently audited. Recommendations could be received from the external auditors which impact on any of the strategic risks highlighted above.

Approvals	
	Sandra Macleod (Chief Officer)
	Alex Stephen (Chief Finance Officer)

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**22.06.2021**

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Ref:  
Your Ref:

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Aberdeen City Integration Joint Board (“the Board”), for the year ended 31 March 2021, for the purpose of expressing an opinion:

- i. as to whether these financial statements give a true and fair view of the state of the Board’s affairs as at 31 March 2021 and of the Board’s surplus or deficit for the financial year then ended;
- ii. whether the financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
- iii. whether the financial statements have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2015, and the Public Bodies (Joint Working) (Scotland) Act 2014.

These financial statements comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance sheet and notes, comprising a summary of significant accounting policies and other explanatory notes.

The Board confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Board confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

## Financial statements

1. The Board has fulfilled its responsibilities, as set out in the terms of the audit engagement dated 31 May 2016, for the preparation of financial statements that:
  - i. give a true and fair view of the state of the Board's affairs as at the end of its financial year and of its surplus or deficit for that financial year;
  - ii. have been properly prepared in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs"), as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21; and
  - iii. have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2015, and the Public Bodies (Joint Working) (Scotland) Act 2014.

The financial statements have been prepared on a going concern basis.

2. Measurement methods and significant assumptions used by the Board in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

## Information provided

4. The Board has provided you with:
  - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - additional information that you have requested from the Board for the purpose of the audit; and
  - unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Board confirms the following:
  - i) The Board has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

- ii) The Board has disclosed to you all information in relation to:
- a) Fraud or suspected fraud that it is aware of and that affects the Board and involves:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial statements; and
  - b) allegations of fraud, or suspected fraud, affecting the Board's financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Board acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Board acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Board has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
8. The Board has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Board has disclosed to you the identity of the Board's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24.

10. The Board confirms that:

- a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Board's ability to continue as a going concern as required to provide a true and fair view.

- b) No events or conditions have been identified that may cast significant doubt on the ability of the Board to continue as a going concern.

This letter was agreed at the meeting of the Risk, Audit and Performance Committee on 22 June 2021.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Alex Stephen', is centered below the closing. The signature is fluid and cursive, with a prominent loop at the end.

Alex Stephen  
Chief Finance Officer

## **Appendix to the Board Representation Letter of Aberdeen City Integration Joint Board: Definitions**

### **Financial Statements**

IAS 1.10 states that “a complete set of financial statements comprises:

- a statement of financial position as at the end of the period;
- a statement of profit or loss and other comprehensive income for the period;
- a statement of changes in equity for the period;
- a statement of cash flows for the period;
- notes, comprising a summary of significant accounting policies and other explanatory information;
- comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A-40D.

An entity may use titles for the statements other than those used in this Standard. For example, an entity may use the title ‘statement of comprehensive income’ instead of ‘statement of profit or loss and other comprehensive income’.”

### **Material Matters**

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.”

## **Fraud**

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

## **Error**

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

## **Management**

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

## **Related Party and Related Party Transaction**

### **Related party:**

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

- a) A person or a close member of that person's family is related to a reporting entity if that person:
  - i. has control or joint control over the reporting entity;
  - ii. has significant influence over the reporting entity; or

- iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
  - vi. The entity is controlled, or jointly controlled by a person identified in (a).
  - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) a government that has control or joint control of, or significant influence over, the reporting entity; and
- b) another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

**Related party transaction:**

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

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Aberdeen City Health & Social Care Partnership  
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# **Aberdeen City Integration Joint Board**

## **Audited Annual Accounts 2020/21**



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## Management Commentary

### **The Role and Remit of the Integration Joint Board (IJB)**

The Integration Joint Board (IJB) was formed as a result of the Public Bodies (Joint Working) (Scotland) Act 2014. The Act provides a framework for the integration of adult community health and social care services. The strategic planning for, and/or delivery of, these services was previously the responsibility of NHS Grampian (NHSG) and Aberdeen City Council (ACC) respectively and was delegated to the IJB with effect from 1 April 2016. Some services such as adult social care, GP services, district nursing, and allied health professionals are fully delegated and the IJB has responsibility both for the strategic planning and governing oversight of these. Other services are Grampian-wide services which Aberdeen City IJB “host” on behalf of all three IJBs in the NHS Grampian area. There are also hospital-based services. Aberdeen City IJB has responsibility for the strategic planning of both hosted and hospital-based services.

#### **Hosted Services**

Intermediate care of the elderly and specialist rehabilitation

Sexual health

Acute mental health and learning disability

#### **Hospital-Based Services**

Accident and emergency services provided in a hospital

Inpatient hospital services relating to the following branches of medicine:

- (a) general medicine
- (b) geriatric medicine
- (c) rehabilitation medicine
- (d) respiratory medicine
- (e) palliative care
- (f) mental health
- (g) psychiatry of learning disability

The policy ambition is to improve the quality and consistency of services to patients, carers, service users and their families; to provide seamless, joined-up, quality health and social care services in order to care for people in their own homes or a homely setting where it is safe to do so; and to ensure resources are used effectively and efficiently to deliver services that meet the increasing number of people with longer-term and often complex needs, many of whom are older. The IJB has governing oversight whilst Aberdeen City Health & Social Care Partnership (ACHSCP) has responsibility for the operational delivery of these services.

The IJB sets the direction of ACHSCP via the preparation and implementation of the Strategic Plan and seeks assurance on the management and delivery of the integrated services through appropriate scrutiny and performance monitoring, whilst ensuring the effective use of resources.

## The IJB's Operations for the Year

Aberdeen is the third largest city in Scotland and provides Scotland with 15% of its Gross Added Value. Much of this value has come from the oil and gas industry. The oil price reduction in 2014 significantly affected the local economy and although there are now signs of recovery it is not anticipated that the extent of this will reach the level of the boom years.

The estimated population of Aberdeen (2019) is 228,670. The table below shows the anticipated population increase in the next 10 and 20 years in total and by the 65 to 74 and over 75 age groups. The significant rises in the over 75 age group is of concern given their high use of health and social care services.

	2029	2039
<b>Total Population</b>	+0.8%	+1.8%
<b>65 – 74 age group</b>	+15.4%	+12%
<b>+75 age group</b>	+18.3%	+43.5%

There is a mixture of affluent and deprived areas in the city. 22 of Aberdeen City's 283 data zones are in the most deprived 20%. Collectively this means a population of 18,055 accounting for 7.9% of the City's total population.

Alongside this increase in demand there are rising costs and reduced funding available. We need to pick up the pace of transformation and start to do things differently in order to be able to continue to deliver services and positive outcomes for the people who use them.

During the financial year 2020/21 the IJB committed to:

- progress and deliver the remaining commitments and priorities of the Strategic Plan;
- implement the three-locality model, developing closer links with our community planning partners;
- embed transformational activity into mainstream service delivery;
- undertake a number of strategic commissioning projects that will transform service delivery, introduce co-design and co-production with our third and independent provider partners, and help develop a sustainable market in Aberdeen;
- further consolidate the Leadership Team self-managing approach;
- continue to focus on delivering the Medium-Term Financial Framework;
- continue to engage with the public to provide information on our services and why are we seeking to transform.

In terms of the Strategic Plan, progress on most of the remaining commitments and priorities was stalled during our response to the Covid-19 pandemic. We have one more year of the current Strategic Plan to run and are just beginning work on

preparations for the refresh of this. It is likely some of our focus will change in light of the impact the pandemic has had particularly on mental health and inequality. The publication of the Independent Review of Adult Social Care in February 2021 and the refresh of both the Local Outcome Improvement Plan and NHS Grampian's Clinical Strategy this coming year will influence the priorities we identify in our refreshed Strategic Plan.

Areas where we were able to make significant progress despite, or perhaps because of, the pandemic were digital innovations, shifting the balance of care and preventing admissions, and development of our community engagement agenda.



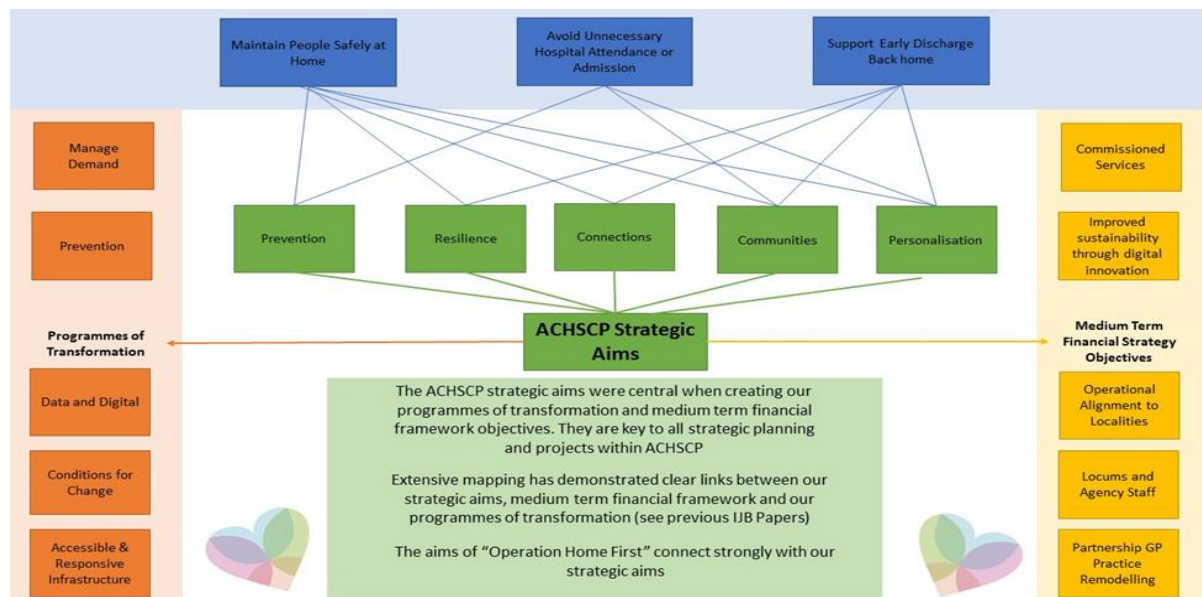
Aberdeen City fully embraced the roll out of the 'Near Me' technology enabling online video consultations with GPs. All services made some use of this and at one stage NHS Grampian had the largest usage of this in the whole of Scotland. It continues to be a feature of service delivery and will remain an option going forward allowing us to consider rationalisation and downsizing of the estate we use which will hopefully result in some cost savings.

The Frailty Pathway describes the journey of frail, mainly elderly, clients from home to hospital and back again, perhaps with the use of step up or step-down facilities in between. The Pathway was developed using a multi-disciplinary approach with resource flexing to where it was needed most. The focus was to keep people out of hospital as far as possible or, if they were admitted, to make their stay as short as possible. The development of our Hospital at Home service was key to increasing capacity of the pathway. A critical success factor was the close, collaborative working and improved communication channels which put the person at the centre of decision making and improved their experience of services overall.

Throughout 2020, the partnership continued to develop the three Locality Empowerment Groups (LEGs) which was undertaken in the main in the virtual environment with 49 members of our communities participating during that time. In December 2020, the IJB approved a shared locality planning model with Aberdeen City Council's Community Planning arrangements with the LEGs as the hubs for all community engagement including the City's Priority Neighbourhoods. These new arrangements are now driving the refresh of both the LOIP and the IJB's Strategic Plan.

During the pandemic, when we were in contingency level 4 response, transformational activity was driven by the priorities of the various phases. This was delivered via a series of Huddle arrangements and this approach will be maintained going forward with programmes and projects falling from the Strategic plan and

Leadership Team objectives being delivered via Huddle arrangements but still being aligned to the original five programmes of transformation.



During the financial year the Care at Home contract was re-commissioned using an outcome focused approach. The contract was awarded to a consortium of local providers and went live on 1 November 2020. The aim of the new approach is to block fund service delivery by Locality, empowering the providers to adopt a flexible, person centred, outcomes approach within the overall financial envelope. As well as improving outcomes for people it is hoped that the flexibility within the funding will enable more to be delivered with the same amount of resources, managing the increasing levels of demand we have in this area. In addition, work has begun on re-commissioning Respite and Day Care services under the umbrella of Stay Well Stay Connected. Commissioning is adopting a codesign/coproduction approach with staff, providers, service users and carers all involved.

The Leadership Team continues to focus on cross system working, expanding opportunities for this where possible. The coaching programme for Leadership Team members continued which many members found invaluable during the stressful times of the Covid response phase. Staff Health and Wellbeing will continue to be an area of focus going forward.

The Medium-Term Financial Framework (MTFF) approved by the IJB on 23 March 2021 includes a forecast of the financial position for the next seven financial years and is reviewed annually. Contained in the MTFF were proposals to balance the 2021/22 budget which were fully aligned to the programme of transformation. The IJB continues to work to deliver on the ambitions of this MTFF and ensure financial balance.

## **The IJB's Position at 31 March 2021**

The accounts for the year ended 31 March 2021 show a usable reserves position of **£18,235,780** (£2,601,896 2019/20). The IJB agreed a reserves strategy and previously agreed to hold back as earmarked reserves £2.5 million as a risk fund. As a result of additional financial pressures in 2019/20 this risk fund was used and now £1.3 million remains. It was agreed at the budget meeting on the 23 March 2021 to replenish the risk fund to the £2.5 million.

The majority of public sector organisations are facing challenges balancing their budgets in a context of increasing demand and costs, while the funding available is reducing in real terms. The 2021/22 budget was agreed on 23 March 2021 and included £5.5 million of budget reductions.

The major risk in terms of funding to the Integration Joint Board (IJB) is the level of funding delegated from the Council and NHS and whether this is sufficient to sustain future service delivery. There is also a risk of additional funding being ring-fenced for specific priorities and policies, which means introducing new projects and initiatives at a time when financial pressure is being faced on mainstream budgets.

The IJB has made arrangements with adult social care providers to allow the Scottish Living Wage to be paid in 2020/21. This was possible due to additional funding being made available from the Scottish Government to implement this policy commitment.

Demand is expected to continue to rise given the increase in the number of over-65s forecast. At the same time the complexity of the care required is increasing due to improvements in medicine and the increased average life expectancy evidenced over the last few decades. This is evidenced in by our increasing social care spend on clients with learning disabilities. Also, there are greater expectations being placed on our services by clients and this, along with expectations from our other stakeholders, continues to drive performance on targets such as waiting times.

At the time of preparing the final accounts for 2019/20 and producing the 2020/21 Medium Term Financial Framework the impact of the coronavirus on the finances of the IJB were uncertain. It was anticipated that some of the financial consequences of the coronavirus would receive additional funding from the Scottish Government, however, where the additional costs would be incurred and the level of any additional funding required further work. During the financial year a number of reports were taken to the IJB tracking the impact of Covid on the IJB Budget. At the end of the financial year both the direct and indirect costs of Covid were fully funded by the Scottish Government.

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

Following approval of the refreshed Strategic Plan by the IJB in March 2019, work has been progressing on its implementation.

When setting the Medium-Term Financial Framework and identifying the solutions to balance the 2021/22 budget the IJB agreed key objectives aligned to the programme of transformation that it will seek to deliver: -

## **MANAGING DEMAND**

**Reshaping our Commissioning Approach** - Commissioned services will be reviewed across ACHSCP to ensure that the model of delivery is in-line with our strategic commissioning plan and strategic aims of the IJB. As part of this we will be seeking to re-commission Day Opportunities and Planned Respite following review and launch our Market Position Statement which will help providers align their business models to our needs.

## **CONDITIONS FOR CHANGE**

**Staff Health & Wellbeing** - Staff Health and Wellbeing will be a priority and we will ensure a collaborative, compassionate and supportive approach to recovery. Staff will be given time, space and resources to recover from the pandemic and prepare for recovery and planning of next steps. As part of this we will seek to stabilise our workforce, determining structures and recruiting to permanent posts and reducing locum costs.

**Reshaping our relationship with communities** - We will focus on an integrated approach to the way we think about physical, mental and social health, supporting individuals to manage and improve their health and wellbeing and building resilient networks to ensure that there is joint planning and co-ordination of critical elements that impact health e.g. education, food, housing and transportation. We will embed our Operational teams who are aligned to locality areas and complete work to align those using the opportunity to redesign structure models to bring service delivery in line with available resource.

## **ACCESSIBLE AND RESPONSIVE INFRASTRUCTURE**

**Whole system and connected remobilisation** - Remobilisation will be undertaken through a planned and measured approach to create stability and resilience across our health and care services and enable us to meet population needs and maximise the learning and changes we have implemented during the global pandemic response. We will undertake a redesign of 2C GP Practices to deliver a sustainable service based on patient profile, population needs assessment and available resource will be completed. We will continue to review our Primary Care delivery, modernising and improving outcomes where possible.

## **DATA AND DIGITAL/PREVENTION**

Living and responding to Covid - Community resilience will be key and together with our partners we will be focused on supporting the recovery of those communities most impacted by Covid and making wider communities more resilient and better placed to cope as we learn to rebuild and renew our health services, our communities, education and economy. Improved sustainability of commissioned services across Aberdeen City to reduce impact on secondary and primary care and



deliver better outcomes for people. We will also consider the impact of long Covid on our health and social care system.

## Key Risks and Uncertainties

The key strategic risks (High risks), as contained in the Strategic Risk Register, along with an assessment of level of risk facing the IJB, are as indicated below.

The Strategic Risk Register is monitored and updated frequently by the IJB Leadership Team, who in turn report to the IJB and Risk, Audit & Performance Committee and the IJB on a regular basis.

The IJB held a workshop October 2020 on the Strategic Risk Register and the Board's Risk Appetite. As a result of the workshop, the revisions to both the Register and the Appetite Statement were submitted to the IJB for approval.

The IJB at its meeting on the 1 December 2020 approved the revised Strategic Risk Register and Risk Appetite Statement and agreed to hold another workshop on the strategic risks and the IJB's risk appetite in October 2021. The IJB also agreed to retain the strategic risk on the UK exiting the EU on the register to monitor any implications from the exit date of the 31 December 2020. The risks that are classed as **High or Very High** risk on the Strategic Risk Register are detailed below:

1. There is a risk that there is insufficient capacity in the market (or appropriate infrastructure in-house) to fulfil the IJB's duties as outlined in the Integration Scheme. Commissioned services in this context include third and independent providers of care and supported living and independent providers of general medical services. Additional pressures from other parts of the system also add to market instability. For example, recruitment of care staff within a competing market, reduction of available beds and the requirement to care for more complex people at home.

Mitigating Actions: The IJB's commissioning model has an influence on creating capacity and capability to manage and facilitate the market :-

- The development of virtual provider huddles,
- The development of the local Personal Protective Equipment (PPE) hub,
- Consortium of providers purchasing PPE,
- Risk fund set aside with transformation funding,
- Implementation of General Medical Services (GMS) contract
- Remodelling of 2C GP practices,
- Interim financial support from Scottish Government for community optometrists and general dental practitioners,
- Provider of last resort – Bon Accord Care.
- The development of risk predictor tools in association with the care inspectorate, and individual team escalation plans,
- Reconciliation process – working on a pan Grampian approach,
- Worked with care providers to develop key business contacts that providers can use over winter to help with their overall business continuity planning,

- Develop and implement the Residential Care Providers Early Warning System (once returned to new normal) with monthly returns from providers to gather intelligence and report to all relevant parties,
  - Intervention by Scottish Ministers and Public Bodies where financial failure evident,
  - Grampian Public Health Team to provide advice on all aspects of prevention, testing and management of Covid incidences,
  - All care home staff offered weekly Covid testing.
2. There is a risk of IJB financial failure and projecting an overspend, due to demand outstripping available budget, which would impact on the IJB's ability to deliver on its strategic plan (including statutory work).

Mitigating Actions:

- The Leadership Team are committed to driving out efficiencies, encouraging self-management and moving forward the prevention agenda to help manage future demand for services,
  - An early review has been undertaken of the financial position and was reported in June 2020 to the IJB and regular reporting throughout the financial year 20/21.
3. There is a risk that hosted services do not deliver the expected outcomes, fail to deliver transformation of services, or face service failure and that the IJB fails to identify such non-performance through its own systems and pan-Grampian governance arrangements. This risk relates to services that Aberdeen IJB hosts on behalf of Moray and Aberdeenshire, and those hosted by those IJBs and delivered on behalf of Aberdeen City.

Mitigating Actions:

- This is discussed regularly by the three North East Chief Officers,
  - Regular discussion regarding budget with relevant finance colleagues,
  - Chief Officers should begin to consider the disaggregation of hosted services.
4. There is a risk of reputational damage to the IJB and its partner organisations resulting from complexity of function, delegation and delivery of services across health and social care.

Mitigating Actions:

- Clarity of roles,
- Staff and customer engagement – recent results from iMatter survey alongside a well-established Joint Staff Forum indicate high levels of staff engagement,
- Effective performance and risk management,
- To ensure that ACHSCP have a clear communication & engagement strategy, and a clear policy for social media use, in order to mitigate the risk of reputational damage,
- Communications lead's membership of Leadership Team facilitates smooth flow of information from all sections of the organisation,

- Robust relationships with all local media are maintained to ensure media coverage is well-informed and accurate and is challenged when inaccurate/imbalanced,
  - Locality Empowerment Groups established in each of the three localities, ensuring effective two-way communication between the partnership, partner organisations and a wide range of community representatives in North, South and Central. Consultation and engagement exercises are also carried out with service users, staff and partners throughout service change processes to gain detailed feedback and act upon it,
  - Through the Locality Empowerment Groups help inform plans which will identify priorities to improve health and wellbeing for local communities, seeking the views and input of the public on these Groups.
5. Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system.
- Mitigating Actions:
- Programme management approach being taken across whole of the transformation programme,
  - Transformation team in place and all trained in Managing Successful Programmes methodology,
  - Regular reporting to Executive Programme Board and Portfolio Programme Boards,
  - Regular reporting to Risk, Audit & Performance Committee and Integration Joint Board,
  - Increased frequency of governance processes during Covid period – weekly Executive Programme Boards and creation of huddle delivery models,
  - A number of plans and frameworks have been developed to underpin our transformation activity across our wider system including: Programme for Transformation, Primary Care Improvement Plan, Action 15 Plan and Immunisation Blueprint,
  - Transformation team amalgamated with public health and wellbeing to give greater focus to localities, early intervention and prevention.
6. There is a risk that if the System does not redesign services from traditional models in line with the current workforce marketplace in the City this will have an impact on the delivery of the IJB Strategic Plan.

Mitigating Actions:

- ACHSCP Workforce Plan,
- Rapid service redesign ongoing to deliver Operation Home First priorities,
- Active engagement with schools to raise ACHSCP profile (e.g. Developing the Young Workforce, Career Ready),
- Active work with training providers and employers to encourage careers in Health and Social Care (e.g. Foundation Apprenticeships/Modern Apprenticeships, working with Department for Work and Pensions),
- Greater use of commissioning model to encourage training of staff,
- Increased emphasis on health/wellbeing of staff,
- Increased emphasis on communication with staff,
- Greater promotion of flexible working,

- increased collaboration and integration between professional disciplines, third sector, independent sector and communities through Localities,
  - Increased monitoring of staff statistics (sickness, turnover, Continued Professional Development, complaints etc) through Performance Dashboard, identifying trends,
  - Developing greater digitisation opportunities, e.g. using Text Messaging to shift emphasis from GPs to increased use of Texts for pharmacology.
7. There is a risk that ACHSCP is not sufficiently prepared to deal with the impacts of Brexit on areas of our business, including affecting the available workforce and supply chain.

Mitigating Actions:

- Mitigating actions have been developed on a national and local level through UK Government and Scottish Government guidance and the ACC and NHSG EU exit steering groups respectively. These actions are linked to the revised UK national Planning Assumptions (based on the reasonable worst case scenario-no deal),
- As the Partnership does not directly employ staff, The Chief Officer will work closely with partners to ensure that as implications become clear the Partnership are able to best represent and meet the needs of all staff,
- The Partnership's Business Continuity Planning process is established which will identify key services to prioritise in any contingency event. These Plans have been exercised over the last 7 months through the Partnership's response/recovery to Covid,
- Review Arms Length External Organisation (ALEO) contingency plans. Request evidence of risk assessment and mitigation from ALEOs for assurance of ability to deliver against contract. This is being considered and scrutinised through the ALEO Hub governance arrangements,
- Worked with care providers to develop key business contacts that providers can use over winter to help with their overall business continuity planning,
- The Partnership have taken part in reporting any EU exit implications through both the NHSG and ACC routes. The reporting timescales were roughly the same (around the previous 3 political deadlines in March, April and October 2019). No EU exit implications were reported by the Partnership at these times.

## Analysis of the Financial Statements

The accounts show usable reserves of £18,235,780 at 31 March 2021 (£2,601,896 at 31 March 2020).

The level of reserve has increased largely due to unspent funding provided by the Scottish Government to the IJB via NHS Grampian. In quarter 4 the following funds were passed across to the IJBs some of which require to be earmarked if not used:

Adult Social Care Winter Plan - Tranche 2	£2,000,650
Complex Care Change Funding	£876,523
Further IA Covid Support	£3,695,837
ADP, PCIP and Action 15 Underspends	£2,800,000
£500 to NHS ACHSCP Staff	£338,818
4% Pay Award to NHS ACHSCP Staff from December	£660,000
	<hr/> <b>£10,371,828</b> <hr/>

The majority of the services delegated to the IJB were impacted in some way due to Covid. In some cases, such as in social care, we saw a switch from residential care to care at home. All health services move to emergency service only and this had the impact of reducing spend on agency and locums, therefore, the spend incurred on the majority of the budget lines does not reflect what would have been spent in a normal financial year due to the impact of Covid, the lockdowns and the move to emergency services only. The underspend on mainstream services was **£5.7 million**.

A local mobilisation plan and process was developed by the Scottish Government to show the impact of Covid on the IJB budgets and also to support services during the lockdown. The local mobilisation plan was updated frequently through the financial year and additional funding allocations were made by the Scottish Government on the basis of these updates. For Aberdeen City IJB the final mobilisation plan was estimated to spend £17.7 million and this was provided to the Scottish Government in January 2021. The full amount of funding requested was passed across to the IJB. At the end of the financial year, additional spend was incurred above the level reported to the Scottish Government of £668,000 largely due to increases in amounts claimed by social care providers. Therefore, the total spend rose to £18.9 million (£1.6 million of which is held on Primary Care and Prescribing lines) and this was funded via the additional funds passed across to the IJB.

Budgets for large hospitals are managed by NHS Grampian. The IJB has a notional budget representing the consumption of these services by residents. The IJB is responsible for the strategic planning for these services as a result of the legislation which established the IJBs.

The services covered include:

- accident and emergency services at Aberdeen Royal Infirmary and Dr Gray's - inpatient & outpatient;

- inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- palliative care services provided at Roxburghe House, Aberdeen, and The Oaks, Elgin.

One of the key priorities of the IJB and reasons why the IJBs were established is to improve pathways and reduce the use of these services. It has not been possible to update the days used figures as the data which this information is based on has not been prepared due to staff being allocated to support other parts of the health system due to the impact of Covid. The financial costs have therefore been updated by applying 3% to 2019/20 costs shown below.

<b>Set Aside</b>	<b>2016/17</b>	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>
Budget	£46,732,000	£41,344,000	£46,416,000	£46,410,000	£47,802,300
Days used	152,498	142,349	143,055	137,732	n/a

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**Luan Grugeon**  
IJB Chair  
June 2021




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**Sandra Macleod**  
Chief Officer  
June 2021




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**Alex Stephen**  
Chief Finance Officer  
June 2021



**Independent auditor's report to the members of Aberdeen City Integration  
Joint Board and the Accounts Commission**

## **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.

Signed on behalf of the Aberdeen City Integration Joint Board

**Luan Grugeon**  
IJB Chair  
June 2021



## **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; and
- 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; 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 the Aberdeen City Integration Joint Board as at 31 March 2021 and the transactions for the year then ended.

**Alex Stephen**

Chief Finance Officer

June 2021

## **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 auditor 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 Aberdeen City Council and NHS Grampian. The positions of IJB Chair and Vice-Chair alternate between a Councillor and a Health Board representative every two years.

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. The details of the Chair and Vice-Chair appointments and any taxable expenses paid by the IJB are shown below.

<b>Taxable Expenses 2019/20 £</b>	<b>Name</b>	<b>Post(s) Held</b>	<b>Nominated by</b>	<b>Taxable Expenses 2020/21 £</b>
Nil	Cllr Sarah Duncan	Chair 01/01/19 to 23/03/21 Vice Chair 24/03/21 to 31/03/21	Aberdeen City Council	Nil
Nil	Luan Grugeon	Chair 24/03/21 to 31/03/21 Vice-Chair 27/03/19 to 23/03/21	NHS Grampian	Nil
<b>Nil</b>	<b>Total</b>			<b>Nil</b>

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 must be appointed and the employing partner must 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 2019/20 £</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances £</b>	<b>Taxable Expenses £</b>	<b>Total 2019/20 £</b>
106,768	<b>Sandra Macleod</b> Chief Officer 3/09/18 to 31/03/21	114,666	-	114,666
85,597	<b>Alex Stephen</b> Chief Finance Officer 04/07/16 to 31/03/21	88,165	-	88,165
<b>192,365</b>	<b>Total</b>	<b>202,831</b>	-	<b>202,831</b>

FYE = Full Year Equivalent

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.

Officer Name	Responsibility	Pension as at 31/3/2021 £000	Pension Difference from 31/3/2020 £000	Lump Sum as at 31/3/2021 £000	Lump Sum Difference from 31/3/2020 £000	Pension Contribution 2020/2021 £	Pension Contribution 2019/2020 £
Sandra Macleod	Chief Officer 3/09/18 to 31/03/21	6	3	-	-	23,860	22,941
Alex Stephen	Chief Finance Officer 01/07/2016 – 31/03/2021	32	8	40	7	17,016	16,520
						<b>40,876</b>	<b>39,461</b>

The IJB does not have its own pension scheme, however, details of the North East of Scotland Pension scheme can be found in Aberdeen City Council's accounts and details of the NHS pension scheme can be found NHS Grampian's accounts. Both documents are available on their respective websites.

### Disclosure by Pay Bands

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

Number of Employees in Band -2019/20	Remuneration Band	Number of Employees in Band – 2020/21
1	£85,000 - £89,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	1

### Exit Packages

No exit packages were paid to IJB staff during this period or the previous period.

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Sandra Macleod

Luan Grugeon

Chief Officer

Chair

June 2021

June 2021

## **Annual Governance Statement**

### **Scope of Responsibility**

The Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, safeguarding public funds and assets and making arrangements to secure best value in their use.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which include the system of internal control. This is designed to manage risk to a reasonable level but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The IJB has a reliance on the Aberdeen City Council and NHS Grampian systems of internal control, which support compliance with both organisations' policies and promote achievement of each organisation's aims and objectives, as well as those of the IJB.

The result of this is a situation where assurances are required on the effectiveness of the governance arrangements from the three partners. This means that a significant failure in the internal control environment of one of the three partners may require to be disclosed in the accounts of all three partners and not just the IJB and the partner where the issue occurred.

### **The Governance Framework**

In this complex environment of circular assurances, it is important that the IJB has its own local code of corporate governance and regularly reviews performance against the governance principles included within this code. The IJB has developed an Assurance Framework in conjunction with the Good Governance Institute which provides readers with an understanding of the governance framework and the assurances that can be obtained from it.

The IJB agreed on 11 April 2017 at the Audit & Performance Systems Committee to adopt a local code of corporate governance which was built around the principles identified in the CIPFA\SOLACE<sup>1</sup> Delivering Good Governance in Local Government Framework (2016 Edition). The local code of governance is reviewed annually and reported to the same audit committee where the annual governance statement is approved. This code provides a list of documents\activities from an IJB, NHS Grampian and Aberdeen City Council perspective which provide assurance on the governance framework.

A review is also undertaken by the Chief Finance Officer evaluating the IJB's governance environment against the governance principles detailed in the CIPFA document titled the ['The role of the chief financial officer in local government'](#).

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<sup>1</sup> CIPFA - The Chartered Institute of Public Finance and Accountancy

SOLACE – The Society of Local Authority Chief Executives

Whilst both these documents were specifically written for local government the governance principles can be used by other public sector organisations. Also, the IJB is defined as a local government organisation per the Local Government (Scotland) Act 1973 and Aberdeen City Council has also adopted the governance principles from the delivering good governance document in its own local code of corporate governance.

### **Coronavirus Arrangements**

In relation to the coronavirus pandemic the Partnership reduced its service delivery and prioritised services to allow it to deal with the implications of the coronavirus and support a reduction in the spread of the virus by undertaking social distancing and reducing contact with service users. In terms of the pandemic governance arrangements, the Partnership has reported through the business continuity arrangements of both the Council and the NHS. Governance arrangements have also been established in the Partnership where the status of service delivery is assessed and this is reported to a daily meeting of the leadership team, staff side\unions and Bon Accord Care. At this meeting it is agreed what needs to be escalated and what can be agreed using the delegated authority of either the Chief Officer or Chief Finance Officer. These meetings are documented and supported by our control centre which was established to aid the flow of information.

These arrangements have continued throughout the financial year, however, were particularly important during the first wave where decisions were required to be made quickly. The IJB has been operating throughout the pandemic, but with light agendas during the first wave and no sub committees. Since then, the IJB agendas have returned to normal levels and the two sub committees now meeting regularly.

### **Seven Governance Principles of local governance framework.**

Against each of the seven governance principles adopted by the IJB there are key documents, activities, policies and arrangements which help address these. For the IJB some of these documents belong to NHS Grampian and Aberdeen City Council given their operational delivery role and the fact that the staff have remained employed by the partner bodies.

The seven governance principles identified in the local code of corporate governance and recommended in the CIPFA/SOLACE Framework are identified below, along with narratives evidencing compliance with the principles.

### **Principle 1 – Behaving with integrity, demonstrating strong commitment to ethical values and representing the rule of law,**

*Integrity:* The following values of the IJB are indicated in the Strategic Plan:

- caring
- person-centred
- enabling

These values form part of the decision-making process of the IJB and are evident in the actions and decisions made by the Board. The IJB has appointed a Standards

Officer who is responsible, amongst other things, for the maintaining of Registers of Interests, Registers of Gifts and Hospitality and training on the Model Code of Conduct for Members of Devolved Public Bodies.

*Ethical Values:* The IJB has agreed in principle to adopt the Unison Ethical Care Charter and has provided funding to care providers to allow the Scottish Living Wage to be paid.

*Rule of Law:* A comprehensive consultation process has been developed with officers from Aberdeen City Council and NHS Grampian to ensure that decisions and reports comply with legislation. A member of the Council's Governance Team attends the IJB to ensure that decisions taken are in line with any legislative requirements. The IJB has appointed a Chief Finance Officer to ensure that the accounts and finances are in line with the statutory accounting environment. The IJB has standing orders and an integration scheme which provide information on where decisions can be made. Two sub committees have been created and each has its own terms of reference.

*Improvement activities undertaken during the year:* The standing orders of the IJB have been reviewed and were approved on 23 March 2021. The terms of reference for the two sub committees were reviewed and updated at the same IJB meeting. A new standards officer was agreed by the IJB on 11 August 2020.

## **Principle 2 – Ensuring openness and comprehensive stakeholder engagement,**

*Openness:* Pre-Covid the IJB was a public board where members of the public and press can attend and agendas, reports and minutes are available publicly to review. Therefore, members of the public can assess whether they believe that decisions are being taken in the public interest. As a result of the Covid restrictions IJB meetings are currently held electronically and are recorded. The recordings are made available to the public shortly after the meeting. The Risk, Audit & Performance Committee is also a public meeting. The IJB has its own complaints handling procedure which complies with Scottish Public Services Ombudsman's guidance.

*Stakeholder Engagement:* The non-voting membership of the IJB is set out in the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. This comprises six professional members and a minimum of four stakeholder representatives for each of the following groups - staff, third sector bodies, service users and carers. The IJB agreed a budget protocol on the 7 March 2017 which sought to formalise stakeholder engagement with the partner organisations around the budget process. Care providers are very much thought of as a key part of the partnership and invited to the majority of the events the IJB hosts. The IJB has established the Aberdeen City Joint Staff Forum, which includes representation from the trade unions and the staff partnership, as a forum for workforce issues affecting social care and health staff. An engagement and consultation protocol with the trade unions was agreed at the IJB on 21 January 2020.

*Improvement activities undertaken during the year:* A significant engagement process was undertaken on the day care recommissioning exercise and the final specification was agreed on the 28 October 2020. The IJB agreed a carers expenses policy on 11 August 2020 and two new carers were brought onto the IJB during the financial year.

*The model complaints policy was revised and approved at the IJB meeting on 23 February 2021 to comply with updated guidance.*

### **Principle 3 – Defining outcomes in terms of sustainable economic, social and environmental benefits,**

*Economic:* The IJB has agreed a Medium-Term Financial Framework which is updated annually. The transformation programme and IJB report format specifically highlight the economic impact of the decisions being taken on current and future financial years. Work has been undertaken to establish the financial and operational benefits of the major transformation projects. The partnership has adopted the lean six sigma quality improvement methodology, has trained relevant staff and has undertaken and implemented several improvement projects using this methodology. The outcomes of some of these projects are directly informing, wider transformational activity across the partnership including the redesign of staffing teams aligned to localities and are part of our conditions for change programme. A strategic planning framework has been agreed and implemented for the large hospital services. A governance structure has been implemented to support this work including a cross system transformation board which include senior officers from the Council, NHSG and the IJBs.

*Social:* The IJB has published a revised Strategic Plan which identifies outcomes and the direction of travel over the next few years. The majority of outcomes are closely linked to how social care and health services will be delivered and improved over the life of the Strategic Plan.

*Environmental:* A public bodies climate change duties report is collated and submitted annually on behalf of the IJB.

### **Principle 4 - Determining the interventions necessary to optimise the achievement of intended outcomes,**

*Interventions:* A transformation programme has been developed which will help support the delivery of the Strategic Plan. This programme is monitored on a regular basis and information on progress is received by the IJB and the Risk, Audit and Performance Committee for scrutiny and challenge. Decisions to procure services costing over £50,000 are taken by the IJB in so far as they relate to a Direction made to the NHS or Aberdeen City Council in respect of a delegated function and each report contains a section on risk. The Enabling Programme Board monitors any new projects ensuring that an option appraisal and project plans are developed in line with best practice. The benefits, both financial and non-financial, are highlighted and contained in the project plans.

*Improvement activities undertaken during the year:* *The transformation programme fully aligns to the new Strategic Plan and seeks to mainstream existing projects, focusing on strategic performance indicators to measure impact and demonstrate meaningful change. The plan requires greater focus on prevention, early intervention and addressing health inequalities which will have an impact on improving outcomes. A new governance structure has been implemented to support the programme, many of the leadership team objectives which linked to the transformation plan were delivered at pace in response to the pandemic. A new care at home contract which*



*moves from a focus on time and task to delivering better outcomes for service users commenced on 1 November 2020.*

*Future Developments: Develop a programme to support the delivery of the leadership team objectives which will help deliver the savings identified in the Medium-Term Financial Framework.*

### **Principle 5 – Developing the entity’s capacity, including the capability of its leadership and the individuals within it,**

*Entity’s Capacity:* A workforce plan has been developed for the IJB covering health and social care services. Capacity is further developed and scrutinised by having stakeholders out with those employed by the IJB, ACC or NHS Grampian around the IJB and many of its working groups. The career ready programme and modern apprenticeships have been established within services. The Chief Officer is undertaking quarterly staff forums. Regular meetings have been held with the direct reports of the leadership team to promote the localities model and the leadership team objectives. A new leadership team structure has been implemented to allow Strategic Plan outcomes to be achieved.

*Leadership:* The IJB has set itself goals and has evaluated their performance against these goals. An organisational development plan has been developed and agreed which has a focus on leadership. A conference was held by the partnership during the year focussing on social care and health which was well attended.

*Individuals:* An induction programme has been established for the IJB which complements the induction programmes of NHS Grampian and Aberdeen City Council. Monthly newsletters are sent to all staff and an awards ceremony was held to celebrate achievements during the year. Staff surveys have been undertaken for Council staff and the ‘iMatter’ survey is undertaken annually. The outputs from these surveys are discussed by the IJB Leadership Team and any necessary improvement actions implemented.

*Improvement activities undertaken during the year: During the year many of the development activities were cancelled or postponed although the team continued to learn and adapt in some very challenging situations. The IJB itself undertook a series on workshops with external support to help aid future decision making.*

*Future Developments: Establish a leadership programme which helps install the principles of cross system leadership throughout the Partnership.*

### **Principle 6 - Managing risk and performance through robust internal control and strong public financial management,**

*Risk:* Two risk registers have been developed. The first is an IJB Strategic Risk Register and this documents the risk that the IJB may face in delivery of the Strategic Plan. The second register covers operational risks and is a summary of the departmental operational risk registers. The Strategic Risk Register is updated frequently and reported to the Risk, Audit & Performance Committee and the IJB.

*Performance:* A performance management framework has been developed for the IJB and is reported frequently to the Risk, Audit & Performance Committee and the IJB. Performance is also monitored by bi-monthly city sector performance review meetings, where the Chief Executives and senior finance officers from NHS Grampian and Aberdeen City Council discuss performance and finance in a structured meeting with the Chief Officer and Chief Finance Officer. Performance management information is provided at a national NHS level and also contained within the statutory performance indicators reported by the Council. An annual performance report is required as defined in the legislation (Public Bodies (Joint Working) (Scotland) Act 2014) underpinning the creation of the IJB.

*Internal Controls:* The internal control environment is largely delivered by the partner organisations given their operational remit. However, internal controls are evidenced in the IJB integration scheme and financial regulations. A review of the IJB internal controls is undertaken annually by the Chief Internal Auditor and his opinion on the adequacy of the internal control environment is highlighted below.

*Financial Management:* The IJB has received quarterly reports on the financial position as indicated in the integration scheme. All IJB reports contain a financial implications section advising the IJB on the budget implications of agreeing the recommendations of the report.

*Improvement activities undertaken during the year:* The strategic risk register and risk appetite statement were reviewed by the IJB in a workshop and subsequently formally approved on 1 December 2020.

### **Principle 7 – Implementing good practices in transparency, reporting, and audit to deliver effective accountability.**

*Transparency:* Recordings of the IJB meetings were made available to the public after the meeting was held due to COVID restrictions and the agendas, reports and minutes are available for the public to inspect. The Risk, Audit & Performance committee is also a public meeting. The IJB has developed a publication scheme as required under the Freedom of Information (Scotland) Act 2002.

*Reporting:* The annual accounts management commentary section will have a focus on both financial and service performance over the last financial year. A review has been undertaken of the role of the North East Partnership which has strengthen governance arrangements for hosted and large hospital services.

*Audit:* The 2019/20 accounts received an unqualified audit opinion. The Risk, Audit & Performance Committee has received an internal audit plan from the Chief Internal Auditor and internal audit reports over the last financial year.

*Improvement activities undertaken during the year:* Work has been undertaken to review the clinical care governance arrangements in the partnership and the role of the Clinical Care Governance Committee in this process.

*Future Developments:* Continue to review and refine the clinical care governance framework and arrangements.

## Review of Effectiveness

The IJB has responsibility for conducting, at least annually, a review of the effectiveness of the governance arrangements, including the system of internal control. The review is informed by the work of the IJB Leadership Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditor and the Chief Internal Auditor's annual report; and reports from the external auditor and other review agencies and inspectorates.

The number of internal audit reports published this year has been less than in previous years due to resourcing issues on both the Internal Audit and ACHSCP Teams. From an ACHSCP this was caused by key staff being moved to support operational delivery or health and social care services. However, the Chief Internal Auditor has reviewed the IJB's internal control framework and in his opinion 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 2021.

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

The governance framework was reviewed by the IJB Leadership Team against the governance principles identified in the CIPFA Role of the Chief Finance Officer Framework. The Risk, Audit and Performance Committee was updated on progress with the implementation of improvement actions identified on the 23 April 2020.

The local code of corporate governance was agreed by the Audit & Performance Systems Committee on 11 April 2017 and progress against the seven principles is detailed above. At Risk, Audit and Performance Committee on 23 April 2020 an update was provided on the sources of assurance contained in the local code of governance.

The work undertaken against the improvement actions highlighted in the 2020/21 annual governance statement is detailed in the improvement activities undertaken during the year sections detailed above. Although it should be noted that given the focus this year has been on responding to the pandemic some of these activities still require further work and are therefore being kept as areas for improvement in 2021/22.

A summarised list of the 2021/22 improvement actions is shown directly below:

	<b>Area for Improvement and Outcome to Be Achieved</b>	<b>Improvement Action Agreed</b>	<b>Responsible Party</b>	<b>Completion Date</b>
1.	Transformation Programme	Create Programme Management Structure	Transformation Lead	31 March 2022
2.	Clinical Care Governance	Review arrangements	Clinical Lead	31 March 2022
3.	Leadership Development	Implement new programme to	SOARS Lead	31 March 2022

support cross  
system leadership.

In addition, the review of the effectiveness of the governance arrangements and systems of internal control within Aberdeen City Council and NHS Grampian places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

Accordingly, the following notes support the reliance that is placed upon those systems:

**i) Aberdeen City Council's governance framework**

Aberdeen City Council's governance framework comprises the systems and processes, culture and values by which the Council is directed and controlled, and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its outcomes given the crucial role of governance, performance management and risk management in improving stewardship and how we do business. Reviewing our governance activity enables us to consider whether those objectives have led to the delivery of appropriate, cost effective services to the citizens of Aberdeen.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, or comply with controls, and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to: -

- identify and prioritise the risks to the achievement of the Council's outcomes;
- evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage those risks efficiently, effectively and economically.

The Audit, Risk & Scrutiny Committee has a key role in this, and an annual report of its activities and effectiveness will be considered by the committee and referred to Council for its consideration. This demonstrates improved transparency, understanding and challenge of the activity and outcomes from the Audit, Risk & Scrutiny Committee. The Council has an approved Local Code of Corporate Governance which sets out their commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the effectiveness of the systems of internal control.

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

Principle B: Ensuring openness and comprehensive stakeholder engagement

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

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

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

Principle F: Managing risk and performance through robust internal control and strong public financial management

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

The Code, approved by Council on 15 March 2017, can be viewed on Aberdeen City Council's website.

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance as of 31 March 2021. This demonstrates that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council and its systems of governance. As the interim transitional structure continues to embed and as working practices are improved through digital design and delivery, levels of assurance are expected to increase.

## **ii) NHS Grampian governance framework (pending approval)**

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 and Social Care 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 Executive 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:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;

- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non-compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas;
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;
- Consideration by the Board of regular reports from the chairs of the performance governance, engagement and participation, staff governance, clinical governance, audit committee and from the Chair of the Endowment Trustees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters. In addition, senior leadership arrangements were strengthened during the year to provide additional capacity and support to the Chief Executive;
- Regular review of financial performance, risk management arrangements and non-financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure review development of organisational arrangements and services in line with national standards and guidance including consultation with all stakeholders on service change proposals to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief Executives of each of the partner organisations in the regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery;
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- Separate governance arrangements for the NHS Grampian Endowment Funds including a separate and distinct Chair of the Trustees, elected from within the

body of the Trustees, an annual general meeting of all Trustees to agree all policy matters and an Endowment Sub Committee of Trustees with delegated authority to manage the day-to-day operational matters of the charity.

Based on the evidence considered during the review of the effectiveness of the internal control environment NHS Grampian has confirmed that there are no known outstanding significant control weaknesses or other failures to achieve the standards set out in the guidance that applies to NHS Boards on governance, risk management and control.

**Certification: Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify areas for improvement. It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Aberdeen City Integration Joint Board's systems of governance.**

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Sandra Macleod  
Chief Officer  
June 2021

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Luan Grugeon  
Chair  
June 2021

## Comprehensive Income and Expenditure Statement

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

2019/20			2020/21			
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
34,797,252	0	34,797,252	Community Health Services	36,773,002	0	36,773,002
24,234,025	0	24,234,025	Aberdeen City share of Hosted Services (health)	23,009,740	0	23,009,740
35,146,542	0	35,146,542	Learning Disabilities	34,344,973	0	34,344,973
20,240,395	0	20,240,395	Mental Health & Addictions	21,098,094	0	21,098,094
78,465,627	0	78,465,627	Older People & Physical and Sensory Disabilities	79,024,830	0	79,024,830
1,783,412	0	1,783,412	Head office/Admin	326,346	0	326,346
0	0	0	Covid	17,239,540	0	17,239,540
4,734,327	(4,642,640)	91,687	Criminal Justice	5,046,774	(4,955,087)	91,687
1,477,205	0	1,477,205	Housing	746,121	0	746,121
40,842,789	0	40,842,789	Primary Care Prescribing	40,447,093	0	40,447,093
41,140,761	0	41,140,761	Primary Care	42,512,697	0	42,512,697
2,000,719	0	2,000,719	Out of Area Treatments	2,750,857	0	2,750,857
46,410,000	0	46,410,000	Set Aside Services	47,802,300	0	47,802,300
3,778,609	(96,814)	3,681,795	Transformation	4,437,062	0	4,437,062
<b>335,051,663</b>	<b>(4,739,454)</b>	<b>330,312,209</b>	<b>Cost of Services</b>	<b>355,559,429</b>	<b>(4,955,087)</b>	<b>350,604,342</b>
0	(327,335,768)	(327,335,768)	Taxation and Non-Specific Grant Income (Note 5)	0	(366,238,226)	(366,238,226)
<b>335,051,663</b>	<b>(332,075,222)</b>	<b>2,976,441</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>355,529,429</b>	<b>(371,193,313)</b>	<b>(15,633,884)</b>
		<b>2,976,441</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>(15,633,884)</b>



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 Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.

### **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 due to accounting practices.

<b>Movements in Reserves During 2020/21</b>	<b>General Fund Balance</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>
<b>Opening Balance at 31 March 2020</b>	<b>(2,601,896)</b>	<b>(2,601,896)</b>
Total Comprehensive Income and Expenditure	(15,633,884)	(15,633,884)
Adjustments between accounting basis and funding basis under regulation	-	-
<b>(Increase) or Decrease in 2020/21</b>	<b>(15,633,884)</b>	<b>(15,633,884)</b>
<b>Closing Balance at 31 March 2021</b>	<b>(18,235,780)</b>	<b>(18,235,780)</b>

<b>Movements in Reserves During 2019/20</b>	<b>General Fund Balance</b>	<b>Total Reserves</b>
	<b>£</b>	<b>£</b>
<b>Opening Balance at 31 March 2019</b>	<b>(5,578,337)</b>	<b>(5,578,337)</b>
Total Comprehensive Income and Expenditure	2,976,441	2,976,441
Adjustments between accounting basis and funding basis under regulation	-	-
<b>(Increase) or Decrease in 2019/20</b>	<b>2,976,441</b>	<b>2,976,441</b>
<b>Closing Balance at 31 March 2020</b>	<b>(2,601,896)</b>	<b>(2,601,896)</b>

## **Balance Sheet**

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

<b>31 Mar 2020</b>		<b>Notes</b>	<b>31 Mar 2021</b>
£			£
2,626,540	Short term Debtors	(6)	18,235,780
<b>2,626,540</b>	<b>Current Assets</b>		<b>18,235,780</b>
(24,644)	Short term Creditors	(7)	-
<b>(24,644)</b>	<b>Current Liabilities</b>		<b>-</b>
<b>2,601,896</b>	<b>Net Assets</b>		<b>18,235,780</b>
(2,601,896)	Usable Reserve: General Fund	(8)	(18,235,780)
-	Unusable Reserve:		-
<b>(2,601,896)</b>	<b>Total Reserves</b>		<b>(18,235,780)</b>

The audited accounts were issued on 22 June 2021

### **Alex Stephen**

Chief Finance Officer  
June 2021

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 2020/21 financial year and its position at the year-end of 31 March 2021.

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 2020/21, 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 primarily funded through funding contributions from the statutory funding partners, Aberdeen City 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 Aberdeen City.

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

### 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. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken. In the case of Aberdeen City IJB any annual leave earned but not yet taken is not considered to be material.

### Reserves

The IJB is permitted to set aside specific amounts as reserves for future policy purposes. Reserves are generally held to do three things:

- create a working balance to help cushion the impact of uneven cash flows – this forms part of general reserves;
- create a risk fund to cushion the impact of unexpected events or emergencies; and
- create a means of building up funds, often referred to as earmarked reserves, to meet known or predicted liabilities.

The balance of the reserves normally comprises:

- funds that are earmarked or set aside for specific purposes; and
- funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies.

Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged against the appropriate line in the Income and Expenditure Statement in that year to score against the Surplus/Deficit on the Provision of Services. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

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.

### Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Grampian and Aberdeen City 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.

### Support Services

Corporate support services (finance, legal and strategy) are provided by Aberdeen City Council and NHS Grampian at no cost to the IJB and it is not possible to separately identify these costs. To the extent that delegated services include an element of overheads and support services costs, these will be included within the appropriate line within the Income and Expenditure statement.

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

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

No financial provision for any future events has been made by the IJB in this accounting period.

## **3. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the IJB's financial position or financial performance. Where a change is made, it is applied retrospectively by

adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Changes in accounting estimates are accounted for prospectively, i.e. in the current and future years affected by the change.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

The audited Annual Accounts were authorised for issue by the Chief Finance Officer in June 2021. 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 2021, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

#### **4. Expenditure and Income Analysis by Nature**

<b>2019/20</b>		<b>2020/21</b>
£		£
131,329,124	Services commissioned from Aberdeen City Council	144,823,328
203,693,139	Services commissioned from NHS Grampian	210,706,041
-	Employee Benefits Expenditure	-
-	Insurance and Related Expenditure	-
29,400	Auditor Fee: External Audit	30,060
-	Auditor Fee: Other	-
(4,739,454)	Service Income: Aberdeen City Council	(4,955,087)
	Service Income: NHS Grampian	
	Partners Funding Contributions and Non-Specific	
(327,335,768)	Grant Income	(366,238,226)
<b>2,976,441</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(15,633,884)</b>

#### **5. Taxation and Non-Specific Grant Income**

<b>2019/20</b>		<b>2020/21</b>
£		£
(90,909,671)	Funding Contribution from Aberdeen City Council	(93,214,587)
(236,426,097)	Funding Contribution from NHS Grampian	(273,023,639)
<b>(327,335,768)</b>	<b>Taxation and Non-specific Grant Income</b>	<b>(366,238,226)</b>

The funding contribution from the NHS Board shown above includes £47,802,300 in respect of 'set-aside' resources relating to acute hospital and other resources. These are provided by the NHS, which retains responsibility for managing the costs of providing the services. The IJB, however, has responsibility for the consumption of, and level of demand placed on, these resources.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services, such as that provided for Criminal Justice. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

## 6. Debtors

31 Mar 20		31 Mar 21
£		£
2,626,540	NHS Grampian	14,429,839
-	Aberdeen City Council	3,805,941
<b>2,626,540</b>	<b>Debtors</b>	<b>18,235,780</b>

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

## 7. Creditors

31 Mar 20		31 Mar 21
£		£
(24,644)	Aberdeen City Council	-
<b>(24,644)</b>	<b>Creditors</b>	<b>-</b>

Amounts owed to the funding partners are stated on a net basis. Debtor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

## 8. 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 risk 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 risk fund.



2019/20				2020/21			
Balance at 1 April 2019	Transfers In	Transfers Out	Balance at 31 March 2020		Transfers In	Transfers Out	Balance at 31 March 2021
£	£	£	£		£	£	£
-	-	-	-	Covid	(2,534,327)	-	(2,534,327)
	(682,198)	-	(682,198)	Earmarked External Funding	(325,068)	-	(1,007,266)
-	-	-	-	Community Living Change	(876,523)	-	(876,523)
(1,579,861)	-	1,579,861	-	Primary Care	-	-	-
(281,152)	-	208,388	(72,764)	PCIP*	(2,468,069)	-	(2,540,833)
-	-	-	-	Action 15	(693,049)	-	(693,049)
(666,404)	-	90,404	(576,000)	ADP*	(744,957)	-	(1,320,957)
(550,920)	-	550,920	-	Integration +Change	(6,762,825)	-	(6,762,825)
(3,078,337)	(682,198)	2,429,573	(1,330,962)	Total Earmarked	(14,404,818)	-	(15,735,280)
(2,500,000)	-	1,229,066	(1,270,934)	Risk Fund	(1,229,066)	-	(2,500,000)
<b>(5,578,337)</b>	<b>(682,198)</b>	<b>3,658,639</b>	<b>(2,601,896)</b>	<b>General Fund</b>	<b>(15,633,884)</b>	<b>-</b>	<b>(18,235,780)</b>

\* PCIP – Primary Care Improvement Funds

\* ADP – Alcohol & Drugs Partnership Funding

## 9. Agency Income and Expenditure

On behalf of all IJBs within the NHS Grampian area, the IJB acts as the lead manager for Sexual Health Services and Woodend Rehabilitation Services. 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 Sexual Health Services agency arrangement is shown below.

2019/20		2020/21
£		£
1,299,409	Expenditure on Agency Services	1,360,494
(1,299,409)	Reimbursement for Agency Services	(1,360,494)
-	<b>Net Agency Expenditure excluded from the CIES</b>	-

The amount of expenditure and income relating to the Woodend Rehabilitation Services agency arrangement is shown below.

<b>2019/20</b> £		<b>2020/21</b> £
6,953,611	Expenditure on Agency Services	6,257,449
(6,953,611)	Reimbursement for Agency Services	(6,257,449)
-	<b>Net Agency Expenditure excluded from the CIES</b>	-

During the financial year the Council acted as an agent for the Scottish Government to pay an additional £500 to ACHSCP Staff employed by the Council and £500 to staff employed via the social care providers. These transactions have no impact on the IJB accounts.

### **10. Related Party Transactions**

The IJB has related party relationships with the NHS Grampian, Aberdeen City Council and Bon Accord Care/Bon Accord Support Services. The nature of these relationships means that the IJB may influence, and be influenced by, these parties. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

#### **NHS Grampian**

<b>2019/20</b> £		<b>2020/21</b> £
(236,426,097)	Funding Contributions received from the NHS Board*	(273,023,639)
-	Service Income received from the NHS Board	-
203,499,055	Expenditure on Services Provided by the NHS Board	210,503,431
194,084	Key Management Personnel: Non-Voting Board Members	202,610
<b>(32,732,958)</b>	<b>Net Transactions with the NHS Grampian</b>	<b>(62,317,598)</b>

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Officer and the Clinical Director. Details of the remuneration for some specific post-holders is provided in the Remuneration Report.

\*Includes resource transfer income of £50,489,655.

### Balances with NHS Grampian

<b>31-Mar-20</b>		<b>31-Mar-21</b>
£		£
2,626,540	Debtor balances: Amounts due from the NHS Board	14,429,839
-	Creditor balances: Amounts due to the NHS Board	-
<b>2,626,540</b>	<b>Net Balance with the NHS Grampian</b>	<b>14,429,839</b>

### Transactions with Aberdeen City Council

<b>2019/20</b>		<b>2020/21</b>
£		£
(90,909,671)	Funding Contributions received from the Council	(93,214,587)
(4,739,454)	Service Income received from the Council	(4,955,087)
131,245,785	Expenditure on Services Provided by the Council	144,736,812
112,739	Key Management Personnel: Non-Voting Board Members	116,576
<b>35,709,399</b>	<b>Net Transactions with Aberdeen City Council</b>	<b>46,683,714</b>

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Financial Officer. Details of the remuneration for some specific post-holders is provided in the Remuneration Report. The Chief Social Work Officer is a non-voting member of the IJB and the costs associated with this post are borne by the Council.

<b>31-Mar-20</b>		<b>31-Mar-21</b>
£		£
-	Debtor balances: Amounts due from the Council	3,805,941
(24,644)	Creditor balances: Amounts due to the Council	-
<b>(24,644)</b>	<b>Net Balance with the Aberdeen City Council</b>	<b>3,805,941</b>

Transactions with Bon Accord Care (BAC) and Bon Accord Support Services (BASS)

Bon Accord Care Limited and Bon Accord Support Services Limited are private companies limited by shares which are 100% owned by Aberdeen City Council. Bon Accord Care provides regulated (by the Care Inspectorate) care services to Bon Accord Support Services which in turn delivers both regulated and unregulated adult social care services to the Council.

<b>31-Mar-20</b>		<b>31-Mar-21</b>
£		£
(1,080,280)	Service Income received from the Council	(4,064,605)
30,434,398	Expenditure on Services Provided by the Council	32,853,507
<b>29,354,118</b>	<b>Net Transactions with BAC/BASS</b>	<b>28,788,902</b>

**11. 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.

## **Glossary of Terms**

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

### **Accounting Period**

The period of time covered by the Accounts, normally a period of 12 months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

### **Accruals**

The concept that income and expenditure are recognised as they are earned or incurred not as money is received or paid.

### **Asset**

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g., cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

### **Audit of Accounts**

An independent examination of the IJB's financial affairs.

### **Balance Sheet**

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Consistency**

The concept that the accounting treatment of like terms within an accounting period and from one period to the next is the same.

### **Contingent Asset/Liability**

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the IJB's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.

## **Creditor**

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

## **Debtor**

Amount owed to the IJB for works done, goods received, or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

## **Entity**

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

## **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the IJB and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

## **Government Grants**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the IJB. These grants may be specific to a particular scheme or may support the revenue spend of the IJB in general.

## **IAS**

International Accounting Standards.

## **IFRS**

International Financial Reporting Standards.

## **IRAG**

Integration Resources Advisory Group.

## **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee.

## **Liability**

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

## **Provisions**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **PSIAS**

Public Sector Internal Audit Standards.

## **Related Parties**

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include voting members, the Chief Officer, the Chief Finance Officer, the Heads of Service and their close family and household members.

## **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

## **Reserves**

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB.

## **Revenue Expenditure**

The day-to-day expenses of providing services.

## **Significant Interest**

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

## **SOLACE**

Society of Local Authority Chief Executives.

## **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom.

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## Risk, Audit and Performance Committee

<b>Date of Meeting</b>	22.06.2021
<b>Report Title</b>	External Audit Final Report
<b>Report Number</b>	HSCP.21.057
<b>Lead Officer</b>	Michael Wilkie, External Auditor (KPMG)
<b>Report Author Details</b>	Michael Wilkie, External Auditor (KPMG) Michael.wilkie@kpmg.co.uk
<b>Consultation Checklist Completed</b>	No
<b>Appendices</b>	Appendix A – Annual Audit Report to the Members of Aberdeen Integration Joint Board and the Controller of Audit for the year ended 31 March 2021

### 1. Purpose of the Report

- 1.1. The purpose of this report is to present the Risk, Audit and Performance Committee (RAPC) with the external audit report 'Annual Audit Report to the Members of Aberdeen Integration Joint Board and the Controller of Audit for the year ended 31 March 2021' for discussion and noting.

### 2. Recommendations

It is recommended that the Risk, Audit and Performance Committee:

- a) Note the contents of the report.

### 3. Summary of Key Information

- 3.1. The Accounts Commission has appointed KPMG LLP as auditor of the Aberdeen City Integration Joint Board (IJB).



## **Risk, Audit and Performance Committee**

- 3.2. This report to those charged with governance is designed to summarise the external auditor's opinions and conclusions on significant issues arising from the audit of the financial statements for Aberdeen City IJB for the financial period 2020/21.
- 3.3. The scope and nature of the audit was set out in the audit strategy document, which was presented to the Risk, Audit and Performance committee at the outset of the audit.
- 3.4. There is one new audit recommendation identified during the audit in relation to the annual governance statement and internal audit. This had been addressed in the annual governance statement presented to the Committee today.

### **4. Implications for IJB**

- 4.1. **Equalities** – there are no direct implications arising from this report.
- 4.2. **Fairer Scotland Duty** – there are no direct implications arising from this report.
- 4.3. **Financial** – there are no direct implications arising from this report.
- 4.4. **Workforce** - there are no direct implications arising from this report.
- 4.5. **Legal** – there are no direct implications arising from this report.
- 4.6. **Other** - NA

### **5. Links to ACHSCP Strategic Plan**

- 5.1. Ensuring good governance will support the IJB to achieve all elements of its strategic plan.



## Risk, Audit and Performance Committee

### 6. Management of Risk

- 6.1. **Identified risks(s):** The External Audit process considers risks involved in the areas subject to review. Any risk implications identified through the External Audit process are as detailed in the resultant report.
- 6.2. **Link to risks on strategic risk register:** There is a risk of financial failure, that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and projects an overspend.
- 6.3. **How might the content of this report impact or mitigate these risks:** Where risks have been identified during the External Audit process, recommendations have been made to management in order to mitigate these risks.

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# Aberdeen City Integration Joint Board

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Annual Audit Report to the Members of Aberdeen Integration Joint Board and the Controller of Audit for the year ended 31 March 2021

14 June 2020

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## **About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code").

This report is for the benefit of Aberdeen City Integration Joint Board ("IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone. Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities sections of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Michael Wilkie, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: Michael.wilkie@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Fiona Kordiak, Director of Audit Services, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.

# Executive summary

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## Audit conclusions

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We plan to issue an unqualified audit opinion on the annual accounts of Aberdeen City Integration Joint Board (“the IJB” or “the Board”) following their approval by the IJB.

We identified one significant risk in the audit of the IJB at the outset of the audit, being the management override of controls fraud risk. As documented on pages 10 to 12, we have concluded satisfactorily in respect of the significant risk and the audit focus areas identified in the audit strategy document.

The annual accounts, governance statement and remuneration report were received at the start of the audit fieldwork. We have no matters to highlight in respect of adjusted audit differences or our independence.

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## Financial management and financial sustainability

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The IJB faces ongoing financial pressures due to increasing needs, funding constraints and the cost pressures faced by the two partners. Both partners have budgeted for required savings within their respective organisations. We propose to conclude that the IJB is a going concern as a result of the Integration Scheme and the financial sustainability of the partners, together with the £2.5 million risk fund and other reserves held by the IJB, **however, at the time of drafting internal technical consultation regarding going concern is incomplete (page 8)**. We are satisfied that the annual refreshing of a five year medium term financial framework helps the IJB to plan for future pressures, and it supports officers in discussions of future budget settlements.

## Financial position

Page 5

The IJB has a responsibility to set a breakeven budget each year and had set a budget of £330.3 million which was then revised during the year to £327.3 million. The Board planned to deliver savings of £5.7 million. During late 2020-21 the IJB received a significant amount of Scottish Government funding, in quarter 4, which added to the trading underspend of £5.2 million led to an overall underspend of £15.6 million. This contributed to an overall increase of earmarked reserves to £18.2 million (see detail page 7).

The £12.8 million of underspend was due to demand underspend of £5.2 million and £10.4 million of increase in Scottish Government funding late in 2020-21.

## COVID-19 impact

The impact of Covid-19 on the 2020-21 financial year was significant. The Scottish Government requested that the IJBs produce a mobilisation plan early in April and initial costs of the COVID-19 going forward were estimated at £15.6 million. The Cabinet Secretary approved the funding in principle. In Total direct Covid-19 related expenditure was disclosed as £17.2m, and other indirect Covid-19 demand pressures on secondary expenditure of £1.6m so a total of additional expenditure of £18.8m. This expenditure has been fully met by additional income either direct from Scottish Government through the two partners in the form of various grants and income streams.

## Accounting for Covid-19 grants

Guidance was provided in late May 2021 as to the correct accounting treatment for the various Covid-19 grants. The IJB have correctly accounted for the grants where acting as principal, and where acting as agent an additional disclosure has been made to the financial statements.

# Scope and responsibilities

### Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Integration Joint Board under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the IJB and the Controller of Audit. The scope and nature of our audit are set out in our audit strategy document which was presented to the Risk, Audit and Performance Committee (“the RAPC”) on 27 April 2021.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration areas such as financial performance and corporate governance.

### Accountable officer responsibilities

The Code sets out the IJB’s responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error;
- financial position; and
- Best Value

### Auditor responsibilities

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK) (“ISAs”) issued by the Financial Reporting Council and the Code. Appendix one sets out how we have met each of the responsibilities set out in the Code.

### Scope

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of ISA 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This report to those charged with governance, and our presentation to the Integration Joint Board, together with previous reports to the RAPC throughout the year, discharges the requirements of ISA 260.

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# Financial position

## Overview

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB should therefore be prepared in accordance with the 1973 Act and the 2020-21 Code of Practice on Local Authority Accounting in the United Kingdom (“the CIPFA Code”).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Aberdeen. The Board is responsible for the services as set out in the Integration Scheme, which includes ‘hosted’ services which are provided by the IJB on behalf of the other Integration Joint Boards in Grampian: Aberdeenshire and Moray.

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Legislation empowers the Board to hold reserves. The Integration Scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that in the event of an underspend at the year end, it will be retained by the IJB as reserves following agreement with the partners, unless the following conditions apply:

- where a clear error has been made in calculating the budget requisition; or
- in other circumstances agreed through a tri-partite agreement between the partners and the IJB.

During 2020-21, the IJB underspent against its income. This was mainly due to unspent funding provided by the Scottish Government to the IJB via NHS Grampian. The monies received in quarter four were required to be earmarked if not used. The IJB have £10.4 million of earmarked funds of the £15.6 million surplus. The underspend has been appropriately reflected as part of the IJB’s reserves movements during the year.

## Financial management overview

The IJB budget process begins in September each year with final approval by March.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff (other than the Chief Officer and the Chief Finance Officer). All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation’s accounting records.

### Snapshot of 2020-21

#### Planned/budget

Funding contributions from Aberdeen City Council £94.3 million	Funding contributions from NHS Grampian £236.0 million	Net expenditure £330.3 million	Break even on provision of services £0 million
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#### Actual

Funding contributions from Aberdeen City Council £93.2 million	Funding contributions from NHS Grampian £273.0 million	Net expenditure £350.6 million	Surplus on provision of services £15.6 million
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Reserves Movement	£ million
<b>Opening balance as at 31 March 2020</b>	<b>(2.6)</b>
Planned income	(330.3)
Increased Scottish Government income via NHS Grampian.	(35.9)
Planned expenditure	330.3
Additional expenditure	20.3
<b>Closing balance as 31 March 2021</b>	<b>(18.2)</b>

# Financial position (continued)

## 2020-21 Financial position

A surplus of £15.6 million is reported in the comprehensive income and expenditure statement (“CIES”), which was funded in the main from late Scottish Government monies which are earmarked for expenditure in 2021-22.

## Comprehensive income and expenditure statement

The IJB has a responsibility to set a breakeven budget each year. For 2020-21 this was initially agreed to be delivered via the generation of savings, however as a result of the Covid-19 pandemic and the response from ACHSCP it was not possible to deliver all the savings initially identified. In order to protect IJB's from being financially disadvantaged as a result of the pandemic response the Scottish Government agreed to fund all the additional costs of Covid-19, including undelivered savings.

The budget is updated and revised throughout the year, based on known pressures and actual results achieved. This is reported to the Board to challenge and approve the amendments.

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## Key CIES underspends and overspends (see overall table)

- Learning disabilities: underspend £1.6 million. Underspends on homecare, day care offset by an overspend on residential care.
- Aberdeen City share of hosted health services underspend £1.3 million. This is due to most services reporting underspends, excluding Grampian Medical Emergency Department which is reporting an overspend.
- Older people and physical and sensory disabilities: underspend of £1.2 million. This is due to a correction in rental income offset by an increase in commissioned services during 2020-21.
- Integration and change fund: underspend of £6.1 million, however spend earmarked for 2021-22
- Primary care Improvement fund underspend of 32.4 million, spend earmarked for 2021-22

## Planned balanced position

To achieve a balanced budget the IJB had a savings target of £5.7 million, estimated budget pressures of £13.4 million and agreed additional funding of £7.7million. The outturn position (removing the additional funding received late from the Scottish government £10.4 million) is showing a surplus of £5.2 million. This equates to a mixture of reduced demand and achievement of savings plans. The IJB updates the Board on a quarterly basis on its savings target.

Expenditure	Full year revised budget (£000)	2020-21 Actual (£000)	(Under) / over spend (£000)
Community health services	36,803	36,773	30
Aberdeen City share of hosted health services	24,378	23,010	1,368
Learning disabilities	35,955	34,345	1,610
Mental health and addictions	21,594	21,098	496
Older people and physical and sensory disabilities	80,192	79,025	1,167
Directorate	1,251	326	925
Criminal Justice	92	92	0
Housing	746	746	0
Primary care prescribing	40,365	40,447	(82)
Primary care	43,170	42,513	657
Out of area treatments	2,000	2,751	(751)
Set-Aside	47,802	47,802	0
Direct Covid-19 Costs	17,240	17,240	0
Public Health	2,171	1,908	263
<b>Total mainstream</b>	<b>353,759</b>	<b>348,076</b>	<b>5,683</b>
Integration and change	6,045	0	6,045
Primary care improvement fund	4,152	1,684	2,468
Action 15 mental health	1,196	503	693
Alcohol drugs partnership	1,086	341	745
<b>Total mainstream and funds</b>	<b>366,238</b>	<b>350,604</b>	<b>15,634</b>

Source: Finance update as at 31 March 2021

# Financial position (continued)

## Balance sheet

As the IJB does not own fixed assets or hold bank accounts, the balance sheet is made up solely of amounts owing to and from the partner organisations and the resulting reserves.

The debtors and creditors balances as at 31 March 2021 consist of £14.4 million owed by NHS Grampian (“NHSG”) and £3.8 million owed by Aberdeen City Council (“ACC”). These amounts relate to various earmarked reserves to be spent in 2021-22

A list of the earmarked reserves created from the late Scottish Government monies via NHS Grampian.

The IJB have increased its funds during the year through a combination of underspends in some services but also the significant Scottish government funding provided late in 2020-21 which is earmarked for specific projects. The risk fund was increased to £2.5 million during the year. The risk fund is intended to support the health and social care services provision and protect against any budget pressures during the year.

We provide further narrative on financial sustainability and financial management on pages 16 to 20.

Earmarked Reserves	2020-21 (£000)	2019-20 (£000)
Risk Fund	2,500	£1,271
Integration and Change	6,763	-
Primary Care Improvement Fund	2,541	73
Alcohol Drugs Partnership	1,321	576
Earmarked External Funding	1,007	682
Community Living change	877	-
Action 15	693	-
Covid-19 Funding	2,534	-
<b>Total 31 March 2021</b>	<b>£18,236</b>	<b>£2,602</b>

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Source: Audited annual accounts for the year ended 31 March 2021

# Audit conclusions

## Audit opinion

Following approval of the annual accounts by the IJB, we plan to issue an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2021, and of the surplus for the year then ended.

KPMG has determined that for 2020-21, there is a rebuttable presumption that at least a material uncertainty will exist in relation to going concern in all audit opinions. After consulting with our technical team we expect to rebut this presumption and concluded that not material uncertainty is required in our report in relation to the Integration Joint Board accounts, however at the time of drafting this consultation is incomplete.

There were no matters identified on which we are required to report by exception.

## Financial reporting framework, legislation and other reporting requirements

The IJB is required to prepare its annual accounts in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2020-21 ("the CIPFA Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the CIPFA Code and relevant legislation.

## Statutory reports

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

## Other communications

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

## Audit misstatements

There was one misstatement identified by management in relation to double counting the reserve transfer which resulted in double counting of council's expenditure by £1.5 million. This was adjusted between funding from council and the NHS and the effect on the Comprehensive Income and Expenditure Statement was Nil. There were other two issues noted in the financial statements proactively by management. These concerned the set aside total and the Chief Officer's pension disclosure. These were updated and are not considered audit adjustments. There were also minor presentational and disclosure adjustments made by management as a result of our audit.

## Written representations

Our representation letter did not include any additional representations to those that are standard as required for our audit.

# Materiality and summary of risk areas

### Materiality

We summarised our approach to materiality in the audit strategy document. On receipt of the annual accounts and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £3.5 million for the IJB's annual accounts. This equates to 1% of cost of services expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. Our performance materiality was £2.595 million. We report all misstatements greater than £173,000.

### Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

- performed substantive procedures to ensure that key risks to the annual accounts have been covered;
- reviewed internal audit reports as issued to the RAPC to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;
- reviewed estimates and accounting judgments made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and
- attended RAPC meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

### Financial statements preparation

Draft financial statements were published online in line with Section 195 of Local Government (Scotland) Act 1973, this included the management commentary and Annual Governance Statement.

In advance of our audit fieldwork we issued a 'prepared by management' request setting out a list of required analyses and supporting documentation. We received working papers of good quality, and draft financial statements were provided on at the start of the audit fieldwork, including the management commentary and the remuneration report.

There were two issues noted in the financial statements proactively by management. These concerned the set aside total and the Chief Officer's pension disclosure. These were updated and are not considered audit adjustments.

### Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

Significant risks (page ten of this report):

- management override of controls fraud risk

Other focus areas (page 11 and 12 of this report):

- financial sustainability (also a wider scope area)
- completeness and accuracy of expenditure; and
- COVID-19 impact (identified after the planning stage)

Wider scope areas (page 15 of this report):

- financial sustainability;
- financial management;
- value for money; and
- governance and transparency.

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# Financial statements and accounting

## Significant risks

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Management override of controls fraud risk*</b></p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as management is typically in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB.</p> <p>Strong oversight of finances by IJB management, as well as management at the executive level, provides additional review of potential material errors caused by management override of controls.</p> <p>We agreed the total income, expenditure and debtor balances to confirmations from the external partner organisations.</p>	<p>There were no specific circumstances identified which would indicate additional risk of management override of controls. No overrides in controls were identified.</p>
<p><b>Income recognition fraud risk (rebutted)</b></p> <p>Professional standards, as interpreted by Practice Note 10, require us to make a rebuttable presumption that the fraud risk from revenue recognition and expenditure are significant risks.</p>	<p>As set out in our audit strategy the Board receives funding requisitions from Aberdeen City Council and NHS Grampian. These are agreed in advance of the financial year, with any changes arising from changes in need, requiring approval from each body. There is no estimation or judgement in recognising this stream of income and we do not regard the risk of fraud to be significant.</p> <p>The Board issues directions to Aberdeen City Council and NHS Grampian in order to direct those bodies to deliver services delegated by the Board. The Board makes these directions based on its budget agreed in advance of the financial year. There is no estimation or judgement in recognising expenditure to these bodies, and we do not regard the risk of fraud to be significant.</p>	<p>No exceptions were noted in agreeing income to partner organisation confirmations.</p> <p>We are satisfied that income is recognised appropriately, in the correct financial year and in line with the CIPFA Code.</p> <p>We concluded that additional funding received from the Scottish Government was accounted for correctly.</p> <p>We are satisfied that expenditure has been appropriately recognised and no indication of fraudulent recognition.</p>

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\* We set out above the significant risk identified in the audit, together with our conclusion. The audit opinion within the annual accounts includes a reference to the most significant assessed risks of material misstatement, which is the significant risk included in this annual audit report. This annual audit report does not constitute our audit opinion; the opinion is included within the annual accounts.

# Financial statements and accounting

## Other focus areas

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Financial sustainability</b></p> <p>Financial sustainability looks forward to the medium and longer term to consider whether the Board is planning effectively to continue to deliver its services or the way in which they should be delivered. This is inherently a risk to the Board given the challenging environment where funding is reduced and efficiency savings are required</p>	<p>In order to assess the ability of the IJB to continue to deliver services in the medium to long term, we have reviewed the following key documents:</p> <ul style="list-style-type: none"> <li>— Integration Scheme (as updated in March 2018).</li> <li>— Reserves strategy.</li> <li>— Medium term financial framework.</li> <li>— Transformation programme.</li> </ul>	<p>The IJB has detailed plans in place over the medium term to consider how services will be provided in future years. These take into consideration known and expected budget pressures. In response, plans have been prepared to close the funding gap through a combination of service transformation, efficiency savings and service redesign.</p> <p>During the year the total reserves increased from £2.6 million to £18.2 million. This is due to both in year surplus, and also £10.4 million of Scottish Government funding received late in the year for earmarked projects.</p> <p>The impact of the COVID-19 mobilisation plan on 2020-21 budget was that £17.2 million direct local mobilisation spend was recognised, and a further £1.6 million of indirect costs incurred during the year. This was funded by Scottish Government through the partner bodies.</p> <p>In view of the medium term financial strategy, reserves position and the financial position of the partner organisations, we consider that the IJB is financially sustainable. Management should continue to ensure that the financial plans are robustly monitored closely to identify any potential overspends as soon as possible to allow mitigating action to be taken.</p>

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# Financial statements and accounting

## Other focus areas (continued)

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Completeness and accuracy of expenditure</b></p> <p>The Board receives expenditure forecasts from Aberdeen City Council and NHS Grampian as part of the annual budgeting process. There is a risk that actual expenditure and resulting funding requisition income is not correctly captured.</p>	<p>The closing balances with the partner organisations were agreed to confirmations from each body, and the split of expenditure on the comprehensive income and expenditure statement agreed to reports from the partner organisations.</p> <p>The IJB does not post journals throughout the year, with financial processing taking place at the partner bodies. Adjustments are posted as part of the year end accounts preparation process. These post-closing entries were tested without exceptions identified.</p>	<p>The expenditure disclosed in the accounts is complete and accurate.</p>
<p><b>COVID-19 related grants</b></p> <p>As part of the economic support provided by the Scottish government, the IJB will need to consider the accounting treatment for Covid-19 related grants. This includes the £500 additional payment due to some key workers.</p> <p>Due to the complexity, development of guidance and relative inexperience of administering the schemes, there is an element of risk of fraud and error in respect of payments made and disclosure.</p>	<p>We inquired of Officers how the partners and the IJB accounted for the grants in respect of potential accruals, prepayments and provisions.</p> <p>We inquired of Officers to determine how the partner bodies administer any grants or payments provided, and how the IJB obtain sufficient assurance that these payments are correctly made.</p> <p>We considered the LASAAC guidance on Accounting for Covid-19 Grants / funding streams V5.4 and whether the required accounting treatment within the annual accounts is appropriately made in respect of guidance and the 2020-21 Code.</p>	<p>The IJB have gained sufficient assurance as necessary from the partner bodies that they have accounted for the grants and funding in line with the LASAAC guidance and accounted for these as “principal”, including the gross income and expenditure, where applicable.</p> <p>Where the partner bodies have accounted for the grants and funding in line with guidance as an “agent” they have not included the income and expenditure and have disclosed these as an agent in the disclosure notes.</p> <p><b>The IJB have included “principal” grants as income and expenditure, and where “agent” the IJB have agreed to update the financial statements with a disclosure note of the Covid-19 grants where acting as an agent as outlined in the LASAAC guidance. This disclosure note has still to be audited and concluded upon at time of writing.</b></p>

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# Management reporting in financial statements

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<p><b>Management commentary</b></p>	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the annual accounts, similar to the Companies Act requirements for listed entity financial statements. The requirements are outlined in the Local Government finance circular 5/2015.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts.</p> <p>We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.</p>	<p>The information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the Local Government finance circular 5/2015 and are content with the proposed report.</p>
<p><b>Remuneration report</b></p>	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>The information contained within the revised remuneration report is consistent with the underlying records and the annual accounts and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p>
<p><b>Annual governance statement</b></p>	<p>The statement for 2020-21 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the IJB's governance framework, review of effectiveness, continuous improvement agenda, and analyses the efficiency and effectiveness of these elements of the framework. It also goes on to suggest improvement activities undertaken during the year over specific corporate governance principles.</p> <p>We review the annual governance statement to ensure that management's disclosure is consistent with the annual accounts, and that management have disclosed that which is required under the delivering good governance in local government framework.</p>	<p>We had discussions with the IJB, reviewed early draft of the Annual Governance Statement and shared applicable guidance.</p> <p>We understand the challenges of updating the review of the system of internal controls in the current situation and note that a review has been undertaken to the extent possible.</p> <p>We are satisfied with the approach taken by the IJB and consider the governance framework and revised annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.</p> <p><b>We recommended that it would be sensible to add a small statement about the challenge and delivery of the Internal Audit plan</b></p>

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# Qualitative aspects and future developments

### Qualitative aspects

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

We consider the accounting policies adopted by IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under the Code of Practice on Local Authority Accounting.

Financial statement disclosures were considered against requirements for the Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code of Practice on Local Authority Accounting during 2020-21 which affected the IJB.

There are no significant accounting estimates other than those relating to the calculation of the pension assets and liabilities previously summarised.

Financial statement disclosures were considered against requirements of Code of Practice on Local Authority Accounting, relevant legislation and IFRS. No departures from these requirements were identified.

### Future accounting and audit developments

The new standards will be set out in Appendix C to the 2021-22 Code of Local Practice on Local Authority Accounting in the United Kingdom and are expected to include IFRS 16 Leases. This is not expected to have an impact on the IJB's annual accounts.

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# Wider scope and Best Value

## Audit dimensions introduction and conclusions

The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission: financial sustainability; financial management; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it has proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these proper arrangements.

During our work on the audit dimensions we considered the work carried out by internal audit and other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code of Audit Practice.

### Financial sustainability

During the year the total reserves increased from £2.6 million to £18.2 million. The medium term financial strategy has ambitious savings targets planned for years 2-5 and the recurring impact of COVID-19 on demand is uncertain.

The IJB has a strong transformation governance structure in place to monitor delivery of savings. The IJB is planning to deliver transformational change over the longer term in order to address some of the financial challenges.

Given that ACC and NHSG fund the IJB in accordance with the Integration Scheme, together with the IJB's control over transformation, we consider that the IJB is financially sustainable. However, there is uncertainty over recurring demand and thus level of savings required.

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### Governance and transparency

We consider that the IJB has appropriate governance arrangements and they provide a framework for effective organisational decision making.

We consider that scrutiny is robust, specifically in respect of the RAPC where members demonstrate proportionate challenge.

The IJB is committed to transparency, with committee papers being publically available.

Aberdeen  
City IJB

### Value for money

We consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.

### Financial management

The IJB has strong controls over the monitoring of expenditure against budget, with quarterly reports being presented at board meetings and evident scrutiny of costs.

Financial capacity is appropriate, and is well supported by the leadership team.

No audit adjustments were identified in the external audit and we consider that the control environment is robust. Management performed well to work to an accelerated preparation of the annual accounts and audit timetable.

The arrangements for monitoring against fraud in procurement are appropriate.

# Wider scope and Best Value

## Financial sustainability

**Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.**

Financial sustainability is a risk to the IJB given the challenging environment, where funding is reducing in real terms and efficiency savings are required. In assessing financial sustainability we consider whether the IJB is able to balance budgets in the short term and whether longer term financial pressures are understood and are planned for, as evidenced by the IJB's financial strategies and plans.

### Budget setting

The IJB receives budget allocations from NHSG and ACC. The IJB budget is set one year in advance, in line with the current practice of single year budget allocations from Scottish Government. Management used the confirmed funding for the 2021-22 budget to develop a five year medium term financial strategy. Projections for 2021-22 are based on historic trends and planning assumptions. The strategy is assumptions are based on the current Scottish Budget process.

The total final approved funding for IJB in 2021-22 is £334.03 million, which is a 1.1% increase from the £330.3 million prior year initial budget. Around 71% of this funding comes from NHSG and 29% from ACC. In 2021-22 an additional £2.7 million Scottish Government financial settlement was passed in full from ACC to the IJB.

Both partners are facing financial challenges with demand exceeding resources available and transformation programmes being underway. These financial pressures directly impact the IJB as funding from partners is the IJB's sole source of recurring funding, and the partners' savings targets are naturally reflected within the IJB budget.

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Local pressures have also impacted the five year financial plan, including pay award, transitioning children with learning disabilities into the adult care need for locums, prescribing, community mental health spend and demographic uplift in costs.

	2021-22	2022-23	2023-24	2024-25	2025-26
	£000	£000	£000	£000	£000
Budget Pressures	2,631	6,275	6,419	6,566	6,719
New Requirements	3,400	2,861	2,947	3,035	3,126
<b>Total Pressures</b>	<b>6,031</b>	<b>9,136</b>	<b>9,366</b>	<b>9,601</b>	<b>9,845</b>
Funding from the Covid19 – Local Mobilisation Plan 20-21	(4,250)	-	-	-	-
Funding Uplift – Aberdeen City Council	(2,715)	(2,300)	(2,300)	(2,300)	(2,300)
Funding Uplift - NHS Grampian	(2,100)	(2,100)	(2,100)	(2,100)	(2,100)
<b>Total Increased Funding</b>	<b>(9,065)</b>	<b>(4,400)</b>	<b>(4,400)</b>	<b>(4,400)</b>	<b>(4,400)</b>
<b>Total Savings Required</b>	<b>(3,034)</b>	<b>4,736</b>	<b>4,966</b>	<b>5,201</b>	<b>5,445</b>

Every year the Board refreshes its five year medium term financial strategy. In the previous years the IJB increased its risk fund for any contingencies. There is £2.5 million of the fund left in the reserves and the Board is currently considering its future use. The reserves at 31.3.2021 included reserves for Covid-19 funding which is planned to be used in 2021-22

We note that the level of savings required next year has already been achieved however there are significant challenges in the later years in the plan presents a financial sustainability challenge in the future years.

# Wider scope and Best Value

## Financial sustainability (continued)

### Reserves strategy

The IJB approved a reserves policy in October 2016 which sets out the statutory and regulatory framework for reserves and its operation. The position, set out in the table below shows the reserves held at 31 March 2021. The IJB is planning to consider the future of the funds in the current financial year.

2020-21 reserve movements	£ million
<b>Opening reserves (as 1 April 2020)</b>	<b>2.6</b>
Increase in risk fund	1.2
Increase in integration and change fund	6.8
Increase in Primary Care reserve	2.5
Increase in alcohol drugs partnership reserve	0.7
Increase in Earmarked funding reserve	0.3
Increase in Community living change fund	0.9
Increase in action 15 fund	0.7
Increase in Covid-19 funding reserve	2.5
<b>Closing reserves (as at 31 March 2021)</b>	<b>18.2</b>

### Risk sharing

The Integration Scheme sets out the process to be followed should the IJB overspend against the agreed budget. The Chief Finance Officer is expected to manage the budget to ensure that there are no overspends. Where an unexpected overspend is likely, the Chief Finance Officer should agree corrective action to mitigate the overspend. Where this does not resolve the gap, agreement must be made between the partners, in conjunction with the executive team, to agree a recovery plan to balance the budget.

Where this is unsuccessful and the IJB overspends at the year end, uncommitted reserves are applied to the overspend firstly and the remaining overspend is either met by a voluntary additional one-off payment from a partner or the partners make joint additional payments proportionate with their respective share of the IJB baseline budget.

This arrangement gives the IJB comfort that overspends will ultimately be met by the partners.

While the reserves levels are decreasing the existence of this legal framework allows the IJB to prepare the annual accounts on a going concern basis.

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COVID-19 impact

The impact of Covid-19 on the 2020-21 financial year was significant. The Scottish Government requested that the IJBs produce a mobilisation plan early in April and initial costs of the COVID-19 going forward were estimated at £15.6 million. The Cabinet Secretary approved the funding in principle, however the level, method and terms of support has not been confirmed and is subject to being aligned with the mobilisation plans, accurately recorded, timely shared, and being reasonable. In Total direct Covid-19 related expenditure was disclosed as £17.2m, and other indirect Covid-19 demand pressures on secondary expenditure of £1.6m so a total of additional expenditure of £18.8m. This expenditure has been fully met by additional income either direct from Scottish Government through the two partners in the form of various grants and income streams.

Late funding was received for a number of earmarked schemes late in 2020-21 which has increased reserves by £10.3 million. This funding will be needed to meet demand in 2021-22.

The 2021-22 budget and the Medium Term Financial Framework were approved taking account of the known facts around Covid-19 including some assumptions on whether the demand created by Covid-19 is recurring or will change over time. This will bring uncertainty in both the planning and probable delivery of the 2021-22 budget. However on review of the required savings in 2021-22 (negative) the budget has clear flexibility built into this to meet changing demands..

# Wider scope and Best Value

## Financial sustainability (continued)

COVID-19 introduced a new layer of financial pressures and there is an expectation that the care and health services will be delivered by the public service organisations, including IJBs.

### Transformation programme

The IJB is in its fifth year of operation and has ongoing transformation programme. The Board receives regular updates on progress towards transformation projects. Key decisions are presented to the Board for approval. The RAPC also receives detailed updates into transformation progress including 'deep dives' into specific areas at request. The 2019-22 strategic plan was agreed in March 2019, and has the following high level aims:

- Prevention
- Resilience
- Personalisation
- Connections
- Communities

The IJB have agreed a number of workstreams aligned to the strategic plan including:

- Programme for transformation Managing demand;
- Conditions for change;
- Accessible and responsive infrastructure;
- Data and digital/prevention; and
- Future service redesign.

As noted in our previous Annual Audit Reports, a strong governance structure has been put in place to ensure effective operational and executive oversight of the transformation program. The programme has priority projects which are considered to have the largest potential impact and those that support the IJB's plans to shift towards a more person-centred and community-focussed health and social care service.

### Efficiency savings

Wider efficiency savings have been identified as part of the five year plan, acknowledging that transformational savings will take longer to realise. These measures include:

- Service redesign: focus on delivering savings from continuous review of service provision to ensure the best service can be delivered within budget.
- Medicines management: focus on mitigating the risk of rising costs of primary care medicines, by introducing a range of measures to control prescribing volumes and reduce costs per item.
- Out of Area placements
- Delivering infrastructure for whole system to be connected

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### Conclusion

Given that ACC and NHSG fund the IJB in accordance with the Integration Scheme, together with the IJB's control over transformation, we consider that the IJB is financially sustainable. However, there is a risk and uncertainty in respect of the impact of COVID-19.

Significant budget savings are included within the five year plan and the IJB has a strong transformation governance structure to monitor delivery of savings. High level themes have been developed to support budget savings. The challenging targets and uncertain recurring impact of COVID-19 and financing arrangements indicate uncertainty into 2021-22 however outline plans show appropriate arrangements for financial sustainability in place.

# Wider scope and Best Value Financial management

**Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.**

The Chief Finance Officer is responsible for ensuring that appropriate financial services are available to the IJB and the chief officer.

## Budgetary controls

The IJB's financial management comes under an appropriate degree of scrutiny, with budgets monitored at IJB, Local Authority and NHS level.

The IJB produces a quarterly finance update which is taken to both the Board and the RAPC. From a review of the minutes and attendance at meetings, it is evident that there is a sufficient level of scrutiny, and these reports have allowed the IJB to address overspends in a timely fashion.

Furthermore, a monthly finance update is provided from NHS Grampian to IJB management.

We reviewed the budgeting process including the monitoring of budgets throughout the year. We found that budget reports were presented to the Board and RAPC on a timely basis and that overspends are appropriately discussed and challenged.

## Audit Scotland focus area: risk of fraud and corruption in procurement

The IJB does not have its own procurement section and is relying on the processes put in place by its funding bodies. We enquired as to how the IJB is getting assurances that these processes are effective and help mitigating risk of fraud in corruption.

The IJB directs the Council to carry out procurements and enter into contracts for social care services. The IJB then has the assurance that the Commercial and Procurement Shared Service (CPSS), including the social care team, follow the Aberdeen City Council scheme of governance and Procurement Regulations for all its activity.

All staff have to have delegated procurement authority, after undertaking the appropriate training.

We consider the IJB arrangements in relation to procurement appropriate.

## Financial regulations

The IJB has standing financial regulations which determine how spend can be authorised. The highest expenditure that can be approved by the Chief Officer is £50,000, with anything above that level having to go through the Board, which conducts its meetings in public.

## Finance function capacity

The S95 officer is the chief finance officer, therefore has appropriate status within the IJB and access to the partner chief executive officers and Board members. The finance function consists of the chief finance officer, and other resources are used as required from ACC and NHSG finance teams. Finance function capacity is considered to be appropriate, and is supported by a full leadership team.

The IJB provides induction and ongoing training for both elected members and other Board members. There is an ongoing calendar of workshops which take place after most Board meetings to address upcoming subjects and are intended to give members the knowledge they need in order to provide appropriate scrutiny.

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# Wider scope and Best Value Financial management (continued)

## Annual accounts

The same as last year the annual accounts preparation continuous to be brought forward in order to adhere to the ACC accelerated timetable. Officers issued unaudited annual accounts to the Audit and Risk committee on 27 April 2021. The audit was conducted from early June 2021 and no audit adjustments were identified. Management performed well to accelerate the timetable whilst maintaining quality for the forth year in a row.

### Conclusion

The IJB has appropriate controls over the monitoring of expenditure against budget, with quarterly reports going to public board meetings and evident scrutiny of costs.

Financial capacity is appropriate, and is well supported by the executive team.

Management performed well to further accelerate the annual accounts preparation and audit timetable.

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# Wider scope and Best Value

## Governance and transparency

**Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.**

### Governance framework and decision making

The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements. To assist in this role, the IJB developed an assurance framework called the Local Code of Governance in conjunction with the Good Governance Institute, which provides readers with an understanding of the governance framework and the assurances that can be obtained from it. This Local Code is reviewed on an annual basis.

The Integration Scheme between ACC and NHSG also sets out key governance arrangements. The Board comprises a wide range of service users and partners including elected councillors nominated by ACC and directors nominated by NHSG. The RAPC reviews the overall internal control arrangements of the Board and makes recommendations to the IJB regarding signing of the Annual Governance Statement.

A second committee, the Clinical Care and Governance Committee, focuses on clinical assurance.

The Board and RAPC each met on a regular basis throughout the year. We review minutes from each to assess their effectiveness. We also periodically attend meetings of the RAPC. From this we have concluded that the committee is effective and provides robust challenge.

The board assurance and escalation framework sets out how the Board obtains the appropriate assurances on its activities. This framework includes the governance structure, systems and performance outcomes through which the Board receives assurance. It also describes the escalation process.

The Chief Officer provides overall strategic and operational advice to the IJB and is accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of ACC and the Chief Executive of NHSG and provides regular reports to both the council and the NHS Board.

On 3 September 2018 Sandra Macleod was appointed as the permanent Chief Officer, having previously been in the role of Managing Director of Bon Accord Care.

In response to the COVID-19 pandemic the IJB's decision making structure was streamlined. This was agreed to at a Board meeting on 24 March 2020. The temporary standing order was approved allowing members to participate in meetings remotely. All the meetings during 2020-21 have allowed members to participate in meeting remotely and continue into 2021-22 due to the ongoing Covid-19 pandemic.

### Risk management

The risk management processes are based on IJB's work with the Good Governance Institute from 2016 when all of the IJB's governance arrangements, including carrying out a review of the IJB's assurance framework, were reviewed. This provided assurance that key risks to the achievement of integration objectives have been appropriately identified, communicated and addressed. The IJB has set out its risk appetite in its strategic plan and the risk appetite is reviewed by the Board on an annual basis. Risk registers are regularly updated and scrutinised by management and the RAPC.

The IJB is now updated on a weekly basis as to the key risks in relation to the COVID-19 and ongoing work to mitigate those. This includes the in-house services, commissioned services, GP services and their capacity, demand pressures and ability to deliver the services.

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# Wider scope and Best Value Governance and transparency (continued)

## Internal control

ACC and NHSG are the partner bodies. All financial transactions of the Board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny as the council and health board, including the work performed by internal audit.

## Internal audit

The IJB has an internal audit function which undertakes reviews at both the IJB level and ACC level. NHS Grampian has its own internal audit function, however any reviews specific to the IJB are shared with the Board and RAPC. Internal audit completed one audit during 2020-21, with three further audits ongoing into 2021-22 due to the Coronavirus pandemic impact. There were no recommendations graded as 'major'. This delivery is less than planned and difficulties were encountered due to Covid-19.

The chief internal audit auditor concluded in the annual audit report that sufficient work was completed during the year, or was sufficiently advanced to enable it to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's framework of governance, risk management and control.

The chief internal auditor has carried out a self assessment of the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. He has confirmed that they meet with 12 of the 13 standards fully and generally conforms to the other with agreed actions to fully meet the requirements in place, We reviewed internal audit reports and conclusions, and through discussion obtained the views of internal audit of risks of fraud within the Council.

The review of internal audit reports and conclusions did not indicate additional risks and there was no impact on our audit approach.

## Fraud

Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the Board does not directly employ staff, investigations will be carried out by the internal audit service of the partner body where any fraud or irregularity originates. NHSG can also call on the expertise of Counter Fraud Services provided through NHS National Services Scotland.

## Transparency

The public should be able to hold the IJB to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using its resources.

Full details of the meetings held by the IJB and the RAPC committee are available through the ACC website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. Reasons for papers being discussed in private are given in the meeting minutes. Members of the public are welcome to attend board meetings and RAPC meetings.

We have not found evidence to suggest that information is unjustifiably withheld from public scrutiny. Furthermore, members of the public can attend meetings of the IJB. Overall we concluded that the IJB is open and transparent.

### Conclusion

We consider that the IJB has appropriate governance arrangements and they provide a framework for effective organisational decision making.

The IJB considered the governance framework at its formation, including working with the Good Governance Institute to ensure that structures and processes are appropriate.

**We recommend that a small statement on the difficulties in the delivery of the IA plan is added to AGS.**

We consider that scrutiny is robust and transparent.

# Wider scope and Best Value (continued)

## Value for money

### **Value for money is concerned with using resources effectively and continually improving services.**

The Public Bodies (Joint Working) (Scotland) Act 2014 sets out a broad framework for creating integration authorities. This allowed boards flexibility to enable them to develop integrated services that best suited local circumstances.

The Integration Scheme specifies the range of functions delegated by the ACC and NHSG to the IJB. The IJB is responsible for establishing effective arrangements for scrutinising performance, monitoring progress towards its strategic objectives, and holding partners to account.

### Performance indicators

Integration authorities are required to contribute towards nine national health and wellbeing outcomes which are intended to focus on the needs of the individual to promote their health and wellbeing, and in particular, to enable people to live healthier lives in their community. In order to review performance the IJB developed a performance management framework. The performance reports summarise performance to date towards the nine national health and wellbeing outcomes and the IJB's local strategic outcomes.

The IJB considers its performance reports quarterly by both the RAPC and the Board. The IJB will summarise its performance in its annual performance report planned for the September meeting. With the new approach the Board will also receive reports on the national and the ministerial strategic group indicators after the financial year end and this is planned for June meeting.

### Value for money in key decisions

The Board considers and discusses difficult decisions throughout the year as appropriate. For example, the transformational change projects to prioritise. These are supported by options appraisals and business cases where appropriate.

### Conclusion








Overall, we consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.







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# Appendices

## Required communications with the RAPC

Type	Response
<b>Our draft management representation letter</b>	 We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 March 2020.
<b>Adjusted audit differences</b>	 There were no adjusted audit differences.
<b>Unadjusted audit differences</b>	 There were no unadjusted audit differences.
<b>Related parties</b>	 There were no significant matters that arose during the audit in connection with the entity's related parties.
<b>Other matters warranting attention by the Audit and Performance Committee</b>	 There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
<b>Control deficiencies</b>	 We did not test any internal controls during our audit, and therefore have no deficiencies to report. Management retain the responsibility for maintaining an effective system of internal control.
<b>Actual or suspected fraud, noncompliance with laws or regulations or illegal acts</b>	 No actual or suspected fraud involving group or component management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type	Response
<b>Significant difficulties</b>	 No significant difficulties were encountered during the audit.
<b>Modifications to auditor's report</b>	 There were no modifications to the auditor's report.
<b>Disagreements with management or scope limitations</b>	 The engagement team had no disagreements with management and no scope limitations were imposed by management during the audit.
<b>Other information</b>	 No material inconsistencies were identified related to other information in the annual report, management commentary and annual governance statement.  The management commentary is fair, balanced and comprehensive, and complies with the law.
<b>Breaches of independence</b>	 No matters to report. The engagement team have complied with relevant ethical requirements regarding independence.
<b>Accounting practices</b>	 Over the course of our audit, we have evaluated the appropriateness of the IJB's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.

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# Appointed auditor's responsibilities

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE HAVE MET OUR RESPONSIBILITIES
<b>Statutory duties</b>	Undertake statutory duties, and comply with professional engagement and ethical standards.	Appendix two outlines our approach to independence.
<b>Financial statements and related reports</b>	<p>Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.</p> <p>Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration report.</p>	<p>Page 8 summarises the opinions we have provided.</p> <p>Page 13 reports on the other information contained in the financial statements, covering the management commentary, remuneration report and annual governance statement.</p>
<b>Financial statements and related reports</b>	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	Reviewed and concluded on the effectiveness and appropriateness of arrangements and systems of internal control, including risk management, internal audit, financial, operational and compliance controls.
<b>Wider audit dimensions</b>	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> <li>- Effectiveness in the use of public money and assets;</li> <li>- Suitability and effectiveness of corporate governance arrangements;</li> <li>- Financial position and arrangements for securing financial sustainability;</li> <li>- Effectiveness of arrangements to achieve best value;</li> <li>- Suitability of arrangements for preparing and publishing statutory performance information</li> </ul>	We have set our conclusions over the audit dimensions on page 15.

# Auditor independence

## Assessment of our objectivity and independence as auditor of Aberdeen City Integration Joint Board (“the IJB”)

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP’s objectivity and independence, the threats to KPMG LLP’s independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP’s objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

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### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values
- Communications
- Internal accountability
- Risk management
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity

### Independence and objectivity considerations relating to the provision of non-audit services

#### Summary of fees

We have considered the fees charged by us to the entity for professional services provided by us during the reporting period.

Total fees charged by us for the period ending 31 March 2021 can be analysed as follows:	2020-21 £	2019-20 £
Audit of the Aberdeen City IJB financial statements	20,950	20,950
<b>Total audit services</b>	<b>20,950</b>	<b>20,950</b>
Non-audit services	-	-
<b>Total</b>	<b>20,950</b>	<b>20,950</b>

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the IJB.

### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the IJB and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully,

KPMG LLP



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