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Aberdeen City Health & Social Care Partnership
A caring partnership

To: Professor Mike Greaves, Chairperson; and Councillors Cooke and Duncan;
and Rhona Atkinson.

Town House,
ABERDEEN, 15 August 2017

AUDIT AND PERFORMANCE SYSTEMS COMMITTEE

The Members of the **AUDIT AND PERFORMANCE SYSTEMS COMMITTEE** are requested to meet in **Meeting Room 5, Health Village** on **MONDAY, 21 AUGUST 2017** **at 2.00 pm.**

FRASER BELL
HEAD OF LEGAL AND DEMOCRATIC SERVICES

TERMS OF REFERENCE

BUSINESS

DECLARATION OF INTERESTS

- 1 Members are requested to intimate any declarations of interest

DETERMINATION OF EXEMPT BUSINESS

- 2 Members are requested to determine that any exempt business be considered with the press and public excluded
- 3 Minute of the Previous Meeting - 20 June 2017 (Pages 7 - 12)
- 4 Final External Audit Annual Report (Pages 13 - 42)
- 5 Annual Accounts (audited) 2016-17 (Pages 43 - 96)

6 Transformation Programme Update (Pages 97 - 120)

ITEMS THE COMMITTEE MAY WISH TO CONSIDER IN PRIVATE

7 NHS Grampian Internal Audit Report (Pages 121 - 140)

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<https://committees.aberdeency.gov.uk/ecCatDisplayClassic.aspx?sch=doc&cat=13450&path=0>

Website Address: <http://www.aberdeencyhscp.scot/>

Should you require any further information about this agenda, please contact Iain Robertson, tel 01224 522869 or email iairobertson@aberdeency.gov.uk

**ABERDEEN CITY INTEGRATION JOINT BOARD
AUDIT & PERFORMANCE SYSTEMS COMMITTEE
TERMS OF REFERENCE**

1	Introduction
1.1	The Audit & Performance Systems Committee is identified as a Committee of the Integration Joint Board (IJB). The approved Terms of Reference and information on the composition and frequency of the Committee will be considered as an integral part of the Standing Orders.
1.2	The Committee will be known as the Audit & Performance Systems Committee (APS) of the IJB and will be a Standing Committee of the Board,
2	Constitution
2.1	The IJB shall appoint the Committee. The Committee will consist of not less than 4 members of the IJB, excluding Professional Advisors. The Committee will include at least two voting members, one from Health and one from the Council.
3	Chair
3.1	The Committee will be chaired by a non-office bearing voting member of the IJB and will rotate between NHS and ACC.
4	Quorum
4.1	Three Members of the Committee will constitute a quorum.
5	Attendance at meetings
5.1	The Board Chair, Chief Officer, Chief Finance Officer Chief Internal Auditor and other Professional Advisors and senior officers as required as a matter of course, external audit or other persons shall attend meetings at the invitation of the Committee.
5.2	The Chief Internal Auditor should normally attend meetings and the external auditor will attend at least one meeting per annum.
5.3	The Committee may co-opt additional advisors as required.
6	Meeting Frequency
6.1	The Committee will meet at least 4 times each financial year. There should be at least one meeting a year, or part therefore, where the Committee meets the external and Chief Internal Auditor without other seniors officers present. A further 2 developmental sessions will be planned over the course of the year to support the development of members.
7	Authority
7.1	The Committee is authorised to instruct further investigation on any matters which fall

	within its Terms of Reference.
8	Duties
8.1	The Committee will review the overall Internal Control arrangements of the Board and make recommendations to the Board regarding signing of the Governance Statement, having received assurance from all relevant Committees.
	Specifically it will be responsible for the following duties:
1.	The preparation and implementation of the strategy for Performance Review and monitoring the performance of the Partnership towards achieving its policy objectives and priorities in relation to all functions of the IJB;
2.	<p>Ensuring that the Chief Officer establishes and implements satisfactory arrangements for reviewing and appraising service performance against the national health and wellbeing outcomes, the associated core suite of indicators and other local objectives and outcomes and for reporting this appropriately to the Committee and Board..</p> <p>The performance systems scrutiny role of the Committee is underpinned by an Assurance Framework which itself is based on the Board's understanding of the nature of risk to its desired priorities and outcomes and its appetite for risk-taking.</p> <p>This role will be reviewed and revised within the context of the Board and Committee reviewing these Terms of Reference and the Assurance Framework to ensure effective oversight and governance of the partnership's activities..</p>
3.	Acting as a focus for value for money and service quality initiatives;
4.	To review and approve the annual audit plan on behalf of the IJB, receiving reports, overseeing and reviewing actions taken on audit recommendations and reporting to the Board;
5.	Monitoring the annual work programme of Internal Audit, including ensuring IJB oversight of the clinical and care audit function and programme to ensure this is carried out strategically;
6.	To consider matters arising from Internal and External Audit reports;
7.	Review on a regular basis actions planned by management to remedy weaknesses or other criticisms made by Internal or External Audit
8.	To support the IJB in ensuring that the strategic integrated assurance and performance framework is working effectively, and that escalation of notice and action is consistent with the risk tolerance set by the Board.
9.	To support the IJB in delivering and expecting cooperation in seeking assurance that hosted services run by partners are working effectively in order

	to allow Aberdeen City IJB to sign off on its accountabilities for its resident population.
10.	Review risk management arrangements, receive annual Risk Management updates and reports and annually review with the full Board the IJB's risk appetite document .
11.	Ensure existence of and compliance with an appropriate Risk Management Strategy.
12.	Reporting to the IJB on the resources required to carry out Performance Reviews and related processes;
13.	To consider and approve annual financial accounts and related matters;
14.	Ensuring that the Senior Management Team, including Heads of Service, Professional Leads and Principal Managers maintain effective controls within their services which comply with financial procedures and regulations;
15.	Reviewing the implementation of the Strategic Plan;
16.	To be responsible for setting its own work programme which will include the right to undertake reviews following input from the IJB and any other IJB Committees;
17.	The Committee may at its discretion set up short term working groups for review work. Membership of the working group will be open to anyone whom the Committee considers will assist in the task assigned. The working groups will not be decision making bodies or formal committees but will make recommendations to the Audit Committee;
18.	Promoting the highest standards of conduct by Board Members; and
19.	Monitoring and keeping under review the Codes of Conduct maintained by the IJB.
20.	Will have oversight of Information Governance arrangements and staffing arrangements as part of the Performance and Audit process.
21.	Ensuring effective IJB oversight of the scrutiny of Serious Incidents in health and social care, including monitoring and reporting systems, timely action, training and improvement activities.
22.	To be aware of, and act on, Audit Scotland, national and UK audit findings and inspections/regulatory advice, and to confirm that all compliance has been responded to in timely fashion.
9	Review
9.1	The Terms of Reference will be reviewed every six months to ensure their ongoing appropriateness in dealing with the business of the IJB.
9.2	As a matter of good practice, the Committee should expose itself to periodic review utilising best practice guidelines and external facilitation as required.

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Aberdeen City Health & Social Care Partnership
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AUDIT AND PERFORMANCE SYSTEMS COMMITTEE

Minute of Meeting

20 June 2017
Town House, Aberdeen

Present: Professor Mike Greaves (NHS Grampian (NHSG)) Chairperson: Rhona Atkinson (NHSG); and Councillors Cooke and Duncan.

Also in attendance: Councillor Samarai and Jonathan Passmore MBE (IJB members), Alex Stephen (Chief Finance Officer, Aberdeen City Health and Social Care Partnership (ACHSCP)), Tom Cowan (Head of Operations, ACHSCP), David Hughes (Internal Audit), Lorraine McKenna (Business Manager, ACHSCP), Jimmie Dickie (Finance, Aberdeen City Council (ACC)), Gillian Parkin (Finance, NHSG) and Iain Robertson (Clerk, ACC).

Apologies: Judith Proctor (Chief Officer, ACHSCP).

OPENING REMARKS

1. The Chair opened the meeting and welcomed Councillors Cooke and Duncan onto the Committee and advised he looked forward to receiving their expertise to support the work of the Committee.

The Committee resolved:-

To welcome Councillors Cooke and Duncan onto the Committee.

DECLARATIONS OF INTEREST

2. Members were requested to intimate any declarations of interest.

The Committee resolved:-

To note that no declarations of interest were intimated at this time for items on today's agenda.

DETERMINATION OF EXEMPT BUSINESS

3. The Chair proposed that all Committee business on today's agenda be considered with the public and press in attendance.

The Committee resolved:-

To agree that all Committee business on today's agenda be open to the public and press.

MINUTE OF PREVIOUS MEETING – 11 April 2017

4. The Committee had before it the minute of the previous meeting of 11 April 2017.

The Committee resolved:-

To approve the minute as a correct record.

IJB COMPLAINTS HANDLING PROCEDURE

5. The Committee had before it a report by Lorraine McKenna (Business Manager, ACHSCP) which outlined a joint complaints handling procedure (CHP) for the Aberdeen City IJB. The procedure introduced a standardised procedure to handling complaints which complied with Scottish Public Services Ombudsman's (SPSO) guidance on a model complaints handling procedure.

The report recommended:-

That the Committee –

- a) Approve the Aberdeen City Integration Board's Complaints Handling Procedure as outlined in appendix A; and
- b) Instruct officers to submit the compliance statement and self-assessment in appendix B to SPSO before the 3rd of July.

Lorraine McKenna advised that IJBs were required to produce a CHP that complied with the SPSO's guidance on a model complaints handling procedure. She explained that the CHP had set out governance arrangements, administration, timescales and decision making processes and noted that the IJB was required to submit a Compliance Statement and Self-Assessment to the SPSO by 3 July 2017, following which the SPSO would advise on whether further amendments would be needed. Ms McKenna confirmed that the final CHP would be uploaded onto the Partnership's website for public inspection.

Thereafter there were questions on the scope of the CHP and guidance to service users who may want to complain about services provided by one of the IJB's partner organisations; how complaints about senior Partnership staff would be handled; the complaints procedure for on the spot resolutions, the responsibility for signing off IJB complaints; and arrangements for the complaints process and performance to be monitored by the Committee.

The Committee resolved:-

- (i) to request further clarity to enable service users to use the appropriate route when complaining about services provided on behalf of the IJB by Aberdeen City Council and NHS Grampian;
- (ii) to request further information on how complaints about senior Partnership officers would be handled;
- (iii) to request that a performance report on IJB complaint handling be presented to the Committee on a bi-annual basis;
- (iv) to instruct officers to seek guidance from the SPSO on protocols for signing off IJB complaints; and
- (v) to instruct the Partnership's Business Manager to circulate a revised version to Committee members for comment and approval ahead of submission to the SPSO by 3 July 2017.

REVISED BOARD ASSURANCE AND ESCALATION FRAMEWORK

6. The Committee had before it a report by Alex Stephen (Chief Finance Officer, ACHSCP) that presented the revised Board Assurance and Escalation Framework (BAEF) for approval.

The report recommended:-

That the Committee -

- a) Comment on the revised BAEF, as in appendix A; and
- b) Recommend the revised BAEF be approved by the Integration Joint Board.

Alex Stephen advised that the Executive Team had recently reviewed the BAEF following the Committee's first year of operation and noted that the Framework had been updated to compliment the IJB's Local Code of Governance which had been agreed at the Committee's previous meeting. Mr Stephen explained that the BAEF set out reporting arrangements for the Corporate Risk Register and the formal cycle of business in relation to performance, risk and financial management. He added that a key aim of the BAEF was to reduce the duplication of reporting between the IJB and its committees and highlighted that committees had remits which aimed to strengthen the IJB's governance arrangements to enable the Board to focus on effecting transformational change.

Thereafter the Committee highlighted the importance of preparing a framework that was contextual and easy to read to make the IJB more transparent in order to increase public engagement. Members suggested a number of changes that could be made to support this aim and requested that a revised version be presented to the Committee's next meeting.

The Committee resolved:-

- (i) to request that references to the Corporate and Operational Risk Registers be standardised or differentiated where appropriate within IJB reports and governance documents;
- (ii) to request that the Chief Finance Officer liaise with Councillor Cooke to receive feedback on the BAEF; and
- (iii) to instruct the Chief Finance Officer to present a revised version of the BAEF to the Committee's next meeting on 21 August 2017.

INTERNAL AUDIT ANNUAL REPORT AND INTERNAL FINANCIAL CONTROL STATEMENT 2016-17

7. The Committee had before it a report by David Hughes (Chief Internal Auditor) which provided Internal Audit's Annual Report and Internal Financial Control Statement for 2016/17.

The report recommended:-

That the Committee –

- a) Note the Internal Financial Control Statement for 2016/17;
- b) Note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- c) Note that there has been limitation to the scope of Internal Audit work during 2016/17; and
- d) Note that no self-assessment has been undertaken as required by the Public Sector Internal Audit Standards as an external assessment is being completed by KPMG which will be reported to Aberdeen City Council's Audit, Risk and Scrutiny Committee.

David Hughes advised Internal Audit could provide reasonable assurance on the IJB's internal control system. He explained that he was obliged to confirm the independence of the IJB's internal auditors and as Chief Internal Auditor he took the opportunity to do so. Mr Hughes highlighted the limitations on Internal Audit and this largely centred on the lack of access to ACC's Care First System but informed the Committee that Internal Audit had recently reached an agreement with the Council on this issue and he was now sufficiently satisfied to advise that this limitation would no longer be included in future reports. He also noted that internal auditors were required to undertake an annual self-assessment with a periodic external assessment carried out. This would be conducted by KPMG in relation to 2016-17 and their findings were due to be reported to the Council's Audit, Risk and Scrutiny Committee on 26 September 2017.

Thereafter there were questions on Internal Audit's access to the Care First System; and the scope of Internal Audit's remit, with a particular focus on its access to NHSG data. The Committee also discussed how audit committee meetings of the IJB and its partner organisations could be streamlined to better co-ordinate Internal Audit's reporting arrangements.

The Committee resolved:-

- (i) to note the Internal Financial Control Statement for 2016/17;
- (ii) to note that the Chief Internal Auditor has confirmed the organisational independence of Internal Audit;
- (iii) to note that there had been limitation to the scope of Internal Audit work during 2016/17;
- (iv) to note that no self-assessment had been undertaken as required by the Public Sector Internal Audit Standards as an external assessment was being completed by KPMG which would be reported to Aberdeen City Council's Audit, Risk and Scrutiny Committee; and
- (v) to request that Partnership officers liaise with colleagues from ACC and NHSG to co-ordinate the scheduling of their respective audit committees to support a more streamlined reporting process.

FINANCE UPDATE

8. The Committee had before it a report by Alex Stephen which: (1) summarised the current year revenue budget performance for the services within the remit of the Integrated Joint Board for the period to end March 2017; (2) advised on any areas of risk and management action relating to the revenue budget performance of the Integrated Joint Board (IJB) services; and (3) requested approval of budget virements so that budgets are more closely aligned to anticipated income and expenditure.

The report recommended:-

That the Committee –

- (a) Note this report in relation to the IJB budget and the information on areas of risk and management action that are contained herein;
- (b) Note that the Executive Team are reviewing this position in conjunction with the 2017/18 budget to determine any shortfalls or additional funds available as a result of the outturn position; and
- (c) Note the virements identified in Appendix E.

Alex Stephen advised that the Board was in a more favourable financial position than anticipated due to a receipt of additional income and a reduction in primary care and prescribing costs. Mr Stephen provided assurance on the robustness of the Partnership's financial system and explained that the Executive Team had been challenging budget holders within the Partnership to learn lessons from the previous year to identify additional areas where efficiencies could be made. He added that the format of the financial report was currently being reviewed by the Executive Team to provide clearer links with IJB Directions and this would be presented to the Committee in due course.

Thereafter there were questions on historical issues relating to unmet budget reductions; budget lines and movements relating to Locums; the level of in-house client contributions; the anticipated overspend on prescribing due to factors such as Sterling's exchange rate; the level of underspend due to staff vacancies; the likelihood of further budgetary clawbacks; the use of Transformation Funding to achieve efficiency savings; the expected number of recurring virements; and the Board's accumulation of reserves and strategy to utilise these funds.

The Committee resolved:-

- (i) to note the report in relation to the IJB budget and the information on areas of risk and management action that are contained therein;
- (ii) to note that the Executive Team are reviewing this position in conjunction with the 2017/18 budget to determine any shortfalls or additional funds available as a result of the outturn position;
- (iii) to note the virements identified in Appendix E and to further note that the virements would be presented to the IJB meeting on 15 August 2017 for approval; and
- (iv) to instruct the Clerk to circulate slides to Councillors Cooke and Duncan from the IJB's Prescribing Workshop session held on 7 March 2017.

UNAUDITED FINAL ACCOUNTS

9. The Committee had before it a report by Alex Stephen which provided the Committee with an opportunity to review and comment on the unaudited final accounts for 2016/17.

The report recommended:-

That Committee -

- a) Consider and comment of the Integration Joint Board's Unaudited Accounts for 2016/17;
- b) Note the revised Annual Governance Statement and assurances provided from NHS Grampian, Aberdeen City Council and the internal auditors; and
- c) Agree to bring forward the Committee's meeting date on 12 September 2017 to 21 August to ensure that the IJB annual accounts can be agreed and submitted in a timely manner to partner organisations.

Alex Stephen advised that in drafting the accounts he had closely followed the CIPFA template, and outlined his hope that auditors across Scotland could liaise on a standard way to audit IJB accounts particularly as these were the first set of annual accounts to be audited. He advised that changes to the Annual Governance Statement may have to be made as new information became available and he highlighted the Partnership's responsibility for operating Kingsmead Nursing Home as an example of a recent addition to the Statement.

Thereafter there was discussion on whether the Management Commentary could be interpreted from a political perspective; and questions on the parameters of significant market failure within the social care market; and the Partnership's source for demographic information contained within the Management Commentary.

The Committee resolved:-

- (i) to revise Jonathan Passmore's term as Vice Chairperson on page 127 to read *April 2016 to December 2016*;
- (ii) to request that officers in consultation with the Chairperson of the IJB, review references to potential risks to the IJB if additional funding from the Scottish Government was not made available in future years on page 121;
- (iii) to note the revised Annual Governance Statement and assurances provided from NHS Grampian, Aberdeen City Council and the internal auditors; and
- (iv) to agree to bring forward the Committee's meeting date on 12 September 2017 to 21 August to ensure that the IJB annual accounts can be agreed and submitted in a timely manner to partner organisations.

PROFESSOR MIKE GREAVES, Chairperson.



Audit and Performance Systems Committee

Report Title	External Audit Final Report
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author (Job Title, Organisation)	Alex Stephen, Chief Finance Officer
Report Number	HSCP/17/076
Date of Report	30/05/2017
Date of Meeting	21/08/2017

1: Purpose of the Report
1.1. The purpose of this report is to present the Audit & Performance Systems (APS) Committee with the external audit report for discussion and noting.

2: Summary of Key Information
2.1 The External Auditor is required to report specific matters arising from the audit of the financial statements to those charged with governance of a body in sufficient time to enable appropriate action. The report before members sets out consideration of the matters arising from the audit of the financial statements for Aberdeen City IJB for the financial period 2016/17.
2.2 The Annual Audit Report to the Members of Aberdeen City Integration Joint Board and the Controller of Audit for the year ended 31 March 2017 is attached at appendix A.
2.3 The report makes 1 recommendation for action relating to financial management, suggesting that the IJB considers the implementation of a document management system with version control.

3: Equalities, Financial, Workforce and Other Implications
3.1 Equalities – There are no equalities implications arising directly from this report.



Audit and Performance Systems Committee

- 3.2 **Financial** – There are no financial implications arising directly from this report.
- 3.3 **Workforce** – There are no workforce implications arising directly from this report.
- 3.4 **Other** – There are no other implications arising directly from this report.

4: Recommendations

It is recommended that the Audit & Performance Systems Committee:

1. Note the content of the Annual Audit Report to members and the Controller of Audit report.



Aberdeen City Integration Joint Board

Annual Audit Report to the Members of Aberdeen City Integration Joint Board and
the Controller of Audit

For the year ended 31 March 2017

14 August 2017

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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 ("the 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 section 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 Andy Shaw, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Alex Sanderson, 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 6720 or email to alex.sanderson@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 Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.



Executive summary

Key messages

Audit conclusions

We intend to issue an unqualified audit opinion on the annual accounts of Aberdeen City Integration Joint Board ("the IJB"), following their approval by the Board.

We have concluded satisfactorily in respect of the significant risk and each of the audit focus areas identified in our audit strategy document.

The annual accounts, statement of responsibilities, governance statement and remuneration report were received at the start of the audit fieldwork and supporting documentation was provided to us.

We have no matters to highlight in respect of: adjusted or unadjusted audit differences or independence.

Financial position

The IJB finished 2016-17 with a £10.4 million surplus due to additional Scottish Government funding, a significant element of which has been committed to be used on integration and change projects in 2017/18. The mainstream budget outturn was impacted by overspends in the primary care prescribing budget.

The 2017-18 budget was agreed by the Board on 7 March 2017. A balanced budget is projected; achieved by using integration and change funds to close deficits in the budget.

Financial management and financial sustainability

The IJB spent £305.4 million on delivering health and social care services for the residents of Aberdeen.

We consider that the IJB has effective financial management arrangements, but we note that the financial landscape is challenging. Quarterly budgetary control reports are provided to the Board and the audit and performance systems committee, which enables overspends or underspends to be identified on a timely basis and actions taken to mitigate where possible.

Governance and transparency

The IJB has strong governance arrangements, with its commitment to effective scrutiny demonstrated through a programme of Board training sessions.

The IJB operates in a transparent manner, with meetings of the Board and the audit and performance systems committee being taken in public.

Introduction

Scope and responsibilities

Purpose of this report

The Accounts Commission has appointed KPMG LLP as auditor of Aberdeen City Integration Joint Board (“the IJB”) 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 the 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 were set out in our audit strategy document which was presented to the audit and performance systems committee at the outset of our audit.

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 annual accounts but also consideration of 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 and Ireland) issued by the Auditing Practices Board and the Code. Appendix two sets out how we have met each of the responsibilities set out in the Code.

Scope

An audit of the annual accounts 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 annual accounts 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 International Standard on Auditing (UK and Ireland) (‘ISA’) 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of annual accounts to those charged with governance of an entity.

This annual audit report to members and our presentation to the audit and performance systems committee, discharges the requirements of ISA 260.

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 annual accounts of the IJB should therefore be prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Aberdeen, the third largest city in Scotland, with a population of around 230,000. In the Scottish Index of Multiple Deprivation rankings the city has eight areas recognised as deprived, out of a total of 37,

The Board is responsible for services as set out in the Integration Scheme, which includes 'hosted' services provided by the IJB on behalf of the other integration joint boards in Aberdeen: Aberdeenshire; and Moray.

IJB financial management overview

The budget setting process for the IJB required Aberdeen City Council and NHS Grampian to agree the payments to be made in advance of the start of the financial year. Going forward the IJB will present a budget, based on the strategic plan, to the partners for consideration as part of each partner's annual budget setting process. Payments to be made to the IJB will require to be formally advised by the 28 February each year in line with the Integration Scheme. Budgets are agreed for one financial year at a time.

Delegated baseline budgets for 2016-17 were subject to due diligence, carried out by internal audit, and comparison to actual expenditure in previous years.

The Board does not own fixed assets, nor does it directly incur expenditure or employ staff (other than the chief officer and the chief finance officer). Delivery of services is delegated to the partner organisations and the cost initially recorded in their financial records. The cost of services commissioned are then provided to the IJB for recognition in the IJB's annual accounts together with the funding contributions.

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 overspends or underspends. It highlights that underspends in an element of the operational budget may be retained by the IJB to either fund additional in year capacity, or be carried forward to fund capacity in future years of the strategic plan. Alternatively, these may be returned to the partner bodies.

Where there is a forecast overspend, the Chief Officer is expected to agree corrective action with the Board to bring the forecast back in line with budget. If the corrective action does not resolve the overspend the partner bodies must agree a recovery plan to balance the budget. The Integration Scheme sets out that any overspend is in excess of uncommitted reserves held by the IJB which arises in 2016-17 (the first full financial year of the IJB) shall be met by the partner with operational responsibility for the service. In future years agreement between the partners will determine whether any overspends are met by one or both of the parties and whether this would be recoverable against future baseline payments.



Financial position (continued)

2016-17 Financial position

A surplus of £10.4 million is reported in the comprehensive income and expenditure statement ("CIES"), which resulted in £10.4 million net assets on the balance sheet as at 31 March 2017.

Comprehensive income and expenditure statement

The IJB set a breakeven budget for 2016-17. This was based on expenditure of £311.1 million to deliver partnership services: with £222.6 million contributed from NHS Grampian; and £88.5 million contributed by Aberdeen City Council. Spend against budget was reported quarterly to the Board and audit and performance systems committee.

A surplus of £10.4 million was reported due to the timing of integration and change funding provided by the Scottish Government which was unspent at the year end. In line with the reserves strategy this amount is held on the balance sheet as a reserve.

Excluding integration and change funds, a deficit of £1.1 million was reported as shown in the table opposite. This is made up of the following key under and overspends:

- Primary care prescribing: overspend £0.8 million. This was largely anticipated throughout the year and is a result of an increase in both volume and costs of drugs prescribed. The board issued a directive to NHS Grampian to attempt to reduce the level of overspend. The forecast overspend as at 31 December 2016 was £1.2 million.
- Community health services: overspend £0.2 million. This is made up of unachieved budget reductions (£0.8 million) offset by underspends on staff costs (£0.4 million) and property costs (£0.1 million).
- Hosted services: overspend £0.3 million. The main reasons for the overspend is unachieved efficiency targets in the Police Forensic Service and an overspend on medical locum costs in the intermediate care budget.

(continued....)

Expenditure	2016-17 Budget (£000)	2016-17 Actual (£000)
Community health services	31,402	31,648
Aberdeen City share of hosted health services	20,868	21,209
Learning disabilities	29,101	29,267
Mental health and addictions	18,312	18,638*
Older people and physical and sensory disabilities	70,753	70,455*
Central living wage/inflation provisions`	(330)	(339)*
Criminal justice	(91)	(212)
Housing	2,163	2,200
Primary care prescribing	39,165	40,006
Primary care	37,306	36,846
Out of area treatments	1,222	1,219
Total mainstream	249,871	250,937
Integration and change fund expenditure	14,444	2,961*
Total IJB	264,315	253,898
Variance at 31 March 2017		10,417

Source: Finance Update as at 31 March 2017

*These figures were based on an estimate transfer for the level of spend on Integration and Change Fund activities for adult social care. This estimate was finalised in time for publication on the unaudited annual accounts and the figures changed accordingly.

Financial position (continued)

- Mental health and addictions: overspend £0.3 million. This variance is due to increased medical locum costs from difficulties in recruiting two consultant vacancies and one specialist doctor vacancy.
- Learning disabilities: overspend £0.2 million. This is due to under recovery of client contributions and an overspend in commissioned services, offset by smaller underspends on staff costs.
- Older people and physical and sensory disabilities: underspend £0.3 million). This is mainly as a result of lower than anticipated spend on needs-led commissioned budget.

Overall the services where operational responsibility lies with Aberdeen City Council were underspent by £0.1 million and the services where operational responsibility lies with NHS Grampian overspent by £1.2 million. The Board agreed that the NHS Grampian underspend should be funded from the integration and transformation fund on a one-off basis in 2016-17.

The integration and change fund is provided by the Scottish Government to be used to transform services, support integration and to reduce delayed discharges. An underspend occurred in 2016-17 due to the timing of individual transformation projects. The IJB is working to ensure that projects taken forward will deliver the required benefits. For future projects the IJB has identified the following key priorities which it will seek to deliver in 2017-18:

- develop business case for acute care at home;
- establish link workers in city;
- develop locality shadow operational budgets;
- continue developing the carers strategy;
- develop a commissioning strategy and more forward market facilitation; and
- testing the Buurtzorg nursing model: a patient centred model which empowers nurses to deliver the care that patients need.

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 balance at year end arose from the underspend on integration and change funds, with £5.6 million owed by NHS Grampian and £4.8 million by Aberdeen City Council.

The IJB's reserves policy was agreed by the Board and allowed the underspend to be carried forward as usable reserves in service of delivering its transformation programme.

Balance sheet	2016-17 (£000)	2015-16 (£000)
Short term debtors	10,417	5
Short term creditors	-	(5)
Net assets	10,417	-
Useable reserves	(10,417)	-
Total reserves	(10,417)	-

Source: Unaudited annual accounts for year ended 31 March 2017

From total reserves of £10.4 million the IJB has earmarked £2.5 million to a risk fund and £0.5 million for replacement of essential equipment. The risk fund equates to around 1% of budgeted mainstream expenditure for 2017-18 and 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 15 to 17.

Annual accounts and accounting

Audit conclusions

Audit opinion

Our audit work is complete pending receipt of management representations and annual accounts updated to incorporate minor comments from the audit. Following approval of the annual accounts by the audit and performance systems committee we intend to issue an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2017, and of the surplus for the year then ended.

There are 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 2015-16 ("the Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the annual accounts have been prepared in accordance with the 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 were no audit misstatements identified during the audit.

Written representations

Our management representation letter contains our standard representations.

Annual accounts and accounting (continued)

Audit conclusions (continued)

Materiality

We summarised our approach to materiality in our 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 applied a materiality of £2.4 million for our audit of the annual accounts. This equated to 1% of budgeted gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. Our performance materiality was £1.8 million. We report any misstatements greater than £0.12 million.

Forming our opinions and conclusions

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

- performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the IJB Chief Internal Auditor and reviewed internal audit reports as issued to the audit and performance systems committee 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 audit and performance systems committee meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

Annual accounts preparation

Draft annual accounts were provided to us at the start of the audit fieldwork (17 July 2017). This included the management commentary and annual governance statement. Prior to this, the draft annual accounts were made available online on 13 June 2017 in line with the Local Authority Accounts (Scotland) Regulations 2014.

In advance of our audit fieldwork, we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. We arranged a meeting with management to discuss our requirements and expected timescales. We will continue to refine our prepared by client requests and work with management to refine the audit schedules provided.

We include a recommendation in appendix four, in respect of the need for a document management system.

Significant risks and other focus areas in relation to the audit of the annual accounts

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

Significant risks (page 10 of this report):

- management override of controls fraud risk.

Other focus areas (page 11 of this report):

- completeness and accuracy of expenditure; and
- financial statement disclosure.

Wider scope risks (page 14 onwards of this report):

- financial sustainability;
- financial management; and
- governance and transparency.

Annual accounts and accounting (continued)

Significant risks

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p>Fraud risk from management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as the standards consider management to typically be 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>In line with our methodology, we carried out appropriate controls testing over the budget monitoring control, and agreed the total income, expenditure and debtor balances to confirmations from the 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>

Annual accounts and accounting (continued)

Other focus areas

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p>Completeness and accuracy of expenditure</p> <p>The IJB receives expenditure forecasts from Aberdeen City Council and NHS Grampian. There is a risk that actual expenditure and resulting delegated 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. Consolidation 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>Financial statement disclosure</p> <p>The IJB prepared annual accounts for the first time in 2015-16 for the period from October 2015 to March 2016. We note that the previous auditor, Audit Scotland, reported that the annual accounts for this period were of a high standard, however it raised numerical and presentational adjustments.</p> <p>There is a risk in the IJB's first full accounting year, that the annual accounts and disclosures will not be prepared to the required quality and by the agreed timescales.</p>	<p>The draft IJB annual accounts were compared against the CIFPA local authority disclosure checklist as completed by IJB management. No significant omissions were identified.</p> <p>Furthermore, the draft annual accounts were reviewed against the LASAAC (The Local Authority (Scotland) Accounts Advisory Committee) guidance on integration joint board accounting. No omissions were identified.</p>	<p>Some small amendments were identified and actioned, however on the whole the annual accounts were prepared to a high standard. We consider that the annual accounts are prepared in accordance with financial reporting requirements.</p>

Annual accounts and accounting (continued)

Management reporting in annual accounts

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
Management commentary	<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 annual accounts.</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>We are satisfied that 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 CIPFA template IJB accounts and are content with the proposed report.</p> <p>We provided management with some minor suggestions relating to how the management commentary could be enhanced and where additional information disclosures should be made.</p>
Remuneration report	<p>The remuneration report was included within the unaudited annual accounts and supporting reports and working papers were provided.</p>	<p>We are satisfied that the information contained within the 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>
Annual governance statement	<p>The statement for 2016-17 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides detail on the governance framework of the IJB through the application of the Nolan principles, a review of the governance framework of the partner organisations, and a review of effectiveness of the IJB.</p>	<p>We consider the governance framework and 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>

Annual accounts and accounting (continued)

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 the IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under IFRS or the Code.

Financial statement disclosures were considered against requirements of the Code, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code during 2016-17 which affected the IJB.

There are no significant accounting estimates.

Financial statement disclosures were considered against requirements of the Code, relevant legislation and IFRS. No departures from these requirements were identified.

Future accounting and audit developments

CIPFA / LASAAC consulted on amendments to the Code for IFRS 9 *Financial instruments* and IFRS 15 *Revenue from contracts with customers*. A separate publication *Forthcoming Provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Local Practice on Local Authority Accounting in the United Kingdom 2018/19* will be issued as a companion publication to the Code setting out the approach to these two standards.

Other changes to the 2017 Code include an amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report, and updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting.

IFRS 16 Leases will bring a significant number of operating leases onto the balance sheet unless they are low value or have less than a year to run. CIPFA/LASAAC will revisit accounting for PFI liabilities which are currently under finance lease accounting rules of IAS 17, which is being replaced by the new standard.

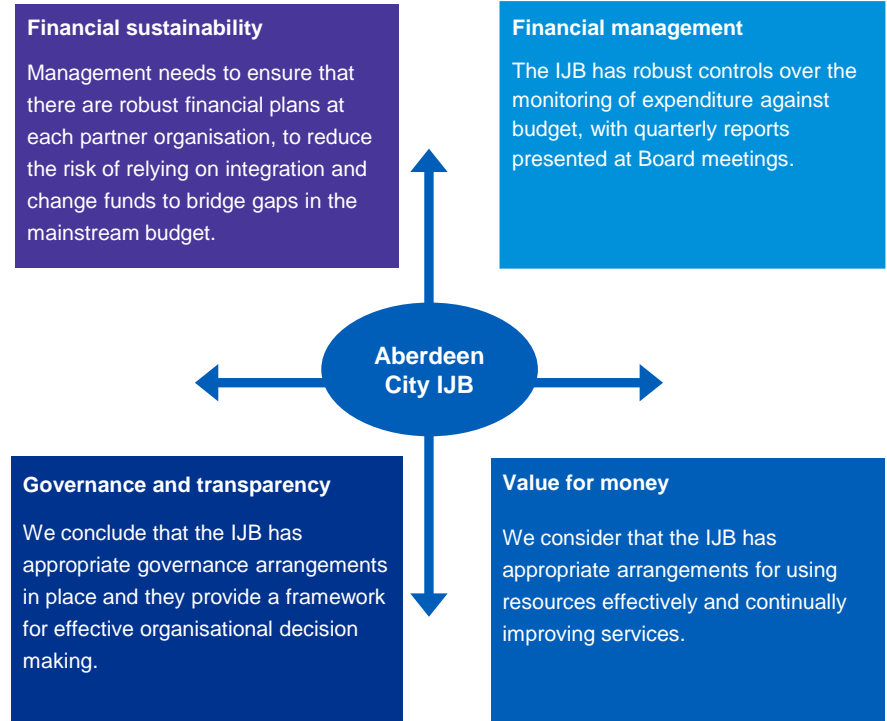
Wider scope and Best Value Introduction

Audit dimensions introduction

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.



Wider scope and Best Value (continued)

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to continue to deliver its services. This is inherently 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 Board 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 Boards financial strategies and plans.

Budget setting

The IJB receives budget allocations from NHS Grampian and Aberdeen City Council, and has a risk sharing agreement with both bodies covering 2016-17 and 2017-18. This gives the IJB comfort with regards to overspends in these two years, however there is a risk going forward regarding ongoing budget balance, specifically in the context of the NHS Grampian budget. The Local Delivery Plan (“LDP”) 2016-21 includes significant savings yet to be identified by NHS Grampian over the LDP period. The IJB budget is set one year in advance, in line with one-year budget allocations from Scottish Government, although IJB management is aware of the need to identify long term saving plans.

Aberdeen City Council also has financial pressures, and initially identified a £17.3 million budget shortfall in respect of 2017-18. Savings and efficiency proposals were identified by the Council at the time of budget setting. The Council has accepted proposals that will generate a £3 million surplus. These will be used to create a Change Fund Reserve.

The IJB’s budget for 2017-18 is balanced after identifying savings of £4.8 million and by allocating £2.4 million of integration and change funding to bridge the gap on a one-off basis. Management aims to recover this amount through identification of further savings where possible.

The chief financial officer has begun the budget setting process for the year ending 31 March 2019. Also, an indicative five year forecast has been produced using health intelligence regarding population growth and patterns of disease, as well as findings from collaboration with other IJBs on bed basing. This forecast considers where the IJB will be in five years if no movement is made to control budgetary pressures, and as such the five year forecast is not balanced. This predicts a £24 million increase to the baseline budget between 2017-18 to 2021-22 if all other factors remain the same.

Integration and change fund

The IJB is looking to make savings without major service disruption, for instance by considering the skills mix in the workforce to ensure that work is carried out by staff at the right level of seniority. Beyond this, there is a commitment to transforming services, as the IJB acknowledges that demographic changes and financial challenges mean the status quo cannot continue.

There are six key areas which the IJB has identified as being an area where transformational change is required during 2017-18:

- organisational development and cultural change;
- modernising primary and community care;
- strategic commissioning;
- IT, infrastructure and data sharing;
- supporting self-management of long term conditions and building community capacity; and
- acute care at home.

(continued....)

Wider scope and Best Value (continued)

Financial sustainability

A transformation fund has been set up by the IJB to identify larger scale opportunities to improve services. Areas of transformational spend will be agreed by the IJB in line with the established governance procedures. Many priority areas for the IJB link to reducing delayed discharges. However, one of the challenges of partnership working is that by reducing delayed discharges the IJB creates savings for another organisation whilst increasing pressure on its own budget by delivering more health care services in the community.

Reserves strategy

The IJB approved a reserves policy in October 2016 which sets out the statutory and regulatory framework for reserves, the operation of these reserves and the role of the chief financial officer in determining the adequacy of reserves held by the IJB. A financial target for reserves will be set each year during the budget setting process.

Going concern

The annual accounts are prepared on a going concern basis. The IJB is in its infancy and is at the start of plans to transform services. However it has reserves of £10.4 million and a risk sharing agreement for 2017-18; reducing its exposure to significant overspends. In light of this position, the strong management of resources and the commitment from the two partner organisations we concur with the going concern basis.

Conclusion

The IJB is operating in a difficult landscape, with budget constraints on both of its partner organisations and ongoing transformation programmes at each. The main financial risk to the IJB is the level of funding delegated relative to the growing demand on services.

Progress is being made to identify efficiency savings in the short term and to deliver transformational change over the longer term in order to address some of the financial challenges faced.

Management needs to ensure that the robust financial plans are in place at each partner organisation, to reduce the risk of relying on integration and change funds to bridge gaps in the mainstream budget inappropriately.

In order for the IJB to be financially sustainable, efficiency savings need to be identified and quantified, and we acknowledge that the IJB and partner organisations are in the process of delivering change programmes with this in mind.

Wider scope and Best Value (continued)

Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is a risk given that the IJB is in its first year of directing services.

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

Financial monitoring

The IJB's financial management comes under a reasonable 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 audit and performance systems committee. From our 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. Aberdeen City Council is in the process of developing its financial reporting procedures in order to enable regular reporting of council results.

Internal audit

The IJB has an internal audit function which undertake reviews at both the IJB level and the local authority level. NHS Grampian has its own internal audit function, however any reviews specific to the IJB are shared with the Board and audit and performance systems committee. Internal audit completed seven internal audit reviews during 2016-17 (with three still in draft). Recommendations graded as 'major' were identified in relation to Aberdeen City Council adult social work purchasing and creditors procedures. Internal audit are satisfied that the actions agreed by the Council's audit, risk and scrutiny committee were appropriate. Limitations of scope were reported in relation to the Care First system due to data protections concerns; access to this system has been agreed going forward. Despite these issues internal audit were able to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

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.

Wider scope and Best Value (continued)

Financial management

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 Aberdeen City Council and NHS Grampian finance teams. Finance function capacity is considered to be appropriate, however we recognise that resourcing is a challenge for the IJB without its own dedicated finance team.

The Council provides induction and ongoing training for both elected members and other Board members. An induction session was held for new elected members following the May elections. This was open to all Board members and was intended to give an understanding of the IJB and also covered governance issues such as the code of conduct and the Nolan principles. 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.

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, however resourcing is a challenge for the IJB as it does not have a dedicated finance team.

Wider scope and Best Value (continued)

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. This is a risk for the first full year of directing services, as arrangements become mature.

Governance framework

The integration scheme between Aberdeen City Council and NHS Grampian sets out the key governance arrangements.

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 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 Board comprises a wide range of service users and partners including elected councillors nominated by Aberdeen City Council and directors nominated by NHS Grampian. Following the local government elections in May 2017 new elected members joined the Board. An induction session was arranged for these new members, and was open to any member of the Board. This provided the members with an understanding of the IJB and its role.

An audit and performance systems committee was set up to review the overall internal control arrangements of the board and to make recommendations to the board regarding signing of the governance statement.

A second committee, the clinical care and governance committee, focuses on operational issues.

The Board appointed a Chief Officer who provides overall strategic and operational advice to the Board and is accountable for the delivery of services. The Chief Officer is also accountable to both the Chief Executive of Aberdeen City Council and the Chief Executive of NHS Grampian and provides regular reports to both the council and the NHS board.

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

Risk management

The IJB has worked with the Good Governance Institute to review all of its governance arrangements, and this has included carrying out a review of the IJB's assurance framework. This provided assurance that key risks to the achievement of integration objectives have been appropriately identified, communicated and addressed.

Risk registers are regularly updated and scrutinised by management and the audit and performance systems committee.

Internal control

Aberdeen City Council and NHS Grampian 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.

Wider scope and Best Value (continued)

Governance and transparency (continued)

Internal Audit

Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. Each partner organisation has its own internal audit service, with Chief Internal Auditor of Aberdeen City Council also holding the appointment of Chief Internal Auditor of the IJB.

The Board's Chief Internal Auditor uses the results of the audit work carried out at Aberdeen City Council and NHS Grampian to form an opinion on the Board's systems of governance, risk and internal control. For 2016-17 the Board's Chief Internal Auditor concluded that reasonable assurance can be placed on the adequacy and effectiveness of the Board's systems of governance, risk and internal control.

We considered 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. 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. NHS Grampian 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 Board to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.

Full details of the meetings held by the Board and, as of February 2017, the audit and performance systems committee are available through the IJB website and the Aberdeen City Council website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. Members of the public are welcome to attend board meetings and audit and performance systems committee 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 Board.

The Chief Officer can only approve expenditure up to £50,000, with anything larger subject to approval from the local authority or NHS board. These directions are disclosed in the IJB minutes meaning that significant items of expenditure are publicly visible.

Overall we concluded that the Board is open and transparent.

Conclusion

We consider that the IJB has appropriate governance arrangements in place 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 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 a flexibility to enable them to develop integrated services that best suited local circumstances.

The Integration Scheme specifies the range of functions delegated by the Aberdeen City Council and NHS Grampian to the IJB. The IJB is responsible for establishing effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

Performance management

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. An updated performance dashboard is presented to the Board twice per year and an annual performance report is also presented. These reports summarise performance to date towards the nine national health and wellbeing outcomes and the IJB's local strategic outcomes.

Value for money in key decisions

The IJB has faced difficult decisions over the course of the year, driven by financial challenges. For example, in prioritising integration and change fund projects to be taken forward.

The board considers and discusses difficult decisions throughout the year as appropriate. These are supported by options appraisals and business cases where appropriate. As already noted, the Chief Officer can only approve expenditure up to £50,000, with anything larger subject to approval from the local authority or NHS board.

Conclusion

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



Appendices

Mandated communications with the audit performance and systems committee

MATTERS TO BE COMMUNICATED	LINK TO AUDIT PERFORMANCE AND SYSTEMS COMMITTEE REPORTS
Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Combined Code)	See appendix three.
The general approach and overall scope of the audit, including levels of materiality, fraud risks, business risks and audit responses and engagement letter (ISA 260)	Main body of this paper
Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report (ISA 260)	There were no such disagreements.
The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260)	There are no such matters to report.
Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements (ISA 260)	There were no audit adjustments required to the draft financial statements which could have had a material effect on the IJB's annual accounts.
The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 260)	Accounting policies and practices selected by the IJB are appropriate for the organisation and are in line with the requirements of the Local Authority code of Practice.
The auditor's view on valuations and related disclosures (ISA 260)	There are no valuations within the IJB's financial statements.
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 260)	We have reviewed management's assessment that the IJB is a going concern and agree with this assessment.
Expected modifications to the auditor's report (ISA 260)	There are modifications to the auditor's report.
Other matters warranting attention by those charged with governance, such as effectiveness of internal controls relevant to financial reporting, material weaknesses in internal control, questions regarding management integrity, and fraud involving management (ISA 260 and ISA 240)	There are no such matters to report.

Appendix two

Appointed auditors responsibilities

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE'VE MET OUR RESPONSIBILITIES
Statutory duties	Undertake statutory duties, and comply with professional engagement and ethical standards.	We have undertaken our statutory duties and complied with professional and ethical standards. Our independence letter is at page 24.
Financial statements and related reports	Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.	Page 8 summarises the opinion we expect to provide.
Financial statements and related reports	Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration reports.	Page 12 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report.
Financial statements and related reports	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	No notifications to Controller of Audit required.
Corporate governance	Participate in arrangements to cooperate and coordinate with other scrutiny bodies.	Page 19 sets out our conclusion on these arrangements.
Wider audit dimensions	<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"> — Effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets; — Suitability and effectiveness of corporate governance arrangements; — Financial position and arrangements for securing financial sustainability; — Effectiveness of arrangements to achieve best value; and — Suitability of arrangements for preparing and publishing statutory performance information. 	Our consideration of the wider dimensions is outlined on pages 14-20.

Appendix three

Auditor independence

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

Professional ethical standards require us to provide to you at the planning stage 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.

We will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

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 APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

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

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

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

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

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

The audit fee charged by us for the period ended 31 March 2017 was £26,000 (excl VAT). No other fees were charged in the period. No non-audit services were provided to the IJB and no future services have been contracted or had a written proposal submitted.

Independence and objectivity considerations relating to other matters

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

Appendix four

Action plan

The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

We present the identified findings across three audit dimensions:

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

Priority rating for recommendation

Grade one (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.

Grade two (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

Grade three (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

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Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p>1. <i>Audit dimension: Financial management</i></p> <p>There were some delays during the audit due to incorrect versions of documents being provided in the first instance. It was found that the IJB does not have a document management system, so collaborative work between the partners takes place on e-mailed documents.</p> <p>There is a risk that without proper version control in place, incorrect figures could be used to populate the financial statements with erroneous changes not tracked. Where there are deadlines for accounts preparation, these inconsistencies may not be noted.</p>	<p>The IJB should consider implementing a document management system with version control features to allow collaborative working to take place with a greater degree of oversight,</p>	<p style="text-align: center;">Grade three</p> <p>Management response: Agreed</p> <p>Responsible officer: Alex Stephen</p> <p>Implementation date: 31 March 2018</p>

Prior year recommendations

We follow up prior-year audit recommendations to determine whether these have been addressed by management. The table below summarised the recommendations made during the 2015-16 audit and their current status.

Number recommendations raised	Implemented	In progress	Overdue
1	1	-	-

We provide a summary of progress against the action below.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
1. The board has approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures are currently being developed. Risk The board cannot effectively monitor the delivery of its strategic objectives.	The board should aim to implement and monitor key performance measures, even on a phased basis, as soon as possible.	Progress is being made and a short life working group is established and working on developing the framework for approval by the IJB.	Complete, as noted on page 20.



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Audit and Performance Systems Committee

Report Title	Audited Final Accounts 2016/17
Lead Officer	Alex Stephen, Chief Finance Officer
Report Author (Job Title, Organisation)	Alex Stephen, Chief Finance Officer
Report Number	HSCP/17/073
Date of Report	30/05/2017
Date of Meeting	21/08/2017

1: Purpose of the Report

The purpose of this report is to present the Audit & Performance Systems (APS) Committee with the audited final accounts for 2016/17. The APS committee reviewed and considered the unaudited final accounts at its meeting on the 20th of June 2017.

The APS Committee has provision within its Terms or Reference 'to consider and approve annual financial accounts and related matters'.

2: Summary of Key Information

This is the first time that a full set of accounts have been prepared for the Integration Joint Board (IJB). In 2015/16 a set of accounts were prepared, however, these were only from the 6 February 2016 to the 31 March 2016 and did not include the services provided by the Partnership which were formally delegated from the 1 April 2016.

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).

The accounts are based the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (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.



Audit and Performance Systems Committee

Given this is the first year and the external auditors (KPMG) have not reviewed the accounts before, there is a possibility that some of the disclosures and the accounts will need to be changed during the audit process.

The audit of the accounts took place week beginning the 17 July 2017. The final audited accounts have been brought back to the APS Committee for approval at this meeting.

The Local Authority Accounts (Scotland) Regulations 2014 defines the notice period, the inspection period, the deadline for submission of an objection to the accounts and the information which must be made available for inspection. At least 14 days' public notice must be given prior to the commencement of the inspection period. The latest date by which the public inspection can start is 30 June 2017 and therefore the latest date for issuing this public notice is 14 June 2017. The inspection must last 15 working days and will therefore end on 20 July 2017.

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 2016/17.

Annual Governance Statement – Highlights the Governance Framework in place and describes performance and improvements against the local code of governance. Was discussed at the last APS Committee and now contains the assurances from Aberdeen City Council, NHS Grampian and the Internal Auditors. Note it also contains an additional disclosure in relation to the Kingsmead Nursing Home.

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.

As can be seen through the accounts at the end of the financial year the IJB has £10,417,474 in its useable reserve at the end of the financial year, which has largely been allocated by the IJB for specific integration and change projects.



Audit and Performance Systems Committee

The IJB is required to approve its annual accounts before submitting the accounts to its partner organisations by no later the 25th of August 2017. Authority for approving the IJB's annual accounts has been delegated to the Audit and Performance Systems Committee as outlined in item 8.13 of the Committee's terms of reference.

Appendices

- A) Final Audited Accounts 2016/17
- B) Letter of Representation

3: Equalities, Financial, Workforce and Other Implications

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

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

Workforce – There are no workforce implications directly arising from this report.

4: Management of Risk

Identified risk(s) and link to strategic risk register:

- There is a risk of financial failure , that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend – Medium
- There is a risk that the governance arrangements between the IJB and its partner organisations (ACC and NHSG) are not robust enough to provide necessary assurance within the current assessment framework – leading to duplication of effort and poor relationships – Medium
- 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 – High



Audit and Performance Systems Committee

- Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system – High

How might the content of this report impact or mitigate the known 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.

5: Recommendations

It is recommended that the Audit & Performance Systems Committee:

- 1) Consider and agree the Integration Joint Board's Audited Accounts for 2016/17, as attached at appendix A
- 2) Instruct Officers to submit the approved audited accounts to NHS Grampian and Aberdeen City Council.
- 3) Instruct the Chief Finance Officer to sign the representation letter, as attached at appendix B



Aberdeen City
Health & Social Care
Partnership

A caring partnership

**Aberdeen City
Integration Joint Board
Annual Accounts 2016/17**

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Management Commentary

The Role and Remit of the Integration Joint Board (“IJB”)

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, although since the oil price reduction in 2014 the local economy has suffered. Aberdeen has a population estimated in 2014 at 228,990 and eight of its thirty seven areas are recognised as deprived in the Scottish Index of Multiple Deprivation rankings.

In terms of health and social care the demand for services continues to rise each year. The population in Aberdeen City is expected to grow by 28% by 2037 which is the largest growth of all Scottish local authority areas. The over 65s account for 15% of the total population of Aberdeen and this percentage is forecast to increase to 18% over the next 20 years.

Prior to the establishment of the IJB the community health services were delivered by NHS Grampian (through the Community Health Partnership) and adult social care services were delivered by Aberdeen City Council through the Social Work Department.

The Public Bodies (Joint Working) (Scotland) Act 2014 was passed by the Scottish Parliament on 25 February 2014 and received Royal Assent in April 2014. The Act provides a framework for the integration of adult health and social care services in order 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.

Aberdeen City Council and NHS Grampian took the decision that, in order to comply with their obligations as a result of the 2014 Act, the model for integration of health and social care services in Aberdeen City would be the Body Corporate model, also known as an Integration Joint Board. Under this model, the Health Board and Local Authority delegate the responsibility for the strategic planning and delivery of health and adult social care services to the Integration Joint Board. The Aberdeen City Integration Joint Board was established by Scottish Ministers as a Body Corporate on the 6 February 2017 with full delegation of services taking effect from 1 April 2016.

The Integration Scheme defines the services that have been delegated by the Health Board and Local Authority to the Aberdeen City Integration Joint Board. The Act indicates that the delegation of some services is mandatory, while for others a discretionary approach can be taken depending on local circumstances. For some of the delegated health services it was not practical to split the services across the three integration joint boards in the Grampian area. These services are still delegated, but classed as ‘hosted’, which means the costs and budgets are shared based on estimated usage across the three integration joint boards. These services are managed and led by one lead integration joint board on behalf of the other two

boards. A full list of the services delegated is contained in the appendices of the Integration Scheme, along with the name of the lead integration joint board in the case of the hosted services.

The IJB is the governing body for the delegated health and social care services. The operational delivery of these services is undertaken by the Aberdeen City Health & Social Care Partnership which is an overarching term to describe the services delegated to the IJB and delivered by Aberdeen City Council, NHS Grampian, voluntary organisations, care providers and the third sector.

The IJB's Operations for the Year

During the first full year of operation good progress has been made in terms of delivery of the strategic plan. The focus of this year has been to establish the building blocks to allow the transformation of service delivery in future years. In this regard the Integration Joint Board has:

- held seven meetings over the last year, which have established the relationships and procedures required to effectively deliver the strategic plan;
- prepared and agreed its first joint budget in consultation with its two partners, Aberdeen City Council and NHS Grampian;
- established and operated two sub committees (Audit and Performance Systems Committee and Clinical and Care Governance Committee);
- agreed spend for several major transformation projects;
- hosted an annual conference and awards ceremony;
- established performance management and risk frameworks;
- held several workshops to inform IJB members of the services for which the IJB has strategic responsibility;
- approved and is in the process of implementing a new operational management structure; and
- in conjunction with Aberdeen City Council opened a new day care centre called the Len Ironside CBE centre.

The IJB continues to move towards delivery of the priorities indicated in the strategic plan. Significant progress has been made towards this with £9 million of spend allocated towards transformation projects during 2016-17. Progress on transformation work has been slower than might have been anticipated due to the complexity in having to work through the governance systems of the three organisations (NHS Grampian, Aberdeen City Council and the Integration Joint Board).

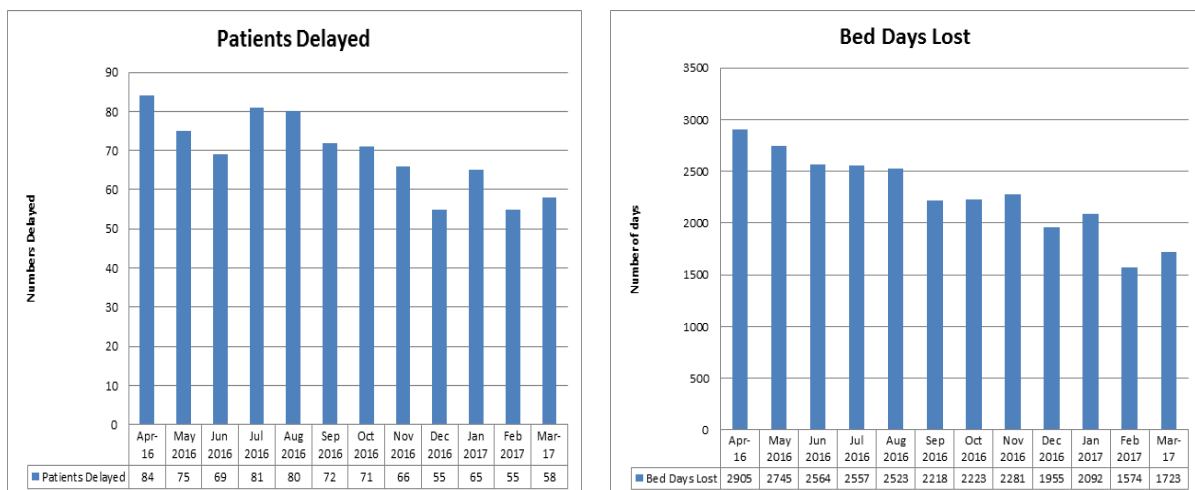
The IJB Executive Team has been established and is making good progress in moving forward and improving service delivery, leading the organisation and supporting the IJB in its decision making. The senior management structure below the IJB Executive Team has been established and the final posts are anticipated to be filled in the first few months of 2017-18. Once these posts are filled the scale and pace of delivery of the strategic plan will increase.

A number of the services delegated to the IJB continue to experience difficulties recruiting staff. The payment of the Scottish living wage has helped in recruiting staff

for social care services and the downturn in the oil industry has improved recruitment for some positions. However, there are still issues in recruiting staff to qualified positions such as social workers, nurses and general practitioners in the primary care setting.

One of the key aspects of the 2014 Act and strategic plan is the formation of localities in which health and social care services will be delivered. In Aberdeen City it was agreed to have four localities and a locality leadership group has been established in each area. These groups are working well and making good progress at their own speed. Four Head of Locality posts have been established to support the delivery of locality working and these posts are in the process of being recruited. Work is taking place to align staffing structures into the four localities.

The IJB has been working hard to reduce the number of Aberdeen City residents who are ready to be sent home from hospital, but have been delayed from doing so. The term commonly used for these individuals is a “delayed discharge”, and individuals can be delayed for varied reasons, ranging from social care provision through to issues with equipment, adaptations and even transport. The IJB has presided over a notable improvement in respect of both the numbers of individuals delayed in hospital, alongside the overall bed days lost to delayed discharges. This can be seen from the performance information below:



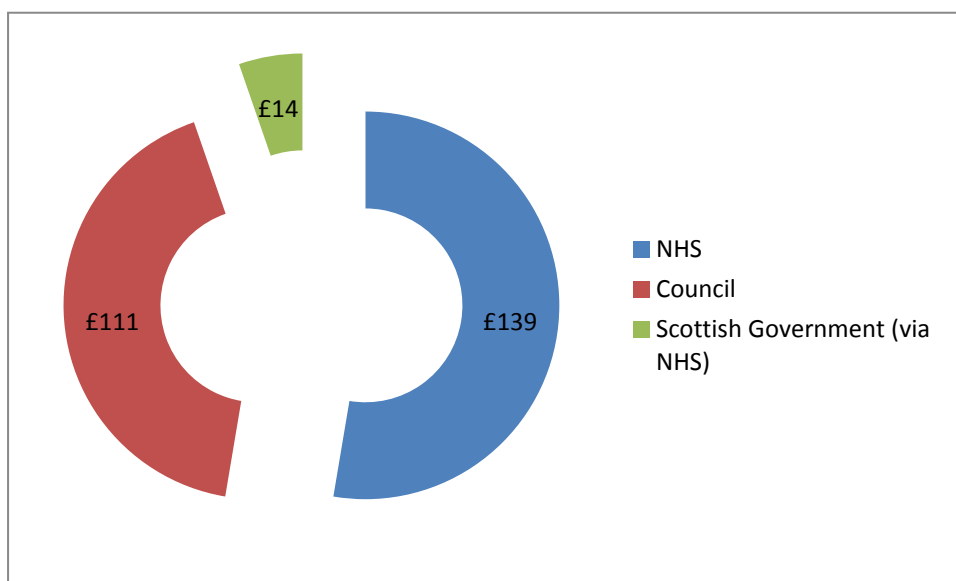
NOTE: The Scottish Government changed the definitions related to counting individual delayed discharges in July 2016. As a result direct comparisons cannot be made between pre and post July 2016 data.

The IJB has received budget monitoring reports each quarter as defined in the integration scheme. The Audit and Performance Systems Committee has also been reviewing the budget monitoring information on a regular basis. The outturn for the financial year against the forecast position reported for December is shown below.

Budget	Forecast 31 December 2016 £'000	Outturn 31 March 2017 £'000
Mainstream	1,480	1,068
Integration and Change Fund	(10,630)	(11,485)
Total	(9,150)	(10,417)

The IJB's Position at 31 March 2017

The resources available to the IJB to deliver services and its strategic plan during the financial year are as follows to the nearest £million:



The accounts for the year ended 31 March 2017 show a usable reserves position of £10,417,474. This is largely due to additional funding from the Scottish Government which the IJB is using on integration and change projects. A significant element of these funds has been committed to be used in 2017/18 and the underspend is a timing issue while these projects progress through the established governance processes of the partner organisations. The IJB agreed a reserves strategy and during the 2017/18 budget process agreed to hold back as earmarked reserves £2.5 million as a risk fund and £500,000 to replace equipment.

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 2017/18 budget was agreed on 7 March 2017 and included £5 million of budget savings.

The major risk in terms of funding to the Integration Joint Board 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 where financial pressure is being faced on mainstream budgets.

The IJB has made arrangements with social care providers to allow the Scottish Living Wage to be paid from October 2016. This was possible due to additional funding being made available. Should additional funding not be available in future years, it will be difficult for the IJB to fund any future increases in the Scottish Living Wage given the financial pressures being experienced across its services.

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. Also, there are greater expectations being placed on our services by clients and this along with expectations from our other stakeholders continue to drive performance on targets such as waiting times.

The implementation of the carers' strategy in 2018/19 will expose the IJB to financial risk, as although additional resources will be provided and the calculation of the adequacy of these resources has been assessed through a comprehensive process at a national level, there are still concerns over the potential level of spend. In particular the demand for these services, whilst influenced by the local eligibility criteria, may be difficult to predict and manage.

The IJB's Strategy and Business Model

The IJB's Strategic Plan for 2016-19 sets out how the National Health and Wellbeing Outcomes will be achieved. To achieve our desired outcomes, the strategic priorities for the next three years are:

- Develop a consistent person centred approach that promotes and protects the human rights of every individual and which enable our citizens to have opportunities to maintain their wellbeing and take a full and active role in their local community.
- Support and improve the health, wellbeing and quality of life of our local population.
- Promote and support self-management and independence for individuals for as long as reasonably possible.
- Value and support those who are unpaid carers to become equal partners in the planning and delivery of services, to look after their own health and to have a quality of life outside the caring role if so desired.
- Contribute to a reduction in health inequalities and the inequalities in the wider social conditions that affect our health and wellbeing.
- Strengthen existing community assets and resources that can help local people with their needs as they perceive them and make it easier for people to contribute to helping others in their communities.
- Support staff to deliver high quality services that have a positive impact on personal experiences and outcomes.

During the 2017/18 budget process the IJB agreed to six priorities to be delivered by the end of the financial year in terms of its integration and change programme. These priority projects are documented below:

- Develop business case for acute care at home;
- Establish link workers in city;
- Localities shadow operation\nnotional budgets;
- Continue work on carers' strategy;
- Develop commissioning strategy and move forward market facilitation; and
- Testing the Buurtzorg model.

The IJB strategic plan will be updated during 2018/19 picking up on the trends and cost pressures identified in the first two years of operation. In a similar method to the creation of the current strategic plan, an extensive consultation process will be undertaken with interested and affected groups.

The IJB provides strategic direction to the partners (Aberdeen City Council and NHS Grampian) by approving formal directions to the partner organisations on the changes that it would like made to operational service delivery in order to achieve the priorities included in the strategic plan.

The directions are then passed to the Chief Executives of the partner organisations who in turn pass these onto to officers for implementation.

Key Risks and Uncertainties

The key strategic risks along with an assessment of level of risk facing the IJB are as indicated below:

- There is a risk of significant market failure in Aberdeen City– High
- There is a risk of financial failure, that for example, demand outstrips the budget and IJB cannot deliver on priorities, statutory work, and project an overspend – Medium
- Failure of the IJB to function, make decisions in a timely manner – Medium
- There is a risk that the outcomes expected from hosted services are not delivered and that the IJB does not identify non-performance through its systems. 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 IJB – Medium
- There is a risk that the governance arrangements between the IJB and its partner organisations (Aberdeen City Council and NHS Grampian) are not robust enough to provide necessary assurance within the current assessment framework – leading to duplication of effort and poor relationships – Medium
- There is a risk that services provided by ACC and NHS corporate services on behalf of the IJB do not have the capacity, are not able to work at the pace of the IJB's ambitions, or do not perform their function as required by the IJB to enable it to fulfil its functions - High
- There is a risk that the IJB and the services that it directs and has operational oversight of fail to meet performance standards or outcomes as set by regulatory bodies - Medium

- 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 - High
- Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system – High
- There is a risk that the IJB does not maximise the opportunities offered by locality working – Medium

These risks are monitored and updated frequently by the IJB Executive Team, who in-turn report to the IJB and Audit and Performance Systems Committee on a regular basis.

Analysis of the Financial Statements

The accounts show usable reserves of £10,417,474 at 31 March 2017. This is largely due to unspent integration and change funds provided by the Scottish Government to the IJB via NHS Grampian. This level of reserve had largely been anticipated throughout the year and is a result of the transformation programme taking longer than planned, due to the various governance processes.

The GP prescribing budget was overspent by £841,000 at the end of the financial year. As with the underspend on the integration and change funds this had been forecast throughout the financial year. The reason for the overspend on primary care prescribing is an increase in both the cost of the drugs and volumes prescribed. A Local Enhanced Service direction was issued to NHS Grampian during the financial year in an attempt to reduce the level of spend. The level of overspend has reduced at the year end from the overspend position of £1,201,000 forecast in December 2016.

The 2015/16 comparator figures included in the accounts relate to the period of the 6 February 2016 to 31 March 2016 and therefore do not reflect a full year of spend on the delegated budgets.

Jonathan Passmore
IJB Chair



Judith Proctor
Chief Officer



Alex Stephen
Chief Finance Officer



Independent Auditor's Report to the Members of Aberdeen City Integration Joint Board

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of Aberdeen City Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the body as at 31 March 2017 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Chief Finance Officer determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Report on other requirements

Opinions on other prescribed matters

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

Andrew Shaw (for and on behalf of KPMG LLP)
20 Castle Terrace
Edinburgh
EH1 2EG

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

Jonathan Passmore
IJB Chair

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 2017 and the transactions for the year then ended.

Alex Stephen
Chief Finance Officer

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The 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.

Taxable Expenses 2015/16 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2016/17 £
Nil	Jonathan Passmore	Chair 01/01/17 to 31/03/17 Vice Chair 01/04/16 to 31/12/16	NHS Grampian	Nil
Nil	Cllr Len Ironside CBE	Chair 01/04/16 to 31/12/16 Vice Chair 01/01/17 to 31/03/17	Aberdeen City Council	Nil
Nil	Total			Nil

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

Remuneration: Officers of the IJB

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

Chief Officer

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

Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

Total 2015/16 £	Senior Employees	Salary, Fees & Allowances £	Taxable Expenses £	Total 2016/17 £
15,712 (FYE 104,934)	Judith Proctor Chief Officer 01/02/16 to 31/03/17	108,429	317	108,746
Nil	Alex Stephen Chief Finance Officer 04/07/16 to 31/03/17	50,544 (FYE 68,124)	nil	50,544
15,712	Total	158,973	317	159,290

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 31/3/2017 £000	Pension Difference from 31/3/2016 £000	Lump Sum as at 31/3/2017 £000	Lump Sum Difference from 31/3/2016 £000	Pension Contribution 2016/2017 £	Pension Contribution 2015/2016 £
Judith Proctor	Chief Officer 01/02/2016 – 31/03/2017	30	2	80	3	16,191	2,111
Alex Stephen	Chief Finance Officer 01/07/2016 – 31/03/2017	20	-	31	-	9,755	9,755

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 2015/16	Remuneration Band	Number of Employees in Band 2016/17
0	£50,000 - £54,999	1
0	£105,000 - £109,999	1

Exit Packages

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

Jonathan Passmore
IJB Chair

Judith Proctor
Chief Officer

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 includes 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’s systems of internal control, which support compliance with both organisations’ policies and promotes 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\SOLACE¹ Delivering good governance in Local Government Framework (2016 Edition)’. This code provides a list of documents from an IJB, NHS Grampian and Aberdeen City Council perspective which also provides assurance on the governance framework.

To provide further assurance about the governance environment and as requested by Audit Scotland, the IJB’s external auditor for the financial year 2015/16, a review has also been undertaken against the governance principles detailed in the CIPFA document titled the ‘the role of the chief financial officer in local government’. This review was discussed and noted at a meeting of the Audit & Performance Systems Committee in April.

¹ 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.

Against each of the seven governance principles adopted by the IJB there are key documents, 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: Over the course of this financial year 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 have their own terms of reference.

Future Developments: The IJB report format needs to be modified to demonstrate more clearly the links to the IJB values and the strategic priorities. A review of the standing orders and integration scheme is progressing with support from colleagues in the Council's Governance Team.

Principle 2 – Ensuring openness and comprehensive stakeholder engagement,

Openness: The IJB has moved from a transitional leadership group held in private to a public board where members of the public can attend and agendas, reports and minutes are available to review. Therefore, members of the public can assess whether they believe that decisions are being taken in the public interest. The Audit & Performance Systems Committee recently reviewed its terms of reference and is now also a public meeting.

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 4 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 which sought to formalise stakeholder engagement with the partner organisations around the budget process. A number of workshops have been held during the year, particularly around primary care and development of a carers' strategy. 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.

Future Developments: develop a communications protocol which explains when, where and how the IJB will communicate with stakeholders.

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

Economic: The IJB has an agreed budget for both 2016-17 and 2017-18. Indicative figures of the level of financial need over the next five financial years were also discussed and agreed at the IJB. The transformation programme and IJB report format specifically highlight the economic impact of the decisions being taken on current and future financial years.

Social: The IJB has published a 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.

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

Interventions: A transformation programme has been developed focussing on six big ticket items which will help support the delivery of the strategic plan. These six big ticket items are monitored on a regular basis and information on progress is received by the Integration Joint Board and the Audit & Performance Systems Committee for scrutiny and challenge. Decisions to procure services costing over £50,000 are taken by the Integration Joint Board in so far as it relates 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 Transformation Board monitors any new projects ensuring that an optional appraisal and project plan is developed in line with best practice. The benefits, both financial and non-financial, are highlighted and contained in the project plans.

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 Executive Team have started the Aston Team Journey programme with the intention of rolling this out across the partnership.

Leadership: The IJB has set itself goals and has recently evaluated their performance after one year of operation against these goals. A structure review has recently been completed and individuals are currently being recruited to these key posts. 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 attended by senior officers.

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 being completed by all partnership staff. The outputs from these surveys are discussed by the IJB Executive Team and any necessary improvement actions implemented.

Future Developments: The IJB Executive Team has committed to shadowing staff at all levels in the organisation and holding a quarterly leadership event for third and fourth tier managers during 2017/18.

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. Both the operational and strategic risk register are updated frequently and reported to the Audit & Performance Systems Committee at least quarterly.

Performance: A performance management framework has been developed for the IJB and is reported frequently to the Audit & Performance Systems 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. The IJB financial position has remained largely static during the financial year, in which the only material adverse movement being on the prescribing budget. The IJB agreed a balanced budget for 2017/18 on 7 March, which contained information on budget pressures, budget reductions and an indicative budget position for the next five financial years. All IJB reports contain a financial implications section advising the IJB on the budget implications of agreeing the recommendations of the report.

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

Transparency: The IJB meetings are held in public and the agendas, reports and minutes are available for the public to inspect. Public attendance is welcome at the IJB meetings. The Audit & Performance Systems committee has recently reviewed its terms of reference and agreed that meetings should now be held in public. 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.

Audit: The 2015/16 accounts received an unqualified audit opinion. The Audit & Performance Systems Committee has received an internal audit plan from the Chief Internal Auditor and five internal audit reports over the last financial year. A joint inspection of adult services and health care services for Aberdeen City was published by the Care Inspectorate during the year and reported to both the IJB and Clinical & Care Governance Committee. Of the nine quality indicators used in the report, Aberdeen City was graded as follows: one very good, two good, five adequate and one weak. An action plan was developed to address the recommendations of the report.

Future Developments: Improvement plans are in the process of being developed and these will be influenced by the performance management framework.

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 Executive 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 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 internal control system in the year to 31 March 2017.

However, some significant concerns have been identified throughout the year. Recommendations graded as "major" were made in an Aberdeen City Council Internal Audit report in 2016/17 relating to Adult Social Work Purchasing and Creditors Procedures. Recommendations made regarding the issues identified were either agreed by management or the Aberdeen City Council Audit, Risk and Scrutiny sought, and were satisfied with, management assurances at Committee.

In addition, there were limitations to the scope of planned Internal Audit work in relation to Aberdeen City Council. These limitations related to not being permitted access to records held within the Care First system (with data being provided to Internal Audit by officers) and impacted on audits of Self-Directed Support and the Care First System now remedied.

Whilst the above issues occurred, areas of good practice, improvement, and procedural compliance were also identified and these have been detailed in individual assignment reports.

The external 2015-16 auditor's annual report had one formal recommendation for the Executive Team about establishing a performance management framework. This recommendation is now closed as the framework is operating and established.

On the 1 April 2017, Aberdeen City Council assumed responsibility for the operation of Kingsmead Nursing Home on a temporary basis, pending determination as to how services to meet the needs of the residents may best be provided in the future. Whilst the safe operation of the home has been secured in the short term, further work will be required to determine the best solution going forward, and to address any governance issues identified following a review of contract management and service delivery processes.

The governance framework was reviewed by the Executive Team against the governance principles identified in the CIPFA Role of the Chief Finance Officer Framework. The results of this review were also discussed and noted by the Audit & Performance Systems Committee.

The local code of corporate governance was agreed by the Audit & Performance Systems Committee on the 11 April 2017 and progress against the seven principles is detailed above. It is recognised that the IJB's governance framework is evolving as it matures and that future development work is required to provide further assurance against the governance principles. Therefore, these future developments will be developed into an action plan which will be monitored by the Audit & Performance Systems Committee, along with a more structured process for reviewing effectiveness in future years.

	Area for Improvement and Outcome to Be Achieved	Improvement Action Agreed	Responsible Party	Completion Date
1.	Demonstrate links to Strategic Plan.	Review report format to establish clearer links	Chief Finance Officer	31 March 2018
2.	Standing Orders and integration scheme	Review standing orders and integration scheme	ACC Legal and Democratic Services	31 March 2018
3.	Define clear expectations on how and when the IJB will consult.	Create communications protocol	Communications Partner	31 March 2018
4.	Improvement planning	Develop service improvement plans	Chief Officer	31 March 2018

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 strategic objectives as set out in the Strategic Business Plan 2017/18, where the role of governance, performance management and risk management are recognised as crucial 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 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 policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The Audit, Risk and Scrutiny Committee has a key role in this and an annual report of its activities will be approved by the committee and referred to Council for its consideration. This demonstrates the Council's governance arrangements through 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 our commitment to the seven principles recommended in the CIPFA / SOLACE Framework 2016, by citing the primary sources of assurance which demonstrate the

effectiveness of our systems of internal control. The revised Code, approved by Council on 15 March 2017, can be viewed at:

<https://committees.aberdeencity.gov.uk/documents/s67547/LocalCodeofCorporateGovernance.pdf>

In summary the Council has undertaken a self-evaluation of its Local Code of Corporate Governance and determined that there is strong compliance with the Code and that governance processes, procedures, performance reporting and engagement material are well managed by the organisation. The Council has a clear approach to the decision-making process and seeks to engage with those in the community and with partners and staff.

The Chief Executive and Leader of the Council have certified that reasonable assurance can be placed upon the adequacy and effectiveness of Aberdeen City Council's systems of governance and that the annual review demonstrates sufficient evidence that the Code of Corporate Governance operates effectively. Furthermore, the Council proposes over the coming year to take steps to further enhance governance arrangements and are satisfied that these steps will address the need for improvements that were identified in the review of effectiveness and will monitor their implementation and operation as part of the next annual review.

ii) NHS Grampian governance framework

NHS Grampian is required to operate within the aspects of the Scottish Public Finance Manual (SPFM) which are set out within the guidance issued to Chief Executives and more generally to all Board members by the Scottish Government Health Directorates as being applicable to NHS Boards. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

As Accountable Officer, the Chief 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:

- Executive and senior managers who are required to develop, implement and maintain adequate internal controls across their areas of responsibility;
- The work of the internal auditor, who submit to the Audit Committee regular reports which include their independent and objective opinion on the effectiveness of risk management, internal control and governance processes;

- Management letters and other reports issued by external audit;
- Financial plans, service plans and related organisational performance and risk management reports presented to the Board and relevant governance committees;
- Reports relating to the recent reviews carried out by Health Improvement Scotland and other inspection agencies; and
- Transparent assumptions regarding the timing of investment to deliver a significant reduction in high risk backlog maintenance in clinical areas agreed by the Scottish Government Health and Social Care Directorates as part of the Board's Asset Management Plan.
- Annual statements of assurance from each of the core governance committees of the Board, including the Endowment Committee with respect to the governance arrangements that exist for the NHS Grampian Endowment Funds charity which is consolidated with the main Board accounts;
- Written confirmation from executive and senior managers that controls within their individual areas of responsibility are adequate and have been operating effectively throughout the year;
- During the year, minutes of the meetings of the core governance committees were provided to all Board members.
- Consideration of the governance statement and its disclosures by Internal Audit, the Audit Committee and Board members;

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

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.

.....
 Judith Proctor
 Chief Officer

.....
 Jonathan Passmore
 Chair

Comprehensive Income and Expenditure Statement

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

	2015/16			2016/17		
Gross Expenditure	Gross Income	Net Expenditure	Gross Expenditure	Gross Income	Net Expenditure	
£	£	£	£	£	£	
-	-	-	Community Health Services	31,649,313	-	31,649,313
-	-	-	Aberdeen City share of Hosted Services (health)	21,207,851	-	21,207,851
-	-	-	Learning Disabilities	29,264,461	-	29,264,461
-	-	-	Mental Health & Addictions	18,304,741	-	18,304,741
-	-	-	Older People & Physical and Sensory Disabilities	69,719,818	-	69,719,818
26,809	(26,809)	-	Head office/Admin	1,007,021	(170,013)	837,008
-	-	-	Criminal Justice	4,413,345	(4,624,593)	(211,248)
-	-	-	Housing	2,197,288	-	2,197,288
-	-	-	Primary Care Prescribing	40,005,916	-	40,005,916
-	-	-	Primary Care	36,846,589	-	36,846,589
-	-	-	Out of Area Treatments	1,219,506	-	1,219,506
-	-	-	Set Aside Services	46,732,000	-	46,732,000
-	-	-	Transformation	2,856,283	-	2,856,283
26,809	(26,809)	-	Cost of Services	305,424,132	(4,794,606)	300,629,526
-	-	-	Taxation and Non-Specific Grant Income (Note 5)	-	(311,047,000)	(311,047,000)
26,809	(26,809)	-	(Surplus) or Deficit on Provision of Services	305,424,132	(315,841,606)	(10,417,474)
			Total Comprehensive Income and Expenditure			(10,417,474)

**The IJB was established on 6 February 2016. Integrated delivery of health and care services did not commence until 01 April 2016. Consequently the 2016/17 financial year is the first fully operational financial year for the IJB and the figures above reflect this.*

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.

Movements in Reserves During 2016/17	General Fund Balance £	Total Reserves £
Opening Balance at 31 March 2016	-	-
Total Comprehensive Income and Expenditure	(10,417,474)	(10,417,474)
Adjustments between accounting basis and funding basis under regulations(*)	-	-
(Increase) or Decrease in 2016/17	(10,417,474)	(10,417,474)
Closing Balance at 31 March 2017	(10,417,474)	(10,417,474)

Movements in Reserves During 2015/16	General Fund Balance £	Total Reserves £
Opening Balance at 6 February 2016	-	-
Total Comprehensive Income and Expenditure	-	-
Adjustments between accounting basis and funding basis under regulations (*)	-	-
(Increase) or Decrease in 2015/16	-	-
Closing Balance at 31 March 2016	-	-

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.

31-Mar 2016		Notes	31-Mar 2017
£			£
5,000	Short term Debtors	(6)	10,417,474
5,000	Current Assets		10,417,474
(5,000)	Short-term Creditors		-
(5,000)	Current Liabilities		-
-	Provisions		-
-	Long-term Liabilities		-
-	Net Assets		10,417,474
	Usable Reserve:		
-	General Fund	(7)	(10,417,474)
-	Unusable Reserve:		-
-	Total Reserves		(10,417,474)

The audited accounts were issued on 21 August 2017

Alex Stephen
Chief Finance Officer

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

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

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

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

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

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

Accruals of Income and Expenditure

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

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

Funding

The IJB is 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.

Provisions, Contingent Liabilities and Contingent Assets

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

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

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

Reserves

The Integration Joint Board 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 contingency 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 of:

- 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. The 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. No charge was made for the services of the Interim Chief Finance Officer during the shadow period.

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 Integration Joint Board'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 Annual Accounts were authorised for issue by the Chief Finance Officer on 20 September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

4. Expenditure and Income Analysis by Nature

2015/16		2016/17
£		£
	- Services commissioned from Aberdeen City Council	117,050,344
	- Services commissioned from NHS Grampian	188,347,788
	- Employee Benefits Expenditure	-
	- Other IJB Operating Expenditure	-
	- Insurance and Related Expenditure	-
5,000	Auditor Fee: External Audit	26,000
	- Auditor Fee: Other	-
	- Service Income: Aberdeen City Council	(4,794,606)
	- Service Income: NHS Grampian	-
	- Partners Funding Contributions and Non-Specific Grant Income	(311,047,000)
5,000	(Surplus) or Deficit on the Provision of Services	(10,417,474)

5. Taxation and Non-Specific Grant Income

2015/16		2016/17
£		£
0	Funding Contribution from Aberdeen City Council	(88,463,000)
0	Funding Contribution from NHS Grampian	(222,584,000)
0	Other Non-ring fenced grants and contributions	0
0	Taxation and Non-specific Grant Income	(311,047,000)

The funding contribution from the NHS Board shown above includes £46,732,000 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 ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

6. Debtors

31-Mar-16		31-Mar-17
£		£
0	NHS Grampian	5,644,089
0	Aberdeen City Council	4,773,385
0 Debtors		10,417,474

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. Usable Reserve: General Fund

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

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

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

2015/16					2016/17		
Balance at 1 April 2015	Transfers In	Transfers Out	Balance at 31 March 2016		Transfers In	Transfers Out	Balance at 31 March 2017
£	£	£	£		£	£	£
-	-	-	-	Equipment	-	(500,000)	(500,000)
-	-	-	-	Integration & Change	-	(7,417,474)	(7,417,474)
-	-	-	-	Total Earmarked	-	(7,917,474)	(7,917,474)
-	-	-	-	Risk Fund	-	(2,500,000)	(2,500,000)
-	-	-	-	General Fund	-	(10,417,474)	(10,417,474)

8. 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.

2015/16	2016/17
£	£
- Expenditure on Agency Services	1,219,057
- Reimbursement for Agency Services	(1,219,057)
<hr/>	
- Net Agency Expenditure excluded from the CIES	-

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

2015/16	2016/17
£	£
- Expenditure on Agency Services	5,772,096
- Reimbursement for Agency Services	(5,772,096)
<hr/>	
- Net Agency Expenditure excluded from the CIES	-

9. 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

2015/16		2016/17
£		£
- Funding Contributions received from the NHS Board*	(222,584,000)	
- Service Income received from the NHS Board		-
- Expenditure on Services Provided by the NHS Board	188,183,593	
- Key Management Personnel: Non-Voting Board Members	159,923	
- Net Transactions with the NHS Grampian		(34,240,484)

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 £28,596,395

Balances with NHS Grampian

31-Mar-16		31-Mar-17
£		£
- Debtor balances: Amounts due from the NHS Board	5,644,089	
- Creditor balances: Amounts due to the NHS Board		-
- Net Balance with the NHS Grampian		5,644,089

Transactions with Aberdeen City Council

2015/16		2016/17
£		£
- Funding Contributions received from the Council	(88,463,000)	
- Service Income received from the Council	(4,794,606)	
- Expenditure on Services Provided by the Council	117,014,182	
- Key Management Personnel: Non-Voting Board Members	66,434	
- Net Transactions with Aberdeen City Council		23,823,010

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 Integration Joint Board and the costs associated for this post are borne by the Council.

31-Mar-16		31-Mar-17
£		£
4,272,200-	Debtor balances: Amounts due from the Council	2,190,750
-	Creditor balances: Amounts due to the Council	-
- Net Balance with the Aberdeen City Council		2,190,750

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

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.

31-Mar-16		31-Mar-17
£		£
(961,925)-	Service Income received from the Council	(1,184,001)
26,153,757-	Expenditure on Services Provided by the Council	26,435,283
25,191,832- Net Transactions with BAC/BASS		25,251,282

10. 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 twelve 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 incash.

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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Our Ref: AS/jms/21082017

21st August 2017

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 2017, 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 2017 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 2016/17; 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 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 profit or loss 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 2016/17; 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 tabled and agreed at the meeting of the Audit and Performance Systems Committee on 21 August 2017.

Yours faithfully,

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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AUDIT & PERFORMANCE SYSTEMS COMMITTEE

Report Title	Transformation Progress Report
Lead Officer	Judith Proctor, Chief Officer
Report Author	Gail Woodcock, Lead Transformation Manager (ACHSCP)
Report Number	HSCP.17.075
Date of Report	5 July 2017
Date of Meeting	21 August 2017

1: Purpose of the Report
The purpose of this report is to provide an update on the progress of the Transformation Programme.

2: Summary of Key Information
<p><u>2.1 Background</u></p> <p>The Transformation Programme for the Aberdeen City Health and Social Care Partnership, agreed by the IJB, includes the following priority areas for strategic investment:</p> <ul style="list-style-type: none"> • Acute Care at Home • Supporting Management of Long Term Conditions – Building Community Capacity • Modernising Primary and Community Care • Culture Change/ Organisational Change • Strategic Commissioning and Development of Social Care • Information and Communication Technology and Technology Enabled Care (included within a wider work programme also including infrastructure and data sharing) <p>As set out above, these programmes, consisting of a range of individual and linked projects, seek to support the delivery of the objectives and aspirations as set out in our Strategic Plan.</p>



AUDIT & PERFORMANCE SYSTEMS COMMITTEE

2.2 Programme Governance

An appropriate governance structure has been put in place to ensure effective operational and executive oversight:

- A programme management approach has been adopted across our transformation portfolio. This approach seeks to ensure progress while managing the natural tensions that will exist between corporate strategy, change processes, and business as usual operations.
- The programme governance structure has been established to support the development and delivery of transformation at pace and at scale. This includes the Executive Programme Board which is tasked with providing overall direction to the complex programme of activities, in line with agreed strategy and policy. Three further Programme Boards, including a broad range of stakeholders, are in place to support progression at pace. Working Groups ensure progress on agreed portfolio projects, including supporting the development of business cases and specific projects which are delivered by Project Teams.
- There is a good cross section of involvement from across the wider partnership throughout our programme management structure, including executive, operational, strategic, business functions, and including representation from our partners, NHS Grampian, Aberdeen City Council, 3rd Sector and Independent sector.
- Work is ongoing to support all aspects of this complex programme of activity to comply with best practice in relation to programme management and good governance. This includes the adoption of an iterative project development process including the development of robust business cases which clearly identify the anticipated benefits, inputs required, and risks of any project.
- The programme delivery process is supported by a programme review group to identify inter-relationships between projects and programmes and to minimise the risk of potential unintended consequences.
- A programme dashboard is the management tool used to track progress, benefits, risks, resources, across all projects within the portfolio of programme workstreams.

2.3 Transformation Progress Highlight Report

Appendix A provides a transformation progress highlight report across the six priority work streams, covering the period from April 2017 to July 2017.



AUDIT & PERFORMANCE SYSTEMS COMMITTEE

3: Equalities, Financial, Workforce and Other Implications

Financial Implications

The partnership receives around £18million per year from a range of sources to support its transformation programme. Transformation also impacts on the overall partnership budget of £260million. A breakdown of the funding specifically available to support transformation is included in the highlight report attached at appendix A.

Equalities Implications

Equalities implications are considered on a project by project as well as programme wide basis.

Workforce Implications

Workforce implications are considered at project, programme and overall portfolio levels.

The progress report highlights the challenges to delivering the transformation programme as a result of delays to recruitment of key posts.

4: Management of Risk

Identified risk(s):

Risks relating to the Transformation Programme are managed throughout the transformation development and implementation processes. The Executive Programme Board and portfolio Programme Boards have a key role to ensure that these risks are identified and appropriately managed. High level risks to programme delivery and mitigating actions are identified in the attached progress report.

Link to risk number on strategic or operational risk register:

The main risk relates to not achieving the transformation that we aspire to, and the resultant risk around the delivery of our strategic plan, and therefore our ability to sustain the delivery of our statutory services within the funding available.



AUDIT & PERFORMANCE SYSTEMS COMMITTEE

9. Failure to deliver transformation at a pace or scale required by the demographic and financial pressures in the system
2. There is a risk of financial failure , that demand outstrips budget and IJB cannot deliver on priorities, statutory work, and project an overspend

How might the content of this report impact or mitigate the known risks:

This paper brings to the attention and scrutiny of the Audit and Performance Systems Committee a high level progress report for the transformation programme, highlighting the known risks and issues and providing assurance of the mitigations that have been put in place.

5: Recommendations for Action

It is recommended that the Audit and Performance Systems Committee:

1. Note the ongoing process and progress in developing and delivering our transformational programme.
2. Note the change requirement in relation to the provision of funding for Thinc social transport during 2017/18.



Aberdeen City Health & Social Care Partnership
A caring partnership

Transformation Programme

Acceleration and Pace Highlight Report

- **Organisational Development & Cultural Change**
- **IT, Infrastructure and Data Sharing**
- **Modernising Primary & Community Care**
- **Supporting Self-Management of Long Term Conditions and Building Community Capacity**
- **Strategic Commissioning**
- **Acute Care @ Home**



Overall Transformation Programme

The Aberdeen City Health and Social Care Partnership's Transformation Programme seeks to deliver the change that is required for the partnership to deliver its strategic priorities.

General Comments:

Much of the overall integration and change programme is at the Define stage – including the development of options appraisals and business cases and project plans. Once the overall programme moves more into Implement stage, this report will also incorporate an overall plan timeline.

Overall progress is slower than desired due to gaps in programme management capacity. Work is currently ongoing to fill additional posts. New Transformation Programme Managers (4) are expected to commence with the partnership at the beginning of September 2017.

Activities and Projects within the programme are categorised as follows:

- **TRANSFORMATIVE** – activities that are intended to change the current operating arrangements into new, different operating arrangements
- **INNOVATIVE** – activities that will introduce a new way of working into the current operating system
- **ENABLING** – activities and infrastructure which are essential to support innovation and transformation to happen.

Key Risks

RISK	DESCRIPTION	LIKELIHOOD/ IMPLICATION	MITIGATION
Failure to deliver transformation required	Failure to deliver the scale of transformation required within the timescales that additional funding is available, or within the time available before service demand is unsustainable.	MED/ HIGH	Recruitment of additional resource to support the delivery of the transformation programme Scrutiny of progress via Executive Programme Board and Audit and Performance Systems Committee
Engagement & Change Strategy	Managing change with staff and partners may not be successful due to complexity of programme and other operational pressures	HIGH/ HIGH	Develop communications strategy Enhanced role of communications and engagement group Key stakeholders/ leaders as Programme Board members OD and Cultural Change Programme will provide development training
Sustainability of transformational change	There is a risk that new ways of working do not release resource within the overall system or that "blockages" prevent old system resource from transferring to new systems.	HIGH/ HIGH	Key stakeholders as Programme Board members Robust business and benefits planning and scrutiny to identify where resource will be released from and to allow "blockages" to be identified early. Ongoing review at key milestones to check that outputs remain aligned with corporate objectives
Failure to realise anticipated benefits of	The programme does not clearly articulate the anticipated benefits, and/or the anticipated benefits are	MED/ MED	Benefits realisation workshop undertaken with former Integration and Transformation Programme Board.

programme	not delivered.		<p>Robust business planning process to clearly set out anticipated benefits.</p> <p>Programme Board and Working groups tasked to ensure benefits are realised.</p> <p>Additional resource in place to evaluate/measure benefits realisation</p>
Failure to balance transformation with business as usual	The balance of resource/ capacity allocated to change activities impacts on ability to deliver business as usual.	MED/ MED	<p>Operational managers (as Business Change Managers) are on Programme Boards.</p> <p>Change process builds in double running resources where required.</p>

Programme Management Governance:

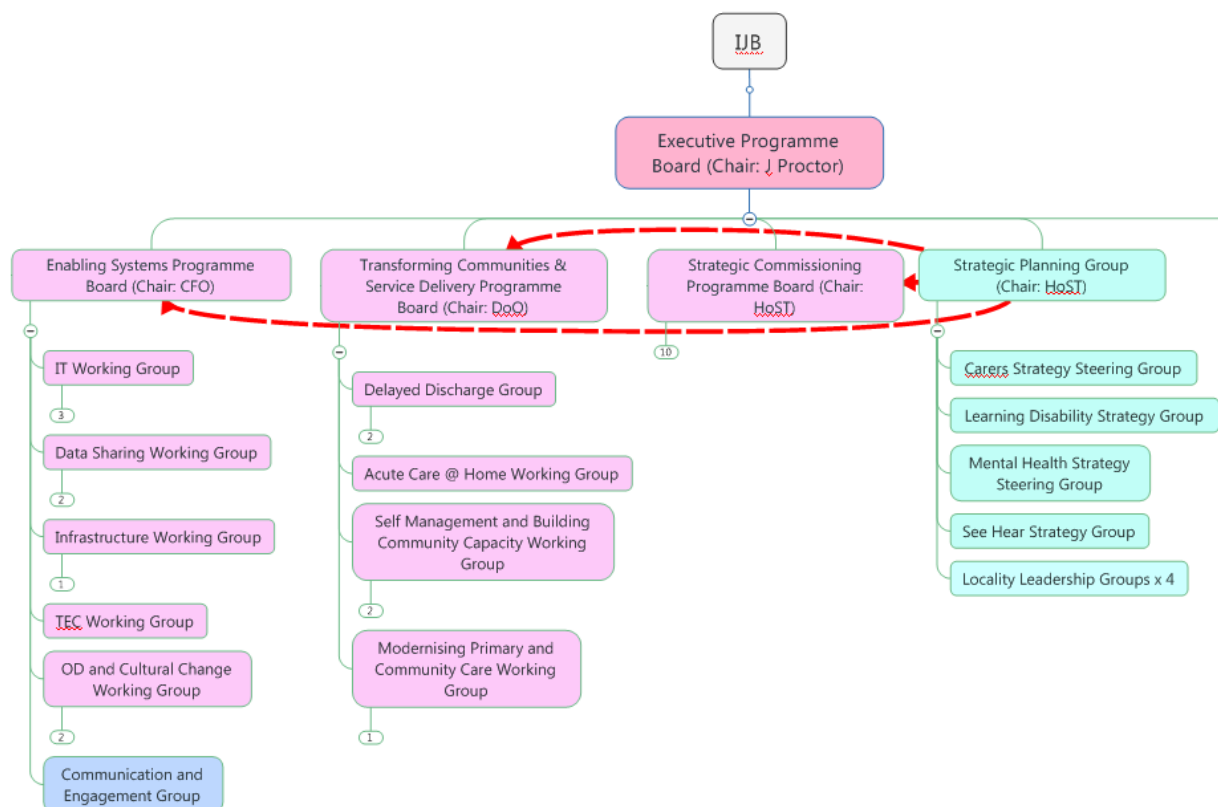
A programme management approach has been adopted across our transformation portfolio. This approach seeks to ensure progress while managing the natural tensions that will exist between corporate strategy, change processes, and business as usual operations.

The programme governance structure has been established to support the development and delivery of transformation at pace and at scale. This includes the Executive Programme Board which is tasked with providing overall direction to the complex programme of activities, in line with agreed strategy and policy. Three further Programme Boards, including a broad range of stakeholders, are in place to support progression at pace. Working Groups ensure progress on agreed portfolio projects, including supporting the development of business cases and specific projects which are delivered by Project Teams.

There is a good cross section of involvement from across the wider partnership throughout our programme management structure, including executive, operational, strategic, business functions, and including representation from our partners, NHS Grampian, Aberdeen City Council, 3rd Sector and Independent sector.

Work is ongoing to support all aspects of this complex programme of activity to comply with best practice in relation to programme management and good governance. This includes the adoption of an iterative project development process including the development of robust business cases which clearly identify the anticipated benefits, inputs required, and risks of any project.

The governance structure is set out below and highlights the strong relationship that exists between strategy and delivery of transformation programmes:



Overall Programme Expenditure

Our transformation programme seeks to release savings, through the development of leaner systems, and most of our initial work and investment seeks to create the environment which will allow this to happen. Further information about our benefits realisation framework including timescales will be included in future progress reports.

Work stream	Projected Spend 2017/18 (£000)	Actual Spend to date 2017/18 (£000)	Projected Spend 2018/19 (£000)	Projected Spend 2019/20 (£000)
Supporting Transformation Infrastructure	2,157	0	2,325	1,892
Infrastructure, IT and Data Sharing	1,332	20	1,564	860
Acute Care @ Home	408	0	724	724
Supporting Management of Long Term Conditions and Building Community Capacity	941	36	1,461	1,259
Modernising Primary & Community Care	1,516	6	1,788	456
Culture and Organisational Change	339	10	1,066	1,061
Strategic Commissioning and Development of Social Care	4	4	770	770
Budget Allocations Programme	6,209	0	228	228
Delayed Discharge	734	33	263	223

Work stream	Projected Spend 2017/18 (£000)	Actual Spend to date 2017/18 (£000)	Projected Spend 2018/19 (£000)	Projected Spend 2019/20 (£000)
	13,640	109	10,189	7,473

Note: actual spend through to end July 2017 awaiting input from finance. Variation in project spend is due to refinement process as projects are scoped and developed. There are delays in incurring spend due to unanticipated delays in recruitment etc.

Overall Programme Income

FUNDING AVAILABLE			£000	£000	£000
	R/NR	Partner body	17.18	18.19	19.20
Integrated Care Fund	R	nhs	3,750	3,750	3,750
Integrated Care Fund c/f from 16/17	NR	nhs	2,532	0	0
Delayed Discharge	R	nhs	1,125	1,125	1,125
Delayed Discharge c/f from 16/17	NR	nhs	1,429	0	0
Winter resilience (non recurring) c/f from 15/16	NR	nhs	190	0	0
Additional investment	R	acc	9,504	9,504	9,504
Additional Investment c/f from 16/17		acc	4,754	0	0
Primary Care Transformation	NR	Tbc nhs	0	0	0
Primary Care Transformation c/f from 16/17		nhs	695	0	0
Mental Health Fund	NR	tbc nhs	0	0	0
Mental Health Fund c/f from 16/17		nhs	54	0	0
Transforming Urgent Care c/f from 16/17	NR	nhs	190	0	0
Other additional funding		acc	4,130	0	0
			<u>28,353</u>	<u>14,379</u>	<u>14,379</u>

Abbreviations used throughout the report:

ACHSCP: Aberdeen City Health and Social Care Partnership

EPB: Executive Programme Board

MPCC: Modernising Primary & Community Care






SMCC: Supporting Self-Management of Long Term Conditions & Building Community Capacity

ODCC: Organisational Development & Cultural Change

IDS: IT, Infrastructure and Data Sharing

SC: Strategic Commissioning

AC@H: Acute Care at Home

RAG	Definition
	Successful delivery of the project to time, cost and quality appears highly likely and there are no major outstanding issues that, at this stage, appear to threaten delivery significantly.
	Successful delivery appears probable, however, management will be needed to ensure current risks do not develop into major issues threatening delivery.
	Possible but significant issues already exist, requiring management attention. These appear resolvable at this stage and if addressed promptly would not prevent an acceptable outcome.
	Successful delivery of the project is in doubt with major risks or issues apparent in a number of key areas. Urgent action is required to ensure these are addressed and determine whether resolution is feasible.
	Successful delivery of the project appears to be unachievable. There are major issues on project definition, schedule or budget, quality and/or benefits delivery which at this stage do not appear to be manageable or resolvable. The project may need re-scoping or its overall viability re-assessed.

Organisational Development and Cultural Change

1. Programme Summary and Anticipated Benefits

This **ENABLING** work stream recognises that people are key to delivering our integration and transformation ambitions. The appropriate organisational culture is an essential core building block and we will be unable to successfully embed the transformation we seek without changing the culture of our organisation and the people who make it.

Activities in this work stream will support this new “Team Aberdeen” culture to be developed and will support the development of people in the right places and with the right skills and attributes to support people in communities. The work stream also recognises the anxiety many of our staff will feel as we transition into our new partnership and integrate at every point of delivery, aligning with our values of caring, person centred and enabling.

2. Programme Status

Overall RAG Status:	GREEN/ AMBER
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3. Project progress during this period

Key milestones deliverables	Planned Date	Achieved Date	Update	Comments
Roll out of Aston Team Journey	October 2018 for completion of 1st journeys	Ongoing	3 Development Facilitators completed training in October 2017 and are progressing their first intervention	No team has completed full journey yet as teams can take between 6 mths & 2 years to complete journey but roll out has started.
Monitor staff engagement through Imatter	17/11/17	Ongoing	Staff & manager briefing sessions May - July, last one 26th July.	Briefing session attendance & iMatter system usage is being monitored, including chasing up mgrs when required. Questionnaire to be completed between 24/07 & 14/08. Action plans to be completed between 25/09 & 17/11/17

Develop workforce planning model	30/8/18	ongoing	A Workforce Plan Development Group was established in Spring 2017 and has met 3 times. Group is developing an action plan.	Purpose of the group is: 1. To review our current workforce plan in light of the new national guidance on workforce planning to be released in Spring 2017. 2. To compile an action plan of what needs to be done to effectively workforce plan, on an ongoing basis, from the point at which the four localities are suitably established.
Ideas Hub: "Our IDEAS"	April 2017	31/4/19	EPB approved continuation of contract until 31/4/19. Promotional plan in place.	May 17 performance: 22 active ideas, approx. 1800 page views
Social Care Centre of Excellence	May 2016	31/3/19	EPB discussed options appraisal and agreed to identify resource to increase pace of delivery.	

4. Change Control

Change	Impact	
	Budget/Resource	Schedule
None at current time		

5. Issues and Opportunities *New and Update*

Current challenges relate to lack of Programme Management and OD Manager capacity to progress projects at a desired pace. This is anticipated to be partially resolved over the coming months through the appointment of additional programme management capacity.

The recruitment of the OD manager has been paused due to Partner processes.

6. Major Risks *New and Update*

No major risks identified in current period.

7. Outlook and Next Period

Anticipated milestones for the coming period include:

- Completion of iMatters exercise
- Development of 2017 Taking Care of Transformation Conference

IT, Infrastructure and Data Sharing

1. Programme Summary and Anticipated Benefits

This programme considers a range of enablers including Infrastructure, ICT, Technology Enabled Care and Data Sharing, which are significant complex activities that are essential for realising our integration and transformation ambitions.

There are clear links between this enabler work stream and delivery programmes including: the Modernising Primary and Community Care programme, including the provider of smart devices to support our workforce directly caring for people in our communities; the Self-Management and Building Community Capacity programme, including the provision of technology enabled care to support people in communities to effectively self manage their long term conditions.

2. Programme Status

Overall RAG Status:	GREEN/ AMBER
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3. Project progress during this period

Key milestones deliverables	Planned Date	Achieved Date	Update	Comments
Smarter working – Len Ironside Centre	24/7/17	ongoing	Integrated staff hub in LIC – 60 staff will be moving into 30 desks. Will commence 24/7/17.	Learning from this will inform future working arrangements
Single email and calendar through Microsoft 365	31/10/17		Small scale implementation ongoing. Technical aspects being progressed and workshops taking place with key users to ensure that solution meets requirements	The inclusion of Sharepoint will also allow integrated document management and improved document processing and control
ICT devices for nurses and care workers	31/3/18 (first phase)		EPB agreed an iterative agile approach to device roll out, prioritising Buurtzorg teams.	Linked to roll out of Community Vision project (pan grampian)

4. Change Control

Change	Impact	
	Budget/Resource	Schedule
No substantive changes during current period		

5. Issues and Opportunities *New and Update*

Progress is slower than desired due to a general lack of project and programme management capacity. A Business Analyst commenced at the end of June and this resource will now be progressing some of the projects within this workstream. Further recruitment is underway during July 2017.

6. Major Risks

New and Update

No major risks identified in current period.

7. Outlook and Next Period

Anticipated milestones for the coming period include:

- Federate ACC and NHS emails and calendars through a common mailbox function – Office 365 will be rolled out as a trial with 30 users including ACC and NHSG employees.
- A review/ re-focus of the Technology Enabled Care priorities within this work stream.
- Development of full business case for devices.

Modernising Primary & Community Care Programme

1. Programme Summary and Anticipated Benefits

This work stream includes reviewing and developing strategies for:

- Collaborative working, in locality hubs, with increased pharmacist provision, social work links and GP led beds to help to reduce admissions to hospital
- locality hubs supported by the design of integrated health and care teams, and investigating new models such as Buurtzorg and Advanced Nurse Practitioners
- New service delivery models primary care and modernising of infrastructure

2. Programme Status

Overall RAG Status:	GREEN/ AMBER
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3. Project progress during this period

Key milestones deliverables	Planned Date	Achieved Date	Update	Comments
New Northfield Practice – new ways of working	1/5/17	1/6/17	Aurora Medial Practice is now providing clinical cover at the Northfield Practice.	
Pharmacy and Prescribing	No end date yet identified	ongoing	IJB approved outline proposal to enhance pharmacy services. Full business case being developed.	
Testing Buurtzorg Principles in Aberdeen	1/11/17 (for first phase implementation)	ongoing	2 test teams will be implemented in Cove and Peterculter. Each team will consist of nurses (NHS) and care at home workers (employed by Bon Accord Care). Business Case developed and approved by EPB. Team members participated in a visit to Holland to learn more about how the principles work in practice. This learning will inform the project development. Work ongoing to plan recruitment processes around these new teams.	Separate briefing paper on Buurtzorg provided to IJB members in August 2017.
GP Led Step up/ Step Down Care Home Beds	No end date identified	ongoing	Options appraisal has been developed and considered by Transforming Communities and Service Delivery Programme Board. Business case to be developed on option that includes staged process to cross city implementation.	
Nursing succession planning	March 2021	Ongoing	Project proposal agreed that will support a greater number of nurses to achieve the qualifications required to become a District Nurse. IJB approved expenditure and business case now being developed.	

Community Falls clinic and pathway	31/3/18	ongoing	As at May 2017: <ul style="list-style-type: none"> • 20% of people who have been attended by SAS post fall but not conveyed to hospital have been referred to CAARS for triage & appropriate assessment & support. Prior to the project less than 1% of patients were referred. • Deep dive of the referrals received has identified distinct patient profiles which is informing discussion about the Partnership's response to people who have fallen & require immediate assistance. 	
Community Mental Health Hub	31/3/19	ongoing	Recruitment challenges have slowed down the implementation of this project. Currently partially operational and work is ongoing to deal with other unforeseen issues.	

4. Change Control

Change	Impact	
	Budget/Resource	Schedule
West Unscheduled Care – afternoon day visiting service for West Locality GPs	£32,000 (budgeted from unscheduled care funding)	none

5. Issues and Opportunities *New and Update*

Delays in additional Programme Management capacity

6. Major Risks *New and Update*

No major risks identified in current period.

7. Outlook and Next Period

Anticipated milestones for next reporting period include:

- Pharmacy development Business Case.
- Recruitment processes underway for Buurtzorg teams.
- Phlebotomy business case
- West unscheduled care business case

Supporting Self-Management of Long Term Conditions and Building Community Capacity

1. Programme Summary and Anticipated Benefits

This work stream recognises that pressures on mainstream primary and community care services cannot be reduced through a “more of the same” approach. The work stream seeks to shift our relationship with communities to enable a more co-productive approach and to nudge the culture towards being more empowered and responsible in relation to ourselves and each other. A number of referrals and appointments in primary care currently relate to social issues and low level anxiety/ depression, and evidence exists that this can be reduced through “non-clinical” support and link resources, embedded in the community and our locality teams.

To deliver population level impact and change we need to go beyond small tests of change and develop at scale activities.

2. Programme Status

Overall RAG Status:	GREEN/ AMBER
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3. Project progress during this period

Key milestones deliverables	Planned Date	Achieved Date	Update	Comments
Link Workers	March 2018	ongoing	The procurement process for the external provider will commence imminently, with the evaluation process expected to be undertaken during August 2017.	Implementation of Link Workers will be on a phased basis.
Social Transport	March 2018	ongoing	Provision of social transport through Thinc is continuing during 2017/18 to allow time for a wider options appraisal.	
House of Care	March 2019	ongoing	ACHSCP is participating in a cross grampian approach to adopt this person centred methodology for patient care. Steering group will commence in August.	
Golden Games	July 2017	July 2017	Another Golden Games event has been delivered. Project report is awaited.	

Support for designing integrated teams in communities	31/3/18	ongoing	Further to a robust procurement exercise, a preferred partner has been identified to work with staff and partners in our communities to encourage and support bottom up development of integrated and empowered community teams.	Formal communication will be issued on conclusion of formal procurement stand still period.
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4. Change Control

Change	Impact	
	Budget/Resource	Schedule
Thinc Social Transport – change required due to new information about funding requirements. Funding (as approved at 28/3/17 IJB) requires to be processed to both Buchan Dial a Community Bus (£61,711) and Aberdeenshire Council (£12,064). Previously it was understood and approved that the full funding allocation would be processed via Aberdeenshire Council.	No change to budget/ resource	No delay to project schedule, although delay in incurring expenditure.

5. Issues and Opportunities *New and Update*

Current challenges relate to lack of Programme Management capacity to progress projects at a desired pace. This is anticipated to be resolved over the coming months through the appointment of additional capacity.

6. Major Risks *New and Update*

No major risks identified in current period.

7. Outlook and Next Period

Anticipated milestones for the coming period include:

- Development and specification of Care Navigators project.
- Appointment of preferred partner to provide Link Worker resource.
- Initial integrated community team work to commence.

Strategic Commissioning

1. Programme Summary and Anticipated Benefits

The Partnership was required by the Public Bodies legislation to produce a Strategic Commissioning Plan/Strategic Plan and this was published on our 'Go live' date in 2016.

Aligned to this will be a Commissioning Implementation Plan which will translate the Strategic Plan's ambitions and priorities into commissioning intentions for the next six years and include a Market Facilitation Statement which will outline how the partnership can best support the local health and social care market.

Five work streams have been established to develop our commissioning intentions in particular areas. These were identified through a combination of factors including: effectiveness of existing models, readiness for change, likely impact of new models and contractual/procurement matters, and include : care at home, residential care, re-ablement service, out of hours and responder services, and a joint equipment store.

Anticipated benefits include contractual arrangements that are fit for purpose; more appropriate care models; improved quality of experiences and outcomes for individuals, particularly in terms of being supported to remain safely at home for longer; and improved efficiency.

2. Programme Status

Overall RAG Status:	GREEN/ AMBER
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3. Project progress during this period [with Kevin to update]

Key milestones deliverables	Planned Date	Achieved Date	Update	Comments
Draft Commissioning Implementation Plan and Market Facilitation Statement produced.	April 2017	June 2017	External colleague who was leading the development of these pieces of work has concluded her relationship with the partnership. Summary briefing presented at a 'Commissioning Workshop' 16 th June. 50+ attendees.	Next phase development to be carried forward by the emerging Strategy & Transformation team. Good feedback received. Also, announcement that another workshop would be arranged as part of our consultation received favourably.

4. Change Control

Change	Impact	
	Budget/Resource	Schedule
No substantial changes during current reporting period		

5. Issues and Opportunities *New and Update*

The key challenges associated with this project are around capacity to carry out the substantial work required within the timescale available. The main resource supporting this workstream has been unable to work for most of this year due to illness and is now moving elsewhere.

6. Major Risks *New and Update*

A risk management plan has been produced. The top risks have been identified as:

- Failure to meet deadlines
- Failure to engage effectively with key stakeholders
- Failure to envisage innovative models of care.

Mitigating actions are in place for each of the risks identified.

7. Outlook and Next Period

Anticipated milestones for next reporting period include:

- Commencement of new Strategic Commissioning Programme Board.
- Presentation to IJB of draft Commissioning Implementation Plan/Market Facilitation Statement
- Commencement of consultation and engagement in respect of draft document.

Acute Care @ Home

1. Programme Summary and Anticipated Benefits

We are seeking to develop an Acute Care at Home service that will provide, for a limited time period, active treatment by appropriate professionals, in the individual's home, of a condition that would otherwise require acute hospital in-patient care.

The development of such a service fits with our ambition for our strategic intentions to have a greater preventative impact especially since we know that prolonged length of stay for the frail elderly and those with long term conditions can lead to a higher risk of acquired infection and other complications such as loss of confidence, function and social networks.

Increasingly, given the choice, individuals and their carers show a preference for receiving care at home, when they have confidence that it will be provided by skilled practitioners working collaboratively to ensure continuity of care.

2. Programme Status

Overall RAG Status:	AMBER
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3. Project progress during this period

Key milestones deliverables	Planned Date	Achieved Date	Update	Comments
Business Case	August 2017	ongoing	A project summary has been prepared and expenditure approved, in principle, by IJB. Work is now ongoing to develop a robust business case. A benefits identification session will take place with the project team in July.	A Programme Manager will be assigned to support this project as a priority once the ongoing recruitment processes are concluded.
Initial operational staff in place	November 2017	ongoing	Work ongoing to plan recruitment for these posts.	

4. Change Control

Change	Impact	
	Budget/Resource	Schedule
No changes in current reporting period.		

5. Issues and Opportunities *New and Update*

The project is progressing slower than desired due to capacity challenges. This should be resolved once Programme Management resource is in place.

6. Major Risks

New and Update

No major risks. There is a strong consensus on desirability of developing a hospital @ home service but some key elements require Exec. team decision.

7. Outlook and Next Period

Anticipated milestones for next reporting period include:

- Programme Manager assigned to support management and delivery of project
- Business Case development including benefits and evaluation plan
- Recruitment of operational staff to deliver new service

Document Location This document is only valid on the day it was printed and the electronic version is located with the document owner (Integrated Localities Programme Manager)

Document Status The current status for this document is **DRAFT**

Revision History Date of next revision:

Version number	Revision date	Previous revision date	Summary of changes	Changes marked
V1.0	20/12/16	N/A	1st draft	N/A
V2.0	5/2/17		Updated	no
V3.0	5/7/17		Updated	no

Distribution This document has been distributed as follows

Name	Responsibility	Date of issue	Version
APS consultation list	S Gibbon	8/8/17	V3.0

Purpose The purpose of a Highlight Report is to provide the Integration Joint Board/ Audit and Performance Systems Committee/ Executive Programme Board with a summary of the stage status at intervals defined by the board. The board will use the report to monitor stage and project progress. The Lead Transformation Manager (who normally produces the report) also uses the report to advise the Project Board of any potential problems or areas where the Board could help.

Quality criteria

- Accurate reflection of checkpoint information
- Accurate summary of Risk & Issue Logs
- Accurate summary of plan status
- Highlighting any potential problem areas

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Exempt information as described in paragraph(s) 6 of Schedule 7A of the Local Government (Scotland) Act 1973.

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