



Aberdeen City Health & Social Care Partnership
A caring partnership



Aberdeen City Integration Joint Board

Unaudited Annual Accounts 2017/18



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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 37 data zones 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 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, 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 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 its second 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 build on the progress delivered in the first year of operation and start to deliver the transformation projects which the IJB had previously approved.

The IJB also agreed during the 2017/18 budget process that six priorities be delivered by the end of the financial year. These priority projects have now largely been delivered and are documented below:

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

Over the last financial year the IJB has:

- approved a transformation plan, a strategic commissioning implementation plan, a carers strategy and started the process of defining its vision for the future delivery of primary care services in Aberdeen;
- published its first annual report;
- approved a medium-term financial strategy providing the IJB with information on the budget pressures likely to be faced over the next five financial years and setting out the budget saving themes which the IJB will use to close the estimated funding gap;
- operated two sub-committees (Audit and Performance Systems Committee and Clinical and Care Governance Committee);
- moved forward its three major transformation projects;
- hosted an annual conference and awards ceremony;
- further developed its performance management and risk frameworks, and reviewed and revised its Board Assurance Escalation Framework;
- held several workshops to inform IJB members of the services for which the IJB has strategic responsibility; and
- implemented a new operational management structure and defined the management structure in each locality.

Good progress has been made in this period with a significant level of spend allocated towards transformation projects during 2017-18. Progress on transformation work had previously been slower than might have been anticipated due to the complexity of having to work through the governance systems of the three organisations (NHS Grampian, Aberdeen City Council and the Integration Joint Board). However, during

2017-18 it was possible to increase the pace of transformation following the recruitment to key project management positions in the strategy and transformation team.

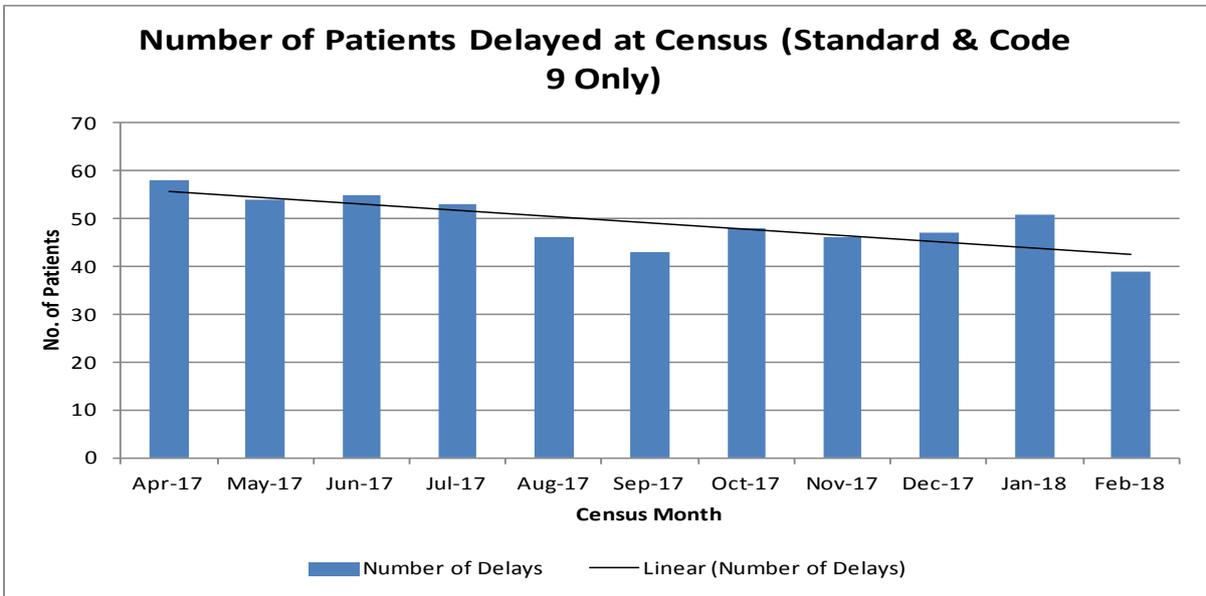
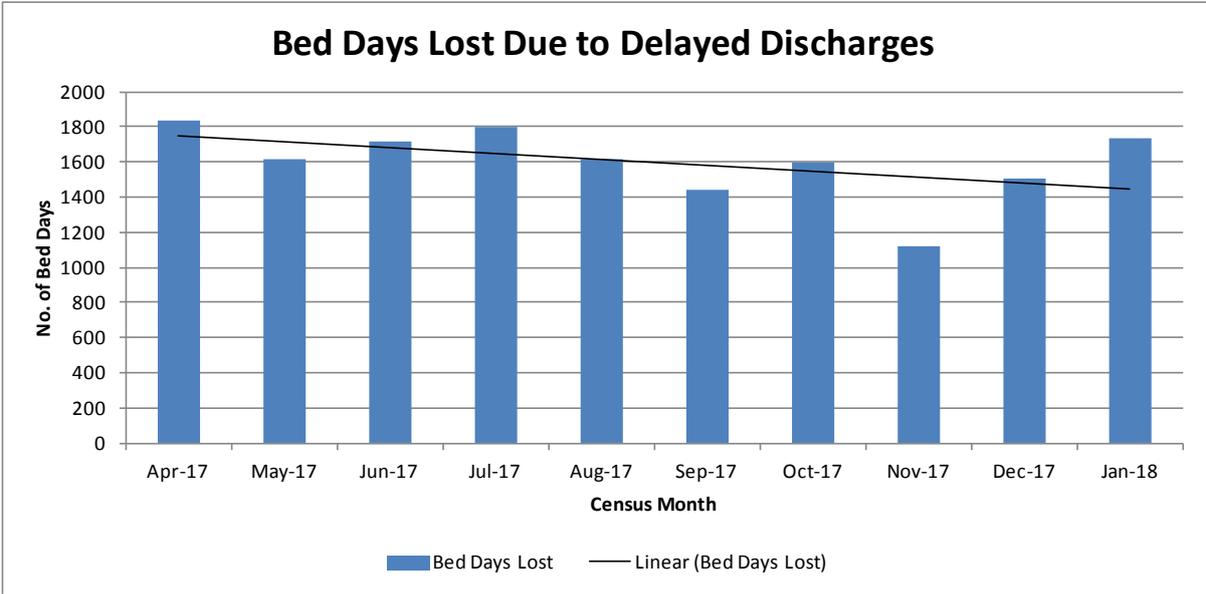
Our three key major transformation projects are now either operational or in the very final stages of being implemented. Further information on our three major transformation projects is highlighted below:

- Our Acute Care @ Home project seeks to allow patients to receive certain types of care previously provided in a large hospital setting in their own home. The team is now largely recruited to and started to care for patients in March 2018;
- Our Community Link Workers project will provide twenty link workers in the city to support our colleagues in primary care by signposting and patients to access community support and resources which will lead to improved outcomes for patients. A tender process was undertaken and the contract for providing this service was awarded to the Scottish Association for Mental Health. The link workers will start work early in the new financial year; and
- Our Integrated Neighbourhood Care Aberdeen (INCA) teams are recruited to and have started to deliver services. These teams are based on the Buurtzorg model of community nursing and care at home used in Holland, where care is provided by small, self-managing teams in a given neighbourhood.

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, allied health professionals 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 continue to make good progress at their own speed. Four Head of Locality posts have been established and are now recruited to in order to support the delivery of locality working. The management structure below the heads of locality is now scoped and is in the process of being implemented.

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 people 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:



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 2017 £'000	Outturn 31 March 2018 £'000
Total from Reserves	1,437	2,111
Integration and Change Fund and Primary Care Fund	6,730	6,057
Risk and Equipment Fund	2,250	2,250

The IJB's Position at 31 March 2018

The accounts for the year ended 31 March 2018 show a usable reserves position of £8,306,965 (£10,417,474 2016/17). 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 and used in 2017/18. All of the recurring funding was now been allocated, however, there still remains some one-off funding which was carried forward from last financial year. 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. The reserves position was confirmed during the 2018/19 budget process.

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 2018/19 budget was agreed on 27 March 2018 and included £4 million of budget reductions.

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 when 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 in 2017/18. Local negotiations will be undertaken with social care providers to provide funding to pay the Scottish Living Wage of £8.75 per hour from 1 May 2018. 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 and the level of increase in Scottish Living Wage year on year.

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, continues 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 enables 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 people 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 2018/19 the IJB will seek to:

- fully implement the first phase of acute care @ home and start to develop plans for the second phase;
- approve a primary care improvement plan and test new delivery models linked to our primary care strategy;
- further establish and embrace locality working;
- implement and monitor the carers strategy;
- develop a public health strategy for Aberdeen City IJB;
- begin to evaluate the benefits of the INCA teams and, providing the anticipated benefits are realised, develop a roll-out plan across the city; and
- further develop our evaluation programme for our transformation projects.

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 on to officers for implementation.

Key Risks and Uncertainties

The key strategic risks, as contained in the Strategic Risk Register, 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 – High
- Failure of the IJB to function and make decisions in a timely manner –Low
- 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
- Workforce planning across the Partnership is not sophisticated enough to maintain future service delivery - Medium

These risks are documented in the Strategic Risk register, which is 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 £8,306,965 at 31 March 2018 (£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.

Prescribing continues to be a major financial pressure for the IJB. In 2017/18 an overspend on the prescribing budget of £1,616,080 was incurred. This is largely due to a discount anticipated in one medicine not materialising at the forecast levels and the price of some drugs substantially increasing due to short supply issues. Work continues with our colleagues in pharmacy to reduce spend on prescribing and a regional approach is being developed across the North East supported by NHS Grampian.

Hosted services continue to experience financial pressure as the governance and financial processes between the three Grampian IJBs were not well enough developed for the 2017/18 budget process. As a result of this several budget legacy funding issues continued to be incurred and this was compounded as the additional budget was not provided for the pay award. Workshops have been held with the three IJBs during this financial year to start developing and refining the governance and financial processes.

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

The services covered include:

- accident and emergency services at ARI and Dr Gray's - inpatient & outpatient;
- inpatient hospital services relating to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine, learning disabilities, old age psychiatry, general psychiatry;
- palliative care services provided at Roxburghe House Aberdeen and the Oaks Elgin.

One of the key priorities of the IJB and reasons why the IJBs were established is to reduce the use of these services by transferring them into the community. During the financial year NHS Grampian advised that the Aberdeen City IJB's use of these services had reduced as highlighted below.

Set Aside	2016/17	2017/18
Budget	£46,732,000	£41,344,000
Days used	152,498	142,349

The reason for the reduction is largely due to the reduction in the number patients categorised as being a delayed discharge.

Jonathan Passmore
IJB Chair



Sally Shaw
Interim Chief Officer



Alex Stephen
Chief Finance Officer



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

**Independent Auditor's Report to the Members of Aberdeen City Integration
Joint Board (continued)**

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 2018 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 2016/17 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2017/18 £
Nil	Jonathan Passmore	Chair 01/01/17 to 31/03/18 Vice Chair 01/04/16 to 31/12/16	NHS Grampian	Nil
Nil	Cllr Sarah Duncan	Vice Chair 18/05/17 to 31/03/18	Aberdeen City Council	Nil
Nil	Cllr Len Ironside CBE	Chair 01/04/16 to 31/12/16 Vice Chair 01/01/17 to 03/05/17	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. From 3 May 2017 to 18 May 2017 there was no vice chair due to the period of time between the local government elections and the statutory meeting of the Council.

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 2016/17 £	Senior Employees	Salary, Fees & Allowances £	Taxable Expenses £	Total 2017/18 £
108,746	Judith Proctor* Chief Officer 01/02/16 to 31/03/18	112,565	414	112,979
50,544 (FYE 68,124)	Alex Stephen Chief Finance Officer 04/07/16 to 31/03/18	68,806	nil	68,806
159,290	Total	181,371	414	181,785

FYE = Full Year Equivalent

*Judith Proctor resigned from the post of Chief Officer during the financial year 2017/18, with her last day being 27 April 2018. Sally Shaw has been appointed as the interim Chief Officer to cover this role whilst a permanent appoint is made.

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 31/3/2018 £000	Pension Difference from 31/3/2017 £000	Lump Sum as at 31/3/2018 £000	Lump Sum Difference from 31/3/2017 £000	Pension Contribution 2017/2018 £	Pension Contribution 2016/2017 £
Judith Proctor	Chief Officer 01/02/2016 – 31/03/2018	34	4	82	2	16,745	16,191
Alex Stephen	Chief Finance Officer 01/07/2016 – 31/03/2018	22	2	32	1	13,280	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 2016/17	Remuneration Band	Number of Employees in Band 2017/18
1	£65,000 - £69,999	1
1	£105,000 - £109,999	0
0	£110,000 - £114,999	1

Exit Packages

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

Jonathan Passmore
IJB Chair

Sally Shaw
Interim 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 provide assurance on the governance framework.

At the same meeting a review undertaken by the Chief Finance Officer evaluating the IJB’s governance environment against the governance principles detailed in the CIPFA document titled the ‘the role of the chief financial officer in local government’.

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.

Improvement activities undertaken during the year: The standing orders of the IJB have been reviewed and updated. The integration scheme of the IJB has also been updated and approved by both NHS Grampian and Aberdeen City Council. The register of interests for IJB members has been updated by the IJB members and published online. The powers delegated to officers by Aberdeen City Council were

updated and a role and responsibilities protocol has now been agreed by the IJB for the Chief Officer and Chief Finance Officer. An officer from the Council's Governance Team is now based in the IJB Management Office for at least one day a week. The IJB's format for formal Directions has been updated to make reference to the strategic plan priorities. An induction process was undertaken for new IJB members.

Future Developments: The terms of reference for the two sub committees will be reviewed during the next financial year.

Principle 2 – Ensuring openness and comprehensive stakeholder engagement,

Openness: The IJB is 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 is also a public meeting. The IJB has its own complaints handling procedure which complies with Scottish Public Services Ombudsman's guidance.

Stakeholder Engagement: The non-voting membership of the IJB is set out in the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. This comprises six professional members and a minimum of 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 2017 which sought to formalise stakeholder engagement with the partner organisations around the budget process. Care providers are very much thought of as a key part of the partnership and invited to the majority of the events the IJB hosts. The IJB has established the Aberdeen City Joint Staff Forum, which includes representation from the trade unions and the staff partnership, as a forum for workforce issues affecting social care and health staff.

Improvement activities undertaken during the year: A number of workshops have been held during the year, particularly around primary care and the transformation programme. A communications protocol documenting how the IJB will communicate with its stakeholder has been developed and approved by the IJB's Executive Team. A communication grid has also been established which shows when, where and what we plan to communicate throughout the year. The complaints handling procedure was agreed by Audit & Performance Systems Committee on 20 June 2017.

Future Developments: Implement the duty of candour guidance across the partnership.

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

Economic: The IJB has agreed a Medium Term Financial Strategy which will be updated annually. The transformation programme and IJB report format specifically highlight the economic impact of the decisions being taken on current and future financial years. Work has been undertaken to establish the financial and operational benefits of the major transformation projects.

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.

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

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

Interventions: A transformation programme has been developed 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.

Future Developments: The IJB should review and update its Strategic Plan during the financial year 2018/19.

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.

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

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

Improvement activities undertaken during the year: The ‘imatter’ survey was undertaken and teams have prepared their action plans on the basis of the information included. A dignity at work staff survey was also rolled out to staff and the results are

in the process of being reviewed by the IJB Executive Team. A leadership programme called 'From the Ground Up' led by the IJB Executive Team has been established. This involves the IJB Executive Team visiting operational services and also hosting quarterly leadership events for third and fourth tier managers.

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 strategic risk register is updated frequently and reported to the Audit & Performance Systems Committee and the IJB.

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. All IJB reports contain a financial implications section advising the IJB on the budget implications of agreeing the recommendations of the report.

Improvement activities undertaken during the year: A Medium Term Financial Strategy has been prepared and agreed by the IJB. A Strategic Commissioning Implementation plan was also approved. The Board Assurance and Escalation Framework was reviewed by Audit & Performance Systems Committee and final agreement was given to the revised version by the IJB on 30 January 2018.

Future Developments: A workshop will be undertaken with the IJB on the risk and risk registers. The risk appetite statement will be reviewed and agreed by the IJB.

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 is 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 2016/17 accounts received an unqualified audit opinion. The Audit & Performance Systems Committee has received an internal audit plan from the Chief Internal Auditor and internal audit reports over the last financial year.

Improvement activities undertaken during the year: Work has been undertaken on performance monitoring at a national level through the Ministerial Steering Group (MSG) and they have developed indicators for the IJBs which are used as the basis for improvement planning. The Fairer Scotland Duty will also be reviewed and embedded in the Partnership during this period.

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 framework of governance, risk management and control in the year to 31 March 2018.

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

The external auditor's 2017/18 annual report had one formal recommendation for the Executive Team about establishing a formal records management procedure with version control features. The IJB is in the process of rolling out Microsoft Office 365 and has created a separate environment for files for the final accounts. This system means only one version of the file will be available and it is possible to track back when changes were made and by whom. This system will be rolled out in due course across the Partnership.

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 Audit & Performance Systems Committee were updated on progress with the implementation of improvement actions identified on the 10 April 2018.

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. At Audit & Performance Systems Committee on the 10 April 2018 an update was provided on the sources of assurance contained in the local code of governance.

The work undertaken against the improvement actions highlighted in the 2017/18 annual governance statement is detailed in the improvement activities undertaken during the year sections 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. A summarised list of the 2018/19 improvement actions is shown directly below:

	Area Improvement Outcome to Be Achieved	for and Be	Improvement Action Agreed	Responsible Party	Completion Date
1.	Sub Committee Terms of Reference		Review to ensure still fit for purpose	IJB Committee Clerk	31 March 2019
2.	Duty of Candour		Implement across Partnership	Business Manager	31 March 2019
3.	Strategic Plan		Update the strategic plan	Lead Strategy Manager	31 March 2019
4.	Risk Registers		Hold a workshop on the risk registers to review and familiarise IJB of the contents and process.	Chief Officer	31 March 2019
5.	Fairer Scotland Duty		Implement across Partnership	Business Manager	31 March 2019

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 and 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.

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

The Code, approved by Council on 15th 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 Co-Leaders 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 and Social Care Directorates as being applicable to NHS Boards. The SPFM is issued by Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling and reporting of public funds. The SPFM sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for efficiency, effectiveness and economy, and promotes good practice and high standards of propriety.

As Accountable Officer, the Chief Executive is responsible for maintaining an adequate and effective system of internal control that identifies, prioritises and manages the principal risks facing the organisation, promotes achievement of the organisation's aims and objectives and supports compliance with the organisation's policies and safeguarding public funds.

The Board continually monitors and reviews the effectiveness of the system of internal control with a specific focus on the delivery of safe and effective patient care, achievement of national and local targets and demonstrating best value and the efficient use of resources. Key elements of the system of internal control include:

- A Board which meets regularly to discharge its governance responsibilities, set the strategic direction for the organisation and approve decisions in line with the Scheme of Delegation. The Board comprises the Executive Directors and Non-Executive members. The Board activity is open to public scrutiny with minutes of meetings publicly available;
- The Board receives regular reports on Healthcare Associated Infection and reducing infection as well as ensuring that health and safety, cleanliness and good clinical practice are high priorities;
- Scheme of Delegation, Standing Orders and Standing Financial Instructions approved by the Board are subject to regular review to assess whether they are relevant and fully reflective of both best practice and mandatory requirements;
- Mature and organisation wide risk management arrangements built on localised risk registers and processes which ensure, as appropriate, escalation of significant instances of non compliance with applicable laws and regulations;
- Dedicated full time members of staff for key statutory compliance functions including Information Governance, Health and Safety, fire and asbestos, tasked with ensuring they are up to date with all relevant legislation and are responsible for co-ordinating management action in these areas.
- A focus on best value and commitment to ensuring that resources are used efficiently, effectively and economically taking into consideration equal opportunities and sustainable development requirements;

- Consideration by the Board of regular reports from the chairs of the performance governance, patient focus and public involvement, staff governance, clinical governance, endowment and audit committees concerning any significant matters on governance, risk and internal controls;
- Each key governance committee is supported by a designated lead Executive Director who has the delegated management accountability for statutory and regulatory matters.
- Regular review of financial performance, risk management arrangements and non financial performance against key service measures and standards by the Performance Governance Committee;
- Regular review of service quality against recognised professional clinical standards by the Clinical Governance Committee;
- Regular review of workforce arrangements and implementation of the NHS Scotland Staff Governance standards by the Staff Governance Committee;
- An active joint management and staff partnership forum with staff side representation embedded in all key management teams and a dedicated full time Employee Director who is a member of the Board;
- Regular review of priorities for infrastructure investment and progress against the agreed Asset Management Plan by an Asset Management Group chaired by a Board Executive Director and including management representatives from all operational sectors and representation from the clinical advisory structure;
- Clear allocation of responsibilities to ensure we review and develop our organisational arrangements and services in line with national standards and guidance;
- Consultation on service change proposals is undertaken with stakeholders and used to inform decision making;
- Promotion of effective cross sector governance arrangements through participation by the IJB Board members and the Chief executives of each of the partner organisations in the North East Partnership forum, regular meetings between the Chief Executives of all Public Sector organisations in Grampian and performance review meetings with each IJB Chief Officer to further develop and drive improvement through integrated service delivery.
- A patient feedback service to record and investigate complaints and policies to protect employees who raise concerns in relation to suspected wrongdoing such as clinical malpractice, fraud and health and safety breaches; and
- An annual general meeting of all Trustees of the NHS Grampian Endowment Funds to approve the accounts and review investment policy and strategy.

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.

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Sally Shaw
Interim Chief Officer

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Jonathan Passmore
Chair

Comprehensive Income and Expenditure Statement

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

2016/17				2017/18		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£	£	£		£	£	£
31,649,313	-	31,649,313	Community Health Services	31,406,760	-	31,406,760
21,207,851	-	21,207,851	Aberdeen City share of Hosted Services (health)	21,724,509	-	21,724,509
29,264,461	-	29,264,461	Learning Disabilities	31,269,790	-	31,269,790
18,304,741	-	18,304,741	Mental Health & Addictions	20,065,177	-	20,065,177
69,719,818	-	69,719,818	Older People & Physical and Sensory Disabilities	72,882,926	-	72,882,926
1,007,021	(170,013)	837,008	Head office/Admin	(475,319)	(112,000)	(587,319)
4,413,345	(4,624,593)	(211,248)	Criminal Justice	4,658,796	(4,749,806)	(91,010)
2,197,288	-	2,197,288	Housing	1,860,555	-	1,860,555
40,005,916	-	40,005,916	Primary Care Prescribing	41,364,343	-	41,364,343
36,846,589	-	36,846,589	Primary Care	37,234,075	-	37,234,075
1,219,506	-	1,219,506	Out of Area Treatments	1,480,487	-	1,480,487
46,732,000	-	46,732,000	Set Aside Services	41,344,000	-	41,344,000
2,856,283	-	2,856,283	Transformation	5,011,678	-	5,011,678
305,424,132	(4,794,606)	300,629,526	Cost of Services	309,827,777	(4,861,806)	304,965,971
-	(311,047,000)	(311,047,000)	Taxation and Non-Specific Grant Income (Note 5)	-	(302,855,462)	(302,855,462)
305,424,132	(315,841,606)	(10,417,474)	(Surplus) or Deficit on Provision of Services	309,827,777	(307,717,268)	2,110,509
		(10,417,474)	Total Comprehensive Income and Expenditure			2,110,509

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 2017/18	General Fund Balance	Total Reserves
	£	£
Opening Balance at 31 March 2017	(10,417,474)	(10,417,474)
Total Comprehensive Income and Expenditure	2,110,509	2,110,509
Adjustments between accounting basis and funding basis under regulation	-	-
(Increase) or Decrease in 2017/18	2,110,509	2,110,509
Closing Balance at 31 March 2018	(8,306,965)	(8,306,965)
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 regulation	-	-
(Increase) or Decrease in 2016/17	(10,417,474)	(10,417,474)
Closing Balance at 31 March 2017	(10,417,474)	(10,417,474)

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 2017		Notes	31-Mar 2018
£			£
10,417,474	Short term Debtors	(6)	8,306,965
10,417,474	Current Assets		8,306,965
-	Short-term Creditors		-
-	Current Liabilities		-
-	Provisions		-
-	Long-term Liabilities		-
10,417,474	Net Assets		8,306,965
(10,417,474)	Usable Reserve: General Fund	(7)	(8,306,965)
-	Unusable Reserve:		-
(10,417,474)	Total Reserves		(8,306,965)

The unaudited accounts were issued on 16 April 2018

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 2017/18 financial year and its position at the year-end of 31 March 2018.

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

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

Accruals of Income and Expenditure

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

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

Funding

The IJB is 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 unaudited Annual Accounts were authorised for issue by the Chief Finance Officer on 16 April 2018. 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 2018, 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

2016/17		2017/18
£		£
117,050,344	Services commissioned from Aberdeen City Council	122,925,886
188,347,788	Services commissioned from NHS Grampian	186,873,091
	- Employee Benefits Expenditure	-
	- Other IJB Operating Expenditure	-
	- Insurance and Related Expenditure	-
26,000	Auditor Fee: External Audit	28,800
	- Auditor Fee: Other	-
(4,794,606)	Service Income: Aberdeen City Council	(4,861,806)
	- Service Income: NHS Grampian	-
(311,047,000)	Partners Funding Contributions and Non-Specific Grant Income	(302,855,462)
<hr/> (10,417,474) (Surplus) or Deficit on the Provision of Services		2,110,509

5. Taxation and Non-Specific Grant Income

2016/17		2017/18
£		£
(88,463,000)	Funding Contribution from Aberdeen City Council	(85,168,829)
(222,584,000)	Funding Contribution from NHS Grampian	(217,686,633)
0	Other Non-ring fenced grants and contributions	-
<hr/> (311,047,000) Taxation and Non-specific Grant Income		(302,855,462)

The funding contribution from the NHS Board shown above includes £41,344,000 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-17		31-Mar-18
£		£
5,644,089	NHS Grampian	5,181,711
4,773,385	Aberdeen City Council	3,125,254
10,417,474 Debtors		8,306,965

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.

2016/17				2017/18			
Balance at 1 April 2016	Transfers In	Transfers Out	Balance at 31 March 2017		Transfers In	Transfers Out	Balance at 31 March 2018
£	£	£	£		£	£	£
-	(500,000)	-	(500,000)	Equipment	-	-	(500,000)
-	-	-	-	Primary Care	(2,639,806)	-	(2,639,806)
-	(7,417,474)	-	(7,417,474)	Integration +Change	-	4,000,315	(3,417,159)
-	(7,917,474)	-	(7,917,474)	Total Earmarked	(2,639,806)	4,000,315	(6,556,965)
-	(2,500,000)	-	(2,500,000)	Risk Fund	-	750,000	(1,750,000)
-	(10,417,474)	-	(10,417,474)	General Fund	(2,639,806)	4,750,315	(8,306,965)

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.

2016/17		2017/18
£		£
1,219,057	Expenditure on Agency Services	1,259,746
(1,219,057)	Reimbursement for Agency Services	(1,259,746)
- Net Agency Expenditure excluded from the CIES		-

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

2016/17		2017/18
£		£
5,772,096	Expenditure on Agency Services	6,061,434
(5,772,096)	Reimbursement for Agency Services	(6,061,434)
- 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

2016/17		2017/18
£		£
(222,584,000)	Funding Contributions received from the NHS Board*	(217,686,633)
-	- Service Income received from the NHS Board	-
188,183,593	Expenditure on Services Provided by the NHS Board	186,687,549
159,923	Key Management Personnel: Non-Voting Board Members	185,542
(34,240,484)	Net Transactions with the NHS Grampian	(30,813,542)

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 £31,275,920

Balances with NHS Grampian

31-Mar-17		31-Mar-18
£		£
5,644,089	Debtor balances: Amounts due from the NHS Board	5,181,711
-	- Creditor balances: Amounts due to the NHS Board	-
5,644,089	Net Balance with the NHS Grampian	5,181,711

Transactions with Aberdeen City Council

2016/17		2017/18
£		£
(88,463,000)	Funding Contributions received from the Council	(85,168,829)
(4,794,606)	Service Income received from the Council	(4,861,806)
117,014,182	Expenditure on Services Provided by the Council	122,864,232
66,434	Key Management Personnel: Non-Voting Board Members	90,454
23,823,010	Net Transactions with Aberdeen City Council	32,924,051

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-17		31-Mar-18
£		£
4,773,385	Debtor balances: Amounts due from the Council	3,125,254
-	- Creditor balances: Amounts due to the Council	-
<hr/>		
4,773,385	Net Balance with the Aberdeen City Council	3,125,254
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Transactions with Bon Accord Care (BAC) and Bon Accord Support Services (BASS)

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

31-Mar-17		31-Mar-18
£		£
(1,184,001)	Service Income received from the Council	(898,000)
26,435,283	Expenditure on Services Provided by the Council	28,975,742
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25,251,282	Net Transactions with BAC/BASS	28,077,742
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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.