



**Aberdeenshire**  
COUNCIL



**NHS**  
Grampian

**ABERDEENSHIRE INTEGRATION JOINT BOARD**  
**ANNUAL ACCOUNTS 2015/16**  
**FOR THE PERIOD 6 FEBRUARY 2016 TO 31 MARCH 2016**



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### Purpose of the Management Commentary

The purpose of the Management Commentary is to inform all users of the accounts and help them assess how the Integration Joint Board has performed in fulfilling its duties.

### Background

The Public Bodies (Joint Working) (Scotland) Act 2014 provides a framework for the integration of adult health and social care services. This allowed various models of integration but Aberdeenshire Council and NHS Grampian took the decision that the model of integration of health and social care services in Aberdeenshire would be the Body Corporate model, also known as an Integration Joint Board. Under this model, the responsibility for the strategic planning and delivery of adult health and social care services lies with the Integration Joint Board.

During 2013/14 a Transitional Leadership Group (TLG) was formed to oversee the progress towards formal integration, and this continued in 2014/15. During this period a significant amount of work took place to appoint key officers, develop a due diligence process, develop plans and set up governance arrangements in preparation for the full delegation of functions.

The Act required the submission of a partnership agreement, known as the Integration Scheme, for approval by the Scottish Government. The Integration Scheme sets out the locally agreed operational arrangements for the delivery of integrated services.

Following a detailed consultation process the scheme was submitted for approval in December 2015. Following approval by the Cabinet Secretary for Health, Wellbeing and Sport an Order was laid before the Scottish Parliament on 8 January 2016 and the Aberdeenshire Integration Joint Board (the Board) of Aberdeenshire Health and Social Care Partnership (Partnership) was established as a Body Corporate by Scottish Ministers on 6 February 2016.

Its purpose is to improve the wellbeing of people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time. More details of this can be found in the Integration Scheme at:

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

Although the Board was established on 6 February 2016, full delegation of the services from the partners did not take place until 1 April 2016. The Board held its first meeting on 16 March 2016 where it confirmed the appointment of its key officers, approved its Standing Orders, adopted a Model Code of Conduct, agreed Hosting Services and a Revenue Budget for 2016/17 and approved a Strategic Plan for 2016 – 2019.

Members of the Board for the period 6 February 2016 to 31 March 2016 were as follows:

### Voting Members

Raymond Bisset (Chair)	NHS Grampian
Cllr Anne Allan (Vice-Chair)	Aberdeenshire Council
Cllr Raymond Christie	Aberdeenshire Council
Cllr Alison Grant	Aberdeenshire Council
Alan Gray	NHS Grampian
Cllr Bill Howatson	Aberdeenshire Council

## Management Commentary (Continued)

Lynda Lynch	NHS Grampian
Terry Mackie	NHS Grampian
Cllr Anne Robertson	Aberdeenshire Council
Eric Sinclair	NHS Grampian

### Non-Voting Members

Name	Position
Adam Coldwells	Chief Officer
Alan Wood	Chief Financial Officer
Robert Driscoll	Chief Social Work Officer
Dr Bob Liddell	General Medical Practitioner
Eunice Chisholm	Nurse
Paul Bachoo	General Medical Practitioner

### Stakeholder Representatives Non-Voting Members

Name	Position
Inez Teece	Trade Union Representative
Martin McKay	Trade Union Representative
David Hekelaar	Third Sector Representative
Sue Kinsey	Third Sector Representative

### Strategy and Business Model

The Partnership has prepared a Strategic Plan for 2016 – 2019 which describes how it intends to improve the health and wellbeing of adults in Aberdeenshire through the design and delivery of integrated health and social care services. This will involve joint working with NHS Grampian, Aberdeenshire Council Social Work, Third Sector organisations, private providers of health and social care, and the residents of Aberdeenshire. The plan has been approved by the Board and can be found at:

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

The Partnership has an ambitious vision which is set out below:

#### Vision

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

## Management Commentary (Continued)

The Vision is underpinned by our Philosophy and Principles of how we will work.

### Philosophy

Care and treatment should be designed round the needs of the person.

People are entitled to expect the best possible advice, care and support from our staff, in a timely way and in the right place. Health and social care should be provided by a single team.

Every individual is able to contribute to their own health and wellbeing, make their views known, and participate positively in their own care.

A person's family, their social network and their close community all have a part to play to achieve healthy lifestyles and to support those who need help to continue to live in their own homes.

### Principles of how we will work

Every individual is treated with dignity and respect at all times.

Health and social care staff will promote and maintain a person's independence as much as possible, with the starting point being an assessment of what they are able to do for themselves.

This principle includes a single assessment of risk to the person, to themselves, from others and to others and includes appropriate positive risk taking by the individual.

Nothing is concluded or decided about a person's care or support without the individual's involvement and agreement and that of their significant others, unless considerations of capacity or risk intervene.

All discussions and decisions about treatment, support, and risk are made collaboratively and consensually by the team of appropriate practitioners, respecting differences. Accountability for decisions is held collectively by the team.

A 'one team' approach is fostered where we trust each team member to deliver on their unique contributions and respective obligations confident that the combined effect of all team members will deliver the best outcomes for people.

With the person's agreement, information is shared freely by professionals within the team/ partnership and without restrictions that could inhibit their best interests.

Health and care practitioners will provide the right support for the person at the right time and in the right place, making the best use of all available resources.

Care will be delivered on the basis of localities. The Partnership has divided Aberdeenshire into six localities, shown in the map below, which are organised so that health and social care teams and the people in the area they serve can have a clear influence on the resources that are available and the development of new services and support. Twenty multi-disciplinary locality teams will be set up to work closely with services from all sectors to offer care and treatment that best meets those particular needs. It is anticipated that this will commence from 1 October 2016 with a phased introduction thereafter.



## Management Commentary (Continued)

- Services will not be able to be delivered in a way that is fit for the future, with regard to budgets and workforce;
- Sensitive personal data will be made available to unauthorised people and that system controls and/or professional decisions do not allow data to be shared inappropriately;
- People will not be motivated to take responsibility for their own health and wellbeing or to help to develop community solutions;
- The Board does not function effectively as a leadership board;
- The Council, NHS Grampian, the Third Sector and commercial providers do not work effectively together;
- Employees working in adult and children's services may not work together effectively to protect children from harm;
- Services will not be delivered at a standard that is acceptable to people who use services and their unpaid carers;
- Arrangements for Public Protection are inadequate and harm may arise in any group; and
- The Board is not discharging its duties within the law.

The risks were incorporated in a risk register, which included details of the controls and gaps in those controls. The risk register was agreed by the Board at its inaugural meeting in March, and future agendas will be based on the strategic risks. The full risk register, which includes the plans that are in place to manage the risk, can be viewed at:

<http://committees.aberdeenshire.gov.uk/committees.aspx?commid=486&meetid=18422>

### Main Trends and Factors Likely to Affect the Future Development, Performance and Position of the Board's Business

As the Board enters its first full year, 2016/17, it faces the challenges described in its Strategic Plan, most notably demographic change and adequacy of resource to meet the demand. The Strategic Plan sets out a number of programmes of work which aim to reduce the impact of these changes, however, like all areas in Scotland the relative reduction in resource availability when compared to demand makes this extremely challenging.

At its meeting on 16 March 2016, the Board agreed a revenue budget of £263,234,000 for 2016/17. In addition, the Set Aside budget for Hospital Services is £26,665,000. The revenue budget includes £9,500,000 which is the Board's share of the £250,000,000 new funding for Social Care from the Scottish Government.

The proposed use of the new funding is as follows:

	£'000
Social Work Care Packages	3,165
National Care Home Contract	210
Adult Services Day Care	41
Adult Services Residential Care	267
Increase in Income Charging Thresholds	250
Fair Work Practices (from 1 October 2016)	2,363
To be Allocated	3,204
<b>Total</b>	<b>9,500</b>

Expenditure against budget will be monitored by the Board during the year.

**Annual Accounts**

The Integration Joint Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act.

Raymond Bisset  
Chair

Adam Coldwells  
Chief Officer

Alan Wood  
Chief Finance Officer

On behalf of the Integration Joint Board and Senior Management Team  
31 August 2016



### Introduction

The remuneration report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014. These Regulations require various disclosures about the remuneration and pension benefits of senior employees in respect of earnings etc. paid by the Board. The Board does not make payment to any member of the Board, by way of salary, enhanced pension benefits or reimbursement of expenses.

The Chief Finance Officer and Clerk to the Board do not receive remuneration from the Board. The duties of the posts are covered by the post holder's substantive posts in Aberdeenshire Council.

The information disclosed in the tables below is subject to independent audit.

### Arrangements for Remuneration

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

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

### Remuneration of the Chair and Vice-Chair

Raymond Bisset was formally appointed as Chair of the Board with effect from 6 February 2016. This appointment will run until 30 September 2016 after which he will then assume the role of Vice-Chair. He receives remuneration from NHS Grampian in his capacity as a member of the NHS Grampian Board and no additional allowance is paid by the Board. The remuneration of NHS Grampian Board members is disclosed in the remuneration report included within NHS Grampian's published Annual Report and Accounts.

Councillor Anne Allan was formally appointed as Vice-Chair of the Board with effect from 6 February 2016. This appointment will run until 30 September 2016 after which she will then assume the role of Chair. She receives remuneration from Aberdeenshire Council in her capacity as a senior councillor and so no additional allowance is paid by the Board. The remuneration of senior Aberdeenshire Councillors is disclosed in the remuneration report included within Aberdeenshire Council's Annual Accounts.

### Remuneration

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

## Remuneration Report (Continued)

### Remuneration of Senior Employees

	Salaries, Fees and Allowances 2015/16 £	Total Remuneration £
Adam Coldwells (Full year Equivalent - £107,747)	15,897	15,897
<b>Totals</b>	<b>15,897</b>	<b>15,897</b>

#### Note

For 2015/16 there was no payment for Bonuses, Taxable Expenses, Compensation for Loss of Employment, and Non-Cash Benefits. These columns have been removed from the above table.

#### Exit Packages

There is a requirement to disclose details of all staff Exit Packages agreed in the year. An Exit Package is the value of all termination benefits which include redundancy costs, pension contributions in respect of added years and any ex gratia and other departure costs. The Board has not agreed any Exit Packages in 2015/16.

#### Notes

The term senior employee means:

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

#### Remuneration of Employees receiving more than £50,000

There is no Board employee who received more than £50,000 remuneration for the period.

#### Pension Benefits

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

#### Pension Benefits of Senior Employees

	In-Year Pension Contributions for Period to 31 March 2016 £	Accrued Annual Pension Benefits as at 31 March 2016 £	Accrued Pension Lump Sum as at 31 March 2016 £
Adam Coldwells	2,179	33,712	95,138
<b>Totals</b>	<b>2,179</b>	<b>33,712</b>	<b>95,138</b>

## Remuneration Report (Continued)

### Note

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

Raymond Bisset  
Chair

Adam Coldwells  
Chief Officer

On behalf of the Members and Officers of Aberdeenshire Integration Joint Board  
31 August 2016

## Statement of Responsibilities

### The Integration Joint Board's Responsibilities

#### The Integration Joint Board is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Joint Board, that officer is the Chief Finance Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003; and
- Approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the Integration Joint Board Audit Committee at its meeting on 31 August 2016.

Signed on behalf of Aberdeenshire Integration Joint Board

Raymond G Bisset  
Chair

### The Chief Finance Officer's Responsibilities

The Chief Finance Officer is responsible for the preparation of the Council's Annual Accounts in accordance with the proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing the Annual Accounts, the Chief Finance Officer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent;
- complied with legislation; and
- complied with the Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of Aberdeenshire Integration Joint Board at the reporting date and the transactions of the Joint Board for the 2 month period ended 31 March 2016.

Alan Wood, MA (Hons), CPFA  
Chief Finance Officer

### Scope of Responsibility

Aberdeenshire Integration Joint Board has a responsibility for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for, and used appropriately.

In discharging this responsibility senior officers put in place appropriate arrangements for the governance of the Board's resources, approved by the Board. As well as its own arrangements, the Board places reliance on the governance arrangements adopted by Aberdeenshire Council and NHS Grampian.

### The Purpose of the Governance Framework

The governance framework comprises the systems, processes, cultures and values by which the Board is directed and controlled, and the activities used to engage with and lead the community. It enables the Board to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

### The Governance Framework

The Board adheres to the principles of openness, integrity and accountability. All reasonable steps are taken to ensure assets are safeguarded, transactions are authorised, procedures are practical and adhered to and that errors are either prevented or detected within a timely period, corrective action taken and lessons learned.

The system of corporate governance and internal financial control is based on a framework with appropriate delegation and accountability. The system includes the Board's Standing Orders, management information, performance and risk management, comprehensive financial management systems, periodic and annual financial reports and periodic review of all financial procedures. Financial regulations are being prepared for the Board's approval.

The corporate governance and internal control procedures are informed by:

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

### Review of Effectiveness

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

- The Board, the Audit Committee and the Clinical and Social Work Governance Sub-Committee;
- Senior Management Team which consists of the Chief Officer, the four Partnership Managers and the Chief Finance Officer;

## Annual Governance Statement (Continued)

- The Chief Officer, whose role is to provide a single senior point of overall strategic and operational advice to the Board. He is also a member of the appropriate senior management teams of NHS Grampian and the Council. This enables the Chief Officer to work with senior management of both Parties to carry out the functions of the IJB in accordance with the Strategic Plan. He is line managed jointly by the Chief Executives of the Council and the Health Board and is accountable to both;
- The Chief Finance Officer, who has statutory responsibility for the Board's financial affairs in terms of Section 95 of the Local Government (Scotland) Act 1973. His responsibilities are set out in the Statement of Responsibilities;
- The Head of Children's Services at the Council who is Chief Social Work Officer and provides professional advice to Board members and officers in the provision of Social Work Services. He also has a responsibility for overall performance improvement and the identification and management of corporate risk in so far as these relate to Social Work Services;
- The Standards Officer, who is responsible for keeping a register of Interests and providing advice in relation to Code of Conduct issues at a local level. The Council's Head of Legal and Governance has been appointed as Interim Standards Officer for a period of three months;
- Internal audit in both the Council and NHS Grampian, which are responsible for the independent audit of all financial and non-financial systems in their respective organisations; and
- External organisations that carry out independent audits or inspections of the Board, the Council and NHS Grampian. These include external audit by auditors appointed by the Accounts Commission and inspection of care services by the Care Inspectorate.

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

With regard to the Council, it has adopted a Code of Corporate Governance which ensures the accountability and probity of officers of the Council. The Code is consistent with the principles and reflects the requirements of the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government (2010) as set out in the Application Note to *Delivering Good Governance in Local Government: Framework*, and the Council's financial management arrangements conform to the governance requirements set out therein. The Council's Code of Corporate Governance and the related systems of internal financial control provide reasonable assurance that responsibilities will be met.

The Council's Chief Internal Auditor has the responsibility to review independently, and report to their Scrutiny and Audit Committee annually on the adequacy and effectiveness of the Council's internal control environment. He reports that, in his opinion, based on his evaluation of the control environment, reasonable assurance can be placed upon the adequacy and effectiveness of the Council's internal control system in the year to 31 March 2016.

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

With regard to NHS Grampian, it 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.

## Annual Governance Statement (Continued)

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

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

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

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.

Prior to the formal establishment of the Board, the TLG, which had been established to oversee the transition to the new arrangements for the integration of Health and Social Care, considered three audit reports on integration at its meeting on 3 February 2016. These were a Scotland-wide report by Audit Scotland, and specific reports on Aberdeenshire by the Council's internal auditors and NHS Grampian's internal auditors. Each of these contained recommendations, which have been agreed by the IJB, and appropriate officers of the Council and NHS Grampian.

The Audit Scotland report included fifteen recommendations divided into three sections: those to be addressed by integration authorities (seven recommendations), those to be addressed by integration authorities in conjunction with Councils and Health Boards (five recommendations) and those to be addressed by the Scottish Government. The Board prepared an action plan to address the first two sections. The recommendations to be addressed by the integration authorities covered clear and strategic leadership, governance arrangements, working relationships, transparency of decision making, developing strategic plans, developing financial plans and shifting resources towards a more preventative and community-based approach. Good progress has been made on most of these areas, although others are still being developed.

## Annual Governance Statement (Continued)

The recommendations to be addressed in conjunction with the Council and NHS Grampian covered addressing the practical risks associated with complex accountability arrangements, reviewing clinical and care governance arrangements to ensure a consistent approach for each integrated service, agreeing budgets for the integration authority, establishing scrutiny arrangements and establishing data-sharing agreements. Whilst a number of these recommendations have now been completed, the report indicated that a cross-Grampian expert group had concerns about data-sharing and was not prepared to sign it off. This agreement has now been signed.

The internal audit report for the Council included six recommendations that were agreed by the Chief Officer and Chief Finance Officer. These covered:

- Finalising Financial Regulations, Risk Management Strategy and Asset Management Plans;
- Ensuring plans were costed and provided clear direction against which resources could be matched;
- Providing the TLG with regular updates on progress with the integration plan;
- TLG budget monitoring is presented to an appropriate Council Committee;
- That the Council was given details of the key assumptions and risks underlying the Board's budget from both partners; and
- Ensuring financial performance metrics were developed.

There were a further two recommendation in the report that were not accepted. These covered ensuring that the Council maintained sufficient reserves to fund a share of overspends by the Board and reviewing how budgets were to be devolved.

Of the agreed recommendations, only the first and third have been recorded by Internal Audit as being completed. The other four actions have been reported to the Council's Scrutiny and Audit Committee as overdue since April 2016. Two of the actions (graded as significant within the audited area) related to ensuring plans were costed, and budget assumptions and risks from both partners were to be provided to Full Council prior to inception of the Partnership. The Partnership and IJB formally commenced on 1 April 2016, in line with the statutory requirements. Budgets were agreed in advance, following existing Council and NHS processes, supplemented by additional information provided to the Transitional Leadership Group (TLG) (the pre-IJB steering group) and Full Council. It was anticipated that this would include detailed financial plans linking the budget transferred with strategic priorities and commissioning activities, and would share details of the risks and assumptions underlying the budget figures provided by each Partner. Whilst the Service has financial plans in place these remain largely functional, with the addition of separately budgeted external funding for transformational change and progress with the IJB's strategic priorities. The use of this funding is being further reviewed by the IJB. Risks and assumptions were discussed with the TLG and IJB but not specifically with Full Council prior to obtaining agreement for the budget. The Partners will continue to allocate resources using their existing budget setting mechanisms, and in line with the budget provisions outlined in the Integration Scheme.

Another action (graded as significant within the audited area) required the Service to provide combined partner budget monitoring information to the Social Work and Housing Committee in advance of integration. Budget monitoring information is currently being provided in the traditional NHS and Council formats, has been presented in a combined format to the TLG, and is being further developed to meet the needs of the IJB. As recommended, the Service provided a bulletin report to the Committee in February 2016 which set out the financial position, including details of areas at risk of over-spending and how this would be managed going forward. The Council's Governance review has not yet determined the appropriate mechanisms for reporting, monitoring and accountability for IJB operations.

## Annual Governance Statement (Continued)

The final action (graded as significant within the audited area) recommended the Service develop suitable financial performance metrics. A new format of performance monitoring information highlighting key financial data and savings plans for the IJB will be agreed by the end of September 2016. Further changes are planned as the Service moves towards location based management.

As ownership and control of the budgets, resources and financial performance data has now transferred to the Board, internal audit propose to close off the above audit recommendations, and they will no longer be reported to the Council's Scrutiny and Audit Committee.

The internal audit report for NHS Grampian contained two recommendations. These covered developing a timeline for the disaggregation of hosted service budgets and the determination of "set aside" budgets and amending a report to NHS Grampian's Performance Governance Committee to reflect the performance of all three Boards in the Grampian area. These recommendations have both been implemented.

Since then, the Board agreed to establish an Audit Committee and it held its first meeting on 27 June 2016. In particular, the Committee will seek to provide assurance to the Board that appropriate systems of internal control are in place to ensure that: business is conducted in accordance with the law and proper standards; public money is safeguarded and properly accounted for; Financial Statements are prepared timeously, and give a true and fair view of the financial position of the Board for the period in question; and that reasonable steps are being taken to prevent and detect fraud and other irregularities. It has also established a Clinical and Social Work Governance Sub-Committee to oversee the assurance around delivery of safe, high quality services.

To supplement this, it is intended that a North East audit and assurance "network" be established, which would include representatives from internal and external audit, senior finance officers and other senior managers involved in the management of audit and financial governance arrangements for NHS Grampian, the three Councils and the three Integration Joint Boards of Aberdeenshire, Aberdeen City and Moray. The function of the audit network would be to act as a source of advice and guidance supporting the development of audit and assurance arrangements for the North East Boards and to ensure efficient co-ordination of audit and counter fraud activity on an ongoing basis between the partner organisations and the Boards.

### Significant Governance Issues

Moving forward, the Board will continue to place importance on the governance issues. This will involve:

- Continued monitoring of the governance arrangements by the Board, its Audit Committee, its Clinical and Social Work Governance Sub-Committee and senior officers; Participation in the North East audit and assurance "network";
- Finalising the governance arrangements; and
- Implementing the recommendations from internal and external audit and other audits and inspections.

## **Conclusions**

This annual governance statement summarises the Board's governance arrangements, and affirms our commitment that they are reviewed regularly and remain fit for purpose. Subject to the above assurances, and on the basis of the evidence contained in this statement, we are satisfied that the arrangements provide assurance, are adequate and are operating effectively.

Adam Coldwells, Chief Officer

Raymond Bisset, Chair

On behalf of the Officers and Members of Aberdeenshire Integration Joint Board  
31 August 2016

## Independent Auditor's Report

### **Independent auditor's report to the members of Aberdeenshire Integration Joint Board ('IJB') and the Accounts Commission for Scotland**

We certify that we have audited the financial statements of IJB for the 2 month period ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Balance Sheet and the related notes. 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of the Chief Financial Officer and auditor**

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Accounts Commission for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

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 IJB and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we 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.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of the IJB as at 31 March 2016 and of the income and expenditure of the IJB 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 2015/16 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.

**Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

James Boyle, CA (for and on behalf of Deloitte LLP)  
Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2DB  
United Kingdom

31 August 2016

**Comprehensive Income and Expenditure Statement (CIES) for the 2 Month Period Ended 31 March 2016**

The CIES shows the accounting cost in the period of providing services in accordance with generally accepted accounting practice.

	<b>Gross Expenditure 2015/16 £'000</b>	<b>Income 2015/16 £'000</b>	<b>Net Expenditure 2015/16 £'000</b>	<b>Notes Ref</b>
Corporate Services	25	(25)	-	5,6
<b>Deficit on Provision of Services</b>	<b>25</b>	<b>(25)</b>	<b>-</b>	
<b>Total Comprehensive Income and Expenditure</b>	<b>25</b>	<b>(25)</b>	<b>-</b>	
Other Notes				1-4

## Balance Sheet

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

	2015/16 £'000	Notes Ref
Short Term Debtors	5	7
<b>Current Assets</b>	<b>5</b>	
Short Term Creditors	(5)	8
<b>Current Liabilities</b>	<b>(5)</b>	
<b>Net Assets</b>	<b>-</b>	
Usable Reserves	-	
<b>Total Reserves</b>	<b>-</b>	
Other Notes		9-10

Alan Wood MA (Hons), CPFA  
Chief Finance Officer

The unaudited accounts were issued on 16 June 2016, and the audited accounts were authorised for issue on 31 August 2016.

## Note 1 – Creation of Entity

The Board was established as a Body Corporate by Scottish Ministers on 6 February 2016. In terms of guidance issued by the Local Authority (Scotland) Accounts Advisory Committee, where an Integration Joint Board is established prior to 31 March 2016, the period of account for 2015/16 is from the date of establishment to 31 March 2016. There are no comparative figures in the Annual Accounts as this is the first reporting period for the Board.

## Note 2 – Significant Accounting Policies

### 2.1 General Principles

The Annual Accounts summarise the Board's transactions for the 2015/16 financial year and its position at the two month period ended 31 March 2016. The Board is required to prepare Annual Accounts by the Local Authority Accounts (Scotland) Regulations 2014, which section 12 of the Local Government in Scotland Act 2003 requires these to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the Code) and the Service Reporting Code of Practice 2015/16 (SeRCOP), supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the 2003 Act. This is the first set of accounts and it covers the period 6 February 2016 to 31 March 2016. The accounting convention adopted in the Annual Accounts is historical cost.

### 2.2 Accruals of Income and Expenditure

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

- expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made; and
- where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where there is evidence that debts are unlikely to be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### 2.3 Employee Benefits

#### (i) Short-Term Employee Benefits

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

#### (ii) Pension Costs

The Chief Officer is regarded as a Board employee and treated as a relevant person under the accounts regulations, although he is employed by NHS Grampian and is subject to NHS pay and conditions. The statutory responsibility for employer pension liabilities lies with NHS Grampian. NHS Grampian participates in the NHS Superannuation Scheme for Scotland providing defined benefits based on final pensionable pay, where contributions are credited to the Exchequer and are deemed to be invested in a portfolio of Government Securities. NHS Grampian is unable to identify its share of the underlying notional assets and liabilities of the scheme on a consistent and reasonable basis and therefore accounts for the scheme as if it were a defined contribution scheme, as required by IAS 19 "Employee Benefits". As a result, the amount charged to the CIES represents NHS Grampian's employer contributions payable to the scheme in respect of the year. The contributions

## Note 2 – Significant Accounting Policies (Continued)

deducted from employees are reflected in the gross salaries charged and are similarly remitted to the Exchequer. The pension cost is assessed every four years by the Government Actuary who determines the rate of contributions required. The most recent actuarial valuation is published by the Scottish Public Pensions Agency and is available on their website.

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

### 2.4 Events after the Balance Sheet Date

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

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

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

### 2.5 Clinical Negligence and Other Risks Indemnity Scheme (CNORIS)

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

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

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

NHS Grampian and Aberdeenshire Council have relevant insurance cover in place to cover the employees who are employed by and the services that are delivered by those organisations. The Board has joined CNORIS to provide cover for Board members. Aberdeenshire Council is meeting the financial contribution on behalf of the Board, which is set at £3,000 per annum.

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

## **Note 2 – Significant Accounting Policies (Continued)**

### **2.6 Reserves**

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

### **2.7 VAT**

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

## **Note 3 – Accounting Standards that have been Issued but have not yet been Adopted and New Standards, Amendments and Interpretations that Became Effective in 2015/16**

The adoption of the following Accounting Standards by the Code in 2016/17 will result in changes in accounting policy:

- Amendments to IAS 19 Employee Benefits (Defined Benefit Plans: Employee Contributions)
- Annual Improvements to IFRSs 2010–2012 Cycle;
- Amendment to IFRS 11 Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations);
- Amendment to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets (Clarification of Acceptable Methods of Depreciation and Amortisation);
- Annual Improvements to IFRSs 2012–2014 Cycle;
- Amendment to IAS 1 Presentation of Financial Statements (Disclosure Initiative);
- The changes to the format of the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis; and
- The changes to the format of the Fund Account and the Net Assets Statement.

It is not expected that these changes will have a material impact on the information provided in the financial statements.

The following new Standards, Amendments and Interpretations became effective in 2015/16 for the first time:

- IFRS 13 Fair Value Measurement;
- Annual Improvements to IFRSs 2011-2013 Cycle;
- IFRIC 21 Levies; and
- IAS 36 Impairment of Assets (amendment).

There is no material impact on the information provided in the financial statements as a result of the above.

#### Note 4 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in note 2, the Board has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgement made in the Annual Accounts is:

- There is a high degree of uncertainty about future levels of funding for local government and the NHS, which may have an impact on the Board. However, the Board has determined that this uncertainty is not sufficient to provide an indication that the assets of the Board might be impaired as a result or a need to close facilities and reduce levels of service provision. The level of future uncertainty and associated risk is considered as part of the Board's medium term financial planning.

#### Note 5 – Related Party Transactions

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

##### Income – Payments for Integrated Functions

	31 March 2016 £'000
NHS Grampian	(13)
Aberdeenshire Council	(12)
<b>Total</b>	<b>(25)</b>

##### Expenditure – Payments for the Delivery of Integrated Functions

	31 March 2016 £'000
NHS Grampian	13
Aberdeenshire Council	12
<b>Total</b>	<b>25</b>

#### Note 6 – Corporate Expenditure

	31 March 2016 £'000
Staff Costs	20
Fees payable to Audit Scotland for services undertaken in the Code of Audit Practice	5
<b>Total Corporate Expenditure</b>	<b>25</b>

#### Note 7– Short Term Debtors

	31 March 2016 £'000
NHS Bodies	2
Other Local Authorities	3
<b>Total Short Term Debtors</b>	<b>5</b>

#### Note 8 – Short Term Creditors

	31 March 2016 £'000
NHS Bodies	(2)
Other Local Authorities	(3)
<b>Total Short Term Creditors</b>	<b>(5)</b>

#### Note 9 – Events After the Balance Sheet Date

The unaudited accounts were issued on 16 June 2016 and the audited accounts were authorised for issue on 31 August 2016 by Alan Wood MA (Hons), CPFA, Chief Finance Officer, who is the proper officer of the Council in accordance with Section 95 of the Local Government (Scotland) Act 1973. Where events taking place before the Balance Sheet date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

There have been no material events since the date of the Balance Sheet which necessitate the revision of the figures in the financial statements or notes thereto including contingent assets and liabilities. However, it should be noted that full delegation of the services from the partners to the Board took place on 1 April 2016.

#### Note 10 – Defined Benefit Pension Scheme

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

#### NHS Pension Scheme

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

## Note 10 – Defined Benefit Pension Scheme (Continued)

The most recent actuarial valuation at 31 March 2014 discloses a liability of £39.5 billion (March 2013: £29.1 billion) with £1.4 billion to be met by employing authorities. Consequently the employer's rate of contribution increased from 13.5% to 14.9% on 1 April 2015.

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

### The new NHS Pension Scheme (Scotland) 2015

From 1 April 2015 the NHS Pension Scheme (Scotland) 2015 was introduced. This scheme is a Career Average Re-valued Earnings (CARE) scheme. Members will accrue 1/54<sup>th</sup> of their pay as pension for each year they are a member of the scheme. The accrued pension is re-valued each year at an above inflation rate to maintain its buying power. This is currently 1.5% above increases to the Consumer Prices Index (CPI). This continues until the member leaves the scheme or retires. In 2015/16 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings. The normal retirement age is the same as the State Pension age. Members can take their benefits earlier but there will be a deduction for early payment. All members, unless covered by agreed protection arrangements, automatically joined the NHS 2015 scheme on 1 April 2015. Further information is available on the Scottish Public Pensions Agency (SPPA) web site at <http://2015.sppa.gov.uk/scheme/nhs>.

### The previous NHS Superannuation Scheme (Scotland)

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

#### The 1995 Section

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

#### The 2008 Section

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