



**REPORT TO: HEALTH AND SOCIAL CARE INTEGRATION JOINT BOARD –
27 JUNE 2017**

REPORT ON: DRAFT ANNUAL ACCOUNTS 2016/17

REPORT BY: CHIEF FINANCE OFFICER

REPORT NO: DIJB25-2017

1.0 PURPOSE OF REPORT

1.1 The purpose of this report is to present the Integration Joint Board's Draft Annual Statement of Accounts 2016/17 for approval to initiate the external audit process.

2.0 RECOMMENDATIONS

It is recommended that the Integration Joint Board (IJB):

2.1 Considers and agrees the content of the Draft Final Accounts Funding Variations as outlined in Appendix 1;

2.2 Approves the Draft Dundee Integration Joint Board Annual Corporate Governance Statement as outlined in Appendix 2;

2.3 Notes the Integration Joint Board's Draft Annual Statement of Accounts 2016/17 as outlined in Appendix 3;

2.4 Instructs the Chief Finance Officer to submit the Accounts to the IJB's external auditors (Audit Scotland) to enable the audit process to commence.

3.0 FINANCIAL IMPLICATIONS

3.1 The draft annual accounts statement for the year end 31 March 2017 highlights that the IJB made an overall surplus of £4.963m in 2016/17 primarily due to the impact of planned carry forward of Change Funding to support tests of change and to meet demographic pressures in line with the IJB's Transformation Programme.

4.0 MAIN TEXT

4.1 Background

4.1.1 The IJB is required to prepare financial statements for the financial year ending 31 March 2017 following the Code of Practice on Local Authority Accounting in the United Kingdom ("the Code"). The Annual Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to the IJB for the delivery of the IJB's vision and its core objectives.

4.1.2 Dundee IJB became operationally responsible for delegated health and community social care services with effect from 1 April 2016 therefore these accounts reflect the first year of the IJB's financial performance of managing and delivering integrated services. As such, previous years comparison is limited to IJB running costs only given this was the basis on which the 2015/16 IJB accounts were prepared. The IJB is required to follow Local Authority Accounts (Scotland) Regulations 2014. This requires the inclusion of a management commentary and remuneration

report and recommends submission of the draft accounts by 30 June 2017 to the IJB's external auditors (Audit Scotland for 2016/17).

4.1.3 The 2016/17 Annual Accounts comprise:-

- a) Comprehensive Income and Expenditure Statement – This statement shows that Dundee Integration Joint Board made an overall surplus of £4.963m in 2016/17 on the total income of £257.5m. This overall underspend (1.9% of 2016/17 income) will be carried forward into 2017/18 through the Integration Joint Board's reserves.
- b) Against health budgets an underlying overspend of £3.462m was reported. This consisted of an overspend of £2.209m in prescribing, £1.394m net effect of charges for hosted services, with an underspend of £141k on services directly managed by the Integration Joint Board. However, in line with the risk sharing agreement agreed with NHS Tayside and Dundee City Council for the first two years of Dundee Integration Joint Board, NHS Tayside devolved further non-recurring budget to the Integration Joint Board to balance income with expenditure.
- c) Against Social Care budgets, an underlying underspend of £1.032m was reported with a further £3.931m of underspend in change funding flowing through in 2016/17 to support future years commitments. The Integration Scheme sets out that underspends will be retained by Dundee Integration Joint Board as reserves following agreement with the Partners.
- d) Movement in Reserves – Dundee Integration Joint Board carried nil reserves into 2016/17 but, due to the operating surplus noted above, has year-end reserves of £4.963m. These are held in line with the Integration Joint Board's reserves policy.
- e) Balance Sheet – In terms of routine business Dundee Integration Joint Board does not hold assets, however the reserves noted above are reflected in the year-end balance sheet.
- f) Notes - Comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

4.1.4 It should be noted that due to a range of technical accounting and other budgetary changes, there is some variation between the original agreed levels of funding from Dundee City Council and NHS Tayside to Dundee IJB as part of the delegated budget. The details of these are set out in Appendix 1 and it is proposed that the IJB accepts these changes.

4.1.5 The annual accounts document contains a Governance and Assurance Statement which is based on a self-assessment process. The IJB governance arrangements require to be independently assessed by Internal Audit and it is proposed that the draft statement set out within Appendix 2 is submitted to Internal Audit for consideration with the outcome and any associated action plan presented to the Performance and Audit Committee and incorporated into the Annual Accounts.

4.1.6 Once submitted, Audit Scotland will assess these accounts in line with their Annual Audit Plan for Dundee IJB approved at the Performance and Audit Committee in March 2017 and produce an independent auditors' report setting out their opinion on the annual statement by 30 September 2017. The outcome of this will be incorporated into the annual accounts and will subsequently be presented to the IJB for final approval. The draft unaudited accounts are shown in Appendix 3.

5.0 POLICY IMPLICATIONS

This report has been screened for any policy implications in respect of Equality Impact Assessment and Risk Management. There are no major issues.

6.0 CONSULTATIONS

The Chief Officer and the Clerk were consulted in the preparation of this report.

7.0 BACKGROUND PAPERS

None.

Dave Berry
Chief Finance Officer

DATE: 19 June 2017

Final Accounts – Funding Variations (and Adoption of Specific Presentation)

Extract - Note to Dundee Joint Integration Board regarding variations to the existing Scheme of Integration and the adoption of specific presentation of information within the framework of the International Financial Reporting Standards (IFRS).

Background

The following note provides details of variations to the delegated budget for which approval is sought by the Dundee Integration Joint Board. The adjustments and explanations for these adjustments are outlined below section 1.

In addition information has been presented within the requirements of the International Financial Reporting Standards (IFRS) and attributable supplementary Local Authority (Scotland) Accounts Advisory Committee (LASAAC). Specific applications of the guidance are outlined in section 2.

Section 1 – Variations to Delegated Budget

Local Authority Variations – The agreed delegated budget 2016/17 provided for a budgeted payment of £79.376m from Dundee City Council to the Dundee Integration Joint Board to fund the commissioning of services. . It is recognised that a number of technical year-end adjustments will result in variations in costs outwith the control of the IJB (e.g. adjustments to pension costs, inclusion of central support.). To compensate for this the Dundee Integration Joint board was provided with a corresponding increase in funding. This meant that the total funding provided to the IJB was £84.066m, an increase of £4.690m.

These year-end adjustments will be a feature of each year end accounts process. Notably they are difficult to quantify at the commencement of the financial year (e.g. pension costs adjustments can vary significantly within a single financial year) and cognisance of these variations requires to be taken of these variations in the Dundee Integration Joint Boards accounts.

The Dundee City Council adjusted funding is outlined below:-

DCC Funding to Dundee Integration Joint Board (DIJB)	£000
Initial Dundee City Council contribution to DIJB	79,376
Additional Funding from Dundee City Council	4,690
Total Funds provided by Dundee City Council	84,066

NHS Tayside Variations – The financial reporting process throughout the year highlighted significant pressures on NHS Tayside related services leading to an overspend which as part of the risk sharing arrangement was to be funded from NHS Tayside.. This means that the funding provided by NHS Tayside is in excess of that outlined in the integration agreement.

The NHS Tayside contribution also includes specific Integration funding which was provided by the Scottish Government with NHS Tayside acting as an agent. These monies have been provided to the Dundee Integration Joint Board and those not expended currently sit in the Board's reserves.

The NHS Tayside adjusted funding is outlined below:-

NHS Funding to Dundee Integration Joint Board (DIJB)	£000
Initial NHS Contribution to DIJB (incl Large Hospital Set Aside)	169,487
Add: Supplementary Budget Adjustments	1,789
Add: Additional Funding to Cover Overspends	3,462
Add: Net Effect of Hosted Services Budget	4,979
Final NHS contribution to DIJB	179,717

Section 2 – Specific application of International Financial Reporting Standards (IFRS)

Netting of Income – The Dundee Integrated Joint Board annual accounts have been prepared on the basis that all operational expenditure is shown net of income as it reflects the actual environment the board is working under. In particular the Dundee Integration Joint Board does not have the legal power to set charges for services provided by either the Council or NHS Tayside. In addition the IJB cannot pursue an action to recover income from a service recipient. More specifically it reflects the role of the Dundee Integration Joint Board as a net funding vehicle. Audit Scotland has indicated that this is the preferred approach.

To support this position the following text is included on the face of the 2016/17 Annual Accounts

“The Dundee Integration Joint Board’s Comprehensive Income and Expenditure Statement shows the net commissioning expenditure provided to partners to support services. It does not detail income received from service users as this remains the statutory responsibility of the partners.”

Offsetting of Debtors & Creditors – The Dundee Integration Joint Board accounts have been prepared on the basis that the net expenditure from Dundee City Council and NHS Tayside recognises that debtors and creditors in respect of NHS Tayside and Dundee City Council with third parties (other than the Dundee Integration Board) but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB. This essentially requires that when consolidating its accounts the Dundee Integration Joints Board have consolidated the accrued net expenditure. Therefore only debtors and creditors between Dundee Integration Joint Board and its two constituent body are detailed in the IJB’s final accounts. The only exception to this is Audit Scotland audit fees.

Annual Governance Statement

Introduction

The Annual Governance Statement explains Dundee Integration Joint Board's governance arrangements and reports on the effectiveness of the Integration Joint Board's system of internal control.

Scope of Responsibility

Dundee Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the Integration Joint Board has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the Integration Joint Board's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Dundee City Council systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the Integration Joint Board.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

Dundee Integration Joint Board comprises six voting members, three nominated by Dundee City Council and three nominated by Tayside NHS Board, as well as non-voting members including a Chief Officer appointed by the Integration Joint Board. Throughout 2016/17, the Integration Joint Board continued to develop and enhance its governance arrangements as it became responsible for the strategic and operational management of delegated health and social care services.

The main features of the governance framework in existence during 2016/17 were:

- The Integration Scheme as the overarching agreement as to how the planning for and delivery of delegated health and social care services is to be achieved, including a range of governance arrangements remained unchanged during 2016/17.
- Dundee Integration Joint Board has appointed its senior leadership team including the appointment of the Chief Officer in accordance with Section 10 of The Public Bodies (Joint Working) (Scotland) Act 2014 and the Chief Financial Officer in terms of section 95 of the Local Government (Scotland) Act 1973. The Chief Financial Officer has overall responsibility for the Integration Joint Board's financial arrangements and is professionally qualified and suitably experienced to lead the Integration Joint Board's finance function and to direct staff accordingly.
- Standing Orders, Financial Regulations and a Code of Conduct including the publication of Register of Member's Interests and the nomination of the Clerk to the Integration Joint Board as Standards Officer were all in place during 2016/17.
- A Performance and Audit Committee was established as a Sub Committee of Dundee Integration Joint Board to enhance its audit, scrutiny and performance monitoring arrangements in line with regulations and good practice governance standards in the public sector.
- Internal Audit arrangements for 2016/17 were approved including the appointment of the Chief Internal Auditor with a partnership approach to internal audit services to the Dundee Integration Joint Board between Fife, Forth Valley and Tayside Internal Audit Services and Dundee City Council's Internal Audit Service. An Internal Audit Plan for 2016/17 was approved drawing on resources from both organisations.

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2016/17 this included the following:

- The governance arrangements between Dundee Integration Joint Board, Dundee City Council and NHS Tayside were consolidated into a single document (Report DIJB21-2016) on 4 May 2016.
- A Risk Management Policy and Strategy and a High Level Risk Register for the Integration Joint Board with regular review were developed and approved.
- An Equalities Outcomes and a Mainstreaming Equalities Framework with associated performance measures to meet its obligations under Equalities legislation was adopted by the Integration Joint Board.
- The level of assurance provided by the Chief Internal Auditor as part of the 2015/16 Internal Audit Review in that Dundee Integration Joint Board had adequate and effective controls in place proportionate to its responsibilities at the time and recommended actions was noted by the Integration Joint Board.
- Dundee Integration Joint Board noted the Chief Internal Auditors opinion that the financial assurance / due diligence process followed was robust and carried out in line with guidance with acknowledgement of the level of collaborative working which took place throughout the process and the recommended actions which followed.
- A new Complaints Procedure for the Integration Joint Board was developed.
- The performance management framework was developed with a range of performance reports published throughout the year, including specific areas such as Discharge Management performance and Measuring Performance Under Integration, initially to the Integration Joint Board and subsequently to the Performance and Audit Committee once established.
- The 2016/17 delegated budget was approved by Dundee Integration Joint Board, with the risk sharing arrangement with NHS Tayside invoked for specific areas such as prescribing whereby the financial risks of those budgets would remain with NHS Tayside.
- A process of regular reporting of financial performance and monitoring to the Integration Joint Board was in place throughout 2016/17.
- The Integration Joint Board received in-year reporting of progress made in meeting the strategic priorities as set out in the Strategic & Commissioning Plan.
- The Integration Joint Board received in-year reporting on issues relating to Clinical, Care and Professional Governance.
- The wider financial settlement facing Dundee City Council and NHS Tayside and estimated implications for Dundee Integration Joint Board in 2017/18 and beyond were communicated to the Integration Joint Board as part of the Revenue Budget setting process with a subsequent budget proposal for 2017/18 and approved Transformation Programme.
- A process of ensuring the Performance & Audit Committee has sight of a range of external scrutiny reports relating to delegated services from scrutiny bodies such as the Care Inspectorate and Mental Welfare Commission and supporting subsequent action plans is in place.
- Dundee Integration Joint Board has adopted Audit Scotland's Annual Audit Plan 2016/17.
- Dundee Integration Joint Board has approved a Reserves Policy.

Dundee Integration Joint Board complies with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA). The Head of Internal Audit reports directly to the Performance and Audit Committee with the right of access to the Chief Financial Officer, Chief Officer and Chair of the Performance and Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Performance & Audit Committee.

Review of Adequacy and Effectiveness

Dundee Integration Joint Board is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review is informed by the work of the Senior Management Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal

auditors and the Chief Internal Auditor's annual report, and reports from external auditors and other review agencies and inspectorates.

The review of Dundee Integration Joint Board's governance framework is supported by a process of self-assessment and assurance certification by the Chief Officer. The Chief Officer completes a "Self-assessment Checklist" as evidence of review of key areas of the Integration Joint Board's internal control framework. The Senior Management Team has input to this process through the Chief Financial Officer. In addition, the review of the effectiveness of the governance arrangements and systems of internal control within the Health Board and Local Authority partners places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control. There were no significant internal control issues identified by the self-assessment review.

Throughout the year, the Performance and Audit Committee has considered a range of issues which cover its core responsibilities in providing the Integration Joint Board with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance arrangements. The Chair of the Performance and Audit Committee provides an update to the next available Integration Joint Board meeting on the issues raised and any areas of concern which the Integration Joint Board should be made aware of. Over the course of 2016/17, no such areas of concern were noted by the Chair of the Performance and Audit Committee.

The review is subject to assessment and comment by Internal Audit who will reflect their findings and any recommendations in an Audit Report to be presented to the Performance and Audit Committee in July 2017. An action plan to meet any identified recommendations will be produced and agreed by the Performance and Audit Committee and will be incorporated into the above Annual Governance Statement to form the final Annual Accounts Statement.

Conclusion and Opinion on Assurance

While recognising that the above Annual Governance Statement is subject to Internal Audit assessment, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Dundee Integration Joint Board's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the Integration Joint Board's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.



Dundee
Integration Joint Board
(Commonly known as the Dundee Health and Social Care Partnership)
Annual Accounts 2016/17
Unaudited

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Management Commentary

Introduction

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. This established the framework for the integration of health and adult social care in Scotland, to be governed by Integration Joint Boards with responsibility for the strategic planning of the functions delegated to it and for ensuring the delivery of its functions through the locally agreed operational arrangements.

Following approval from Dundee City Council and NHS Tayside, the Dundee Integration Scheme, the formal legal partnership agreement between the two parent organisations, was submitted to the Scottish Ministers in August 2015. On 3 October 2015 Scottish Ministers legally established Dundee's Integration Joint Board as a body corporate by virtue of the Public Bodies (Joint Working) (Integration Joint Board) (Scotland) Amendment (No 3) Order 2015.

Dundee Integration Joint Board formally became responsible for the operational management and oversight of delegated health and social care functions with effect from 1 April 2016.

This publication therefore contains the financial statements for Dundee Integration Joint Board's first fully operational financial year, the year ended 31 March 2017. The Management Commentary highlights the key activities carried out to date and looks forward, outlining the anticipated financial outlook for the future and the challenges and risks facing Health and Social Care Services over the medium term.

Role and Remit of Dundee Integration Joint Board

Dundee Integration Joint Board has responsibility for providing defined health care and social care services for the residents of Dundee encompassing an area of 60 square kilometres and a population of 148,000. Like other parts of Scotland, Dundee is expected to see a significant rise in the number of older people with an increase of 45% in those over 75 anticipated over the next 20 years. Deprivation in Dundee is high with just over 29% of the population living in the 15% most deprived areas of Scotland. Overall Dundee is the third most deprived local authority area in Scotland, with only Glasgow and Inverclyde having higher deprivation. Dundee has the second lowest life expectancy in Scotland, with factors such as prevalence of substance misuse, mental health problems, smoking, and obesity all contributing to the reduced life expectancy. These factors highlight the scale of the challenges Dundee Integration Joint Board faces over the coming years.

The voting membership of Dundee Integration Joint Board is drawn from three elected members nominated by the Council and three non-executive members nominated by the Health Board

The table below notes the membership of Dundee Integration Joint Board in 2016/17:

<u>Role</u>	<u>Member</u>
Nominated by Health Board	Doug Cross*
Nominated by Health Board	Judith Golden*
Nominated by Health Board	Munwar Hussain*
Councillor Nominated by Dundee City Council	Ken Lynn*
Councillor Nominated by Dundee City Council	Stewart Hunter*
Councillor Nominated by Dundee City Council	David Bowes*
Chief Social Work Officer	Jane Martin
Chief Officer	David W Lynch
Proper Officer Appointed under section 95 (Chief Financial Officer)	Dave Berry
Registered medical practitioner whose name is included in the list of primary medical performers prepared by the Health Board	Frank Weber
Registered nurse who is employed by the Health Board	Sarah Dickie Eileen McKenna (resigned December 2016)
Registered medical practitioner employed by the Health Board and not providing primary medical services	Cesar Rodriguez
Staff of the constituent authorities engaged in the provision of services provided under integration functions	Raymond Marshall Jim McFarlane
Director of Public Health	Drew Walker
Third Sector Representative	Christine Lowden
Service user residing in the area of the local authority	Andrew Jack
Persons providing unpaid care in the area of the local authority	Martyn Sloan

* Denotes Voting Member

The Chair of Dundee Integration Joint Board rotated from October 2016 in line with the terms of the Integration Scheme with Councillor Ken Lynn and Doug Cross changing positions to become Chair and Vice Chair respectively. Dundee Integration Joint Board is supported through the appointment of the Chief Officer and the Chief Financial Officer who alongside the Head of Health and Community Care and Head of Strategy and Performance, provide the strategic leadership and management of delegated operational services.

Operations for the Year

Following the foundations set throughout the 2015/16 shadow year, Dundee Integration Joint Board (commonly known as Dundee Health and Social Care Partnership) took over formal responsibility for delivering operational health and social care services with effect from 1 April 2016 and in line with its Strategic and Commissioning Plan. This plan sets out the context in which the integrated services in Dundee operates and is shaped around the Health and Social Care Partnership's vision that "Each Citizen of Dundee will have access to the information and support that they need to live a fulfilled life."

The Strategic & Commissioning Plan focusses on delivering on the following eight strategic priorities: Health Inequalities, Early Intervention/Prevention, Person Centred Care and Support, Carers, Localities & Engaging with Communities, Building Capacity, Models of Support / Pathways of Care and Managing Our Resources Effectively.

During 2016/17, Dundee Integration Joint Board continued to develop its strategic leadership and management structure with its intentions to fully integrate health and social care services strengthened through the appointment of four locality managers, each of whom will become responsible for the planning and oversight of integrated services for two locality areas of Dundee and reporting to the Head of Health and Community Care. These localities are consistent with the eight Community Planning Partnership areas within the city.

The Partnership established a Transformation Programme during the year to support service remodelling in line with its strategic priorities through applying Scottish Government funding to support tests of change, resource the mainstreaming of successful new models of health and social care and to meet the challenges of financial efficiency savings following the establishment of the delegated budget. These tests of change have enabled the Partnership to start the process of shifting the balance of care from hospital based settings such as Royal Victoria Hospital through a redesign of the Medicine for the Elderly Service to a safe model of community based care which is supported and endorsed by professional clinical staff. Additional funding was also directed to meeting the Scottish Government's policy of ensuring all adult social care workers received a living wage of £8.25 per hour with effect from October 2016. In order to sustain and expand these tests of change over the medium term, Dundee Integration Joint Board set out its plan to fully utilise the carry forward of previous years change fund underspends and funding flexibility arrangements, and to responsibly invest in initiatives likely to enhance community capacity and support leading to a planned surplus in change funding at the end of 2016/17.

Dundee Integration Joint Board established a Performance and Audit Committee during 2016/17 as a Sub Committee of the Integration Joint Board to enhance the opportunity to monitor and scrutinise performance of delegated services against delivering the strategic priorities and a range of performance indicators and benchmarking. The remit of this Committee includes the consideration of audit issues and the monitoring of the Integration Joint Board's high level risk register.

During the year the Health and Social Care Partnership continued to develop a range of performance measurement indicators to illustrate the extent to which Dundee Integration Joint Board's strategic priorities are being achieved. This includes a range of indicators which require to be submitted to the Scottish Government to measure the performance under integration. The performance dataset is shared with the Performance and Audit Committee, the Integration Joint Board and will be available for scrutiny from other stakeholders including Dundee City Council and NHS Tayside. Given 2016/17 was the first operational year for the Integration Joint Board, much of the performance information sets the benchmark data to measure the impact of Integration Joint Board decisions in future years.

The financial environment in which Dundee Integration Joint Board operates continues to be challenging with significant efficiency savings passed through to the Integration Joint Board as part of the establishment of the initial delegated budget for 2016/17. This followed a process of due diligence whereby the financial resources to be delegated from both Dundee City Council and NHS Tayside were scrutinised, culminating in a recommendation to Dundee Integration Joint Board by the Chief Financial Officer as to the transparency, consistency and adequacy of the proposed delegated budgets. As a result of this recommendation, Dundee Integration Joint Board accepted the delegated budget from Dundee City Council and adopted the savings plans developed by the Council prior to the start of the financial year. In relation to the NHS delegated budget, this was also adopted with some key exceptions, including the prescribing budget while also noting a high level of unidentified savings passed on through the budget.

In terms of financial performance during the year, Dundee Integration Joint Board achieved an overall surplus as planned, primarily through the use of change funds as noted above with a further surplus achieved within resources delegated by Dundee City Council, identified through the revenue monitoring process during the year. Despite the risks highlighted within the budget delegated by NHS Tayside, the services managed directly by Dundee Health and Social Care Partnership were only marginally overspent however the impact of the risk sharing arrangement for services hosted by Angus and Perth & Kinross Integration Joint Boards resulted in a net transfer of overspent services to Dundee of £1.394m. The prescribing shortfall, identified at the beginning of the financial year deteriorated further with a resultant overspend of £2.209m at the year end.

Dundee Integration Joint Board's Financial Position at the End of March 2017

The impact of the underspend in Council funding and the planned investment profile of change funding has resulted in Dundee Integration

Joint Board establishing reserves of £4.963m at the year ended 31 March 2017. Of this £4.331m is earmarked to sustain tests of change and to meet demographic pressures with a further £632k of uncommitted general fund usable reserves.

The level of reserves established provides Dundee Integration Joint Board with some level of resilience to be able to deliver on its strategic priorities within an environment of financial pressures. The position at the year ended March 2017 contributes to the ambition in the Integration Joint Board's reserves policy to hold a level of reserve equating to 2% of the Integration Joint Board's operating budget.

Key Risks and Uncertainties

Dundee Integration Joint Board's High Level Risk Register highlights the range of risks the Integration Joint Board faces in delivering its strategic priorities. The highest risk area is around funding reflecting the significant financial pressures being faced by the Council and Health Board and the wider public finance environment. Indeed, the impact of the 2017/18 budget setting process has resulted in a further savings target for Dundee Integration Joint Board of £5.650m with an additional budget shortfall projected in relation to prescribing. Dundee Integration Joint Board's Transformation Programme includes efficiency initiatives to deliver the full value of these savings however there is a medium to high risk that some of these will not be delivered to the value and timescales anticipated.

The Integration Scheme sets out the risk sharing agreement between the Integration Joint Board, Council and Health Board when an overspend is projected or incurred within the delegated budget. This changes after the first two years of operation whereby the overspend becomes split on a proportionate basis to the Council and Health Board, following recovery action taken by the Integration Joint Board. Currently, any overspends are met from the host organisation therefore this shift could result in either organisation incurring an additional charge for services they do not directly control. The ending of the current arrangement will put the Integration Joint Board under further pressure to deliver a balanced budget.

Dundee Integration Joint Board Strategy & Business Model

Given 2016/17 represents the first year of Dundee Integration Joint Board being fully operational, the aims and ambitions set out in the Strategic & Commissioning Plan remain unchanged with the focus very much on early intervention and prevention and shifting the balance of care to community based integrated health and social care settings. Achievement against the priorities set out in the plan will continue to be driven and monitored by the Integrated Strategic Planning Group with the Performance and Audit Committee providing a further level of scrutiny. The financial plan to support the Strategic & Commissioning Plan contained accurate assumptions about the potential level of delegated resources over the short term therefore is not materially affected at this stage.

The developing fully integrated management and operational services structure will support the ambitions of the Strategic & Commissioning Plan and the Scottish Government's intentions to see a more joined up, effective use of health and social resources. Indeed, Dundee Integration Joint Board

has begun to influence the planning and delivery of various acute sector specialties identified as the Large Hospital Set Aside through the budget setting process, further strengthening the shift from hospital to community based care.

Analysis of Financial Statements

The Annual Accounts report the financial performance of Dundee Integration Joint Board. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the Integration Joint Board's vision and its core objectives. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2016/17 Accounts have been prepared in accordance with this Code.

Integration Joint Boards need to account for their spending and income in a way which complies with our legislative responsibilities and supplementary Local Authority (Scotland) Accounts Advisory Committee (LASAAC) guidance. On 1 April 2016, Dundee Integration Joint Board was formally established and given the Integration Joint Board was non-operational in 2015/16, comparisons with previous years are of limited value.

The 2016/17 Annual Accounts comprise:-

- a) Comprehensive Income and Expenditure Statement – This statement shows that Dundee Integration Joint Board made an overall surplus of £4.963m in 2016/17 on the total income of £257.494m. This overall underspend (1.9% of 2016/17 income) will be carried forward into 2017/18 through the Integration Joint Board's reserves.
- b) Against health budgets an underlying overspend of £3.462m was reported. This consisted of an overspend of £2.209m in prescribing, £1.394m net effect of charges for hosted services, with an underspend of £141k on services directly managed by the Integration Joint Board. However in line with the risk sharing agreement agreed with NHS Tayside and Dundee City Council for the first two years of Dundee Integration Joint Board, NHS Tayside devolved further non-recurring budget to the Integration Joint Board to balance income with expenditure.
- c) Against Social Care budgets, an underlying underspend of £1.032m was reported with a further £3.931m of underspend in change funding flowing through from NHS Tayside in 2016/17 to support future years commitments. These monies were required to be washed through the Dundee Integration Joint Board's Income & Expenditure account. The Integration Scheme sets out that underspends will be retained by Dundee Integration Joint Board as reserves following agreement with the Partners.
- d) Movement in Reserves – Dundee Integration Joint Board carried £5k reserves into 2016/17 but, due to the operating surplus noted above, has year-end reserves of £4.963m. These are held in line with the Integration Joint Board's reserves policy.

- e) Balance Sheet – In terms of routine business Dundee Integration Joint Board does not hold assets, however the reserves noted above are reflected in the year-end balance sheet.
- f) Notes - Comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

The Annual Accounts for 2016/17 do not include a Cash Flow Statement as Dundee Integration Joint Board does not hold any cash or cash equivalents.

Conclusion

We are pleased to present the final accounts for the year ended 31 March 2017 for Dundee Integration Joint Board as the first full operational year of the Integration Joint Board. The accounts show that Dundee Integration Joint Board has delivered its operational services in line with financial expectations set out during the year through the financial monitoring process and has established a level of reserves to support its remodelling activities over the short term.

Going forward, Dundee Health and Social Care Partnership has a significant financial challenge ahead to deliver the Strategic & Commissioning Plan in a climate of growing demand and limited resources. In order to achieve this we must ensure this resource is used effectively, identifying, testing and implementing innovative ways to deliver more personalised and well co-ordinated services, building the resilience of people and their communities and reducing unnecessary hospital admissions and delayed discharges from hospital. This will require the confidence of professionals and the public, to further shift resources from intensive, high cost services to a focus on more preventative service provision to ensure best value for public funds.

Signed:

27 June 2017

Councillor Ken Lynn
Chair, Dundee Integration Joint Board

David W Lynch
Chief Officer

Dave Berry
Chief Financial Officer

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). For this Board, 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 at a meeting of the Dundee Integration Joint Board on 27 June 2017.

Signed on behalf of the Dundee Integration Joint Board

Councillor Ken Lynn
Chair
Dundee Integration Joint Board

27 June 2017

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of Dundee Integration Joint Board'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 Code of Practice").

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
- 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
- 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 Dundee Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.

Dave Berry CPFA
Chief Financial Officer

27 June 2017

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 Integration Joint Board members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

Remuneration: Integration Joint Board Chair and Vice Chair

The voting members of Dundee Integration Joint Board are appointed through nomination by Dundee City Council and Tayside NHS Board. Nomination of the Integration Joint Board Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

Dundee Integration Joint Board does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the Integration Joint Board. Dundee Integration Joint Board 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 Dundee Integration Joint Board are shown below.

Taxable Expenses 2015/16 £	Name	Post(s) Held	Nominated by	Taxable Expenses 2016/17 £
Nil	Councillor Ken Lynn	Chair October 2016 to March 2017	Dundee City Council	Nil
Nil	Doug Cross	Vice Chair October 2016 to March 2017 (Chair April 2016 – October 2016)	NHS Tayside	Nil
Nil	Total			Nil

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

Remuneration: Officers of Dundee Integration Joint Board

Dundee Integration Joint Board 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 Integration Joint Board has to be appointed and the employing partner has to formally second the officer to the Integration Joint Board. 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 Integration Joint Board.

Other Officers

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

Total 2015/16 £	Post	Senior Employees	Salary, Fees & Allowances 2016/17 £
46,158 (FYE- 92,316)	Chief Officer	David Lynch	96,040
32,200 (FYE- 64,400)	Chief Financial Officer	Dave Berry	67,023
78,358 (FYE – 156,716)		Total	163,063

FYE = Full Year Equivalent

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the Integration Joint Board balance sheet for the Chief Officer or any other officers.

Dundee Integration Joint Board 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 Integration Joint Board. The following table shows the Integration Joint Board'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.

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/16 £	For Year to 31/03/17 £		Difference from 31/03/16 £000	As at 31/03/17 £000
D Lynch	4,431 (FYE 8,862)	9,316	Pension	2	36
Chief Officer			Lump sum	4	99
D Berry	2,769 (FYE 5,538)	5,831	Pension	2	23
Chief Financial Officer			Lump sum	1	42
Total	7,200 (FYE 14,400)	15,147	Pension	4	59
			Lump Sum	5	141

Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
0	£50,000 - £54,999	0
0	£55,000 - £59,999	0
0	£60,000 - £64,999	0
0	£65,000 - £69,999	1
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0
0	£80,000 - £84,999	0
0	£85,000 - £89,999	0
0	£90,000 - £94,999	0
0	£95,000 - £99,999	1
0	£100,000 - £104,999	0
0	£105,000 - £109,999	0
0	£110,000 - £114,999	0
0	Total	2

Exit Packages

The numbers of exit packages with total cost per band and total cost of the compulsory and other redundancies are set out in the table below:

Exit Package Cost Bands	Number of Compulsory Redundancies		Number of Other Departures		Total Number of Exit Packages		Total Cost of Exit Packages per Band £000	
	15/16	16/17	15/16	16/17	15/16	16/17	15/16	16/17
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 – £40,000	0	0	0	0	0	0	0	0
							0	0
						Total		

Councillor Ken Lynn
Chair
Integration Joint Board

27 June 2017

David W Lynch
Chief Officer

27 June 2017

Annual Governance Statement

Introduction

The Annual Governance Statement explains Dundee Integration Joint Board's governance arrangements and reports on the effectiveness of the Integration Joint Board's system of internal control.

Scope of Responsibility

Dundee Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the Integration Joint Board has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the Integration Joint Board's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Dundee City Council systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the Integration Joint Board.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

Dundee Integration Joint Board comprises six voting members, three nominated by Dundee City Council and three nominated by Tayside NHS Board, as well as non-voting members including a Chief Officer appointed by the Integration Joint Board. Throughout 2016/17, the Integration Joint Board continued to develop and enhance its governance arrangements as it became responsible for the strategic and operational management of delegated health and social care services.

The main features of the governance framework in existence during 2016/17 were:

- The Integration Scheme as the overarching agreement as to how the planning for and delivery of delegated health and social care services is to be achieved, including a range of governance arrangements remained unchanged during 2016/17.
- Dundee Integration Joint Board has appointed its senior leadership team including the appointment of the Chief Officer in accordance with Section 10 of The Public Bodies (Joint Working) (Scotland) Act 2014 and the Chief Financial Officer in terms of section 95 of the Local Government (Scotland) Act 1973. The Chief Financial Officer has overall responsibility for the Integration Joint Board's financial arrangements and is professionally qualified and suitably experienced to lead the Integration Joint Board's finance function and to direct staff accordingly.
- Standing Orders, Financial Regulations and a Code of Conduct including the publication of Register of Member's Interests and the nomination of the Clerk to the Integration Joint Board as Standards Officer were all in place during 2016/17.

- A Performance and Audit Committee was established as a Sub Committee of Dundee Integration Joint Board to enhance its audit, scrutiny and performance monitoring arrangements in line with regulations and good practice governance standards in the public sector.
- Internal Audit arrangements for 2016/17 were approved including the appointment of the Chief Internal Auditor with a partnership approach to internal audit services to the Dundee Integration Joint Board between Fife, Forth Valley and Tayside Internal Audit Services and Dundee City Council's Internal Audit Service. An Internal Audit Plan for 2016/17 was approved drawing on resources from both organisations.

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2016/17 this included the following:

- The governance arrangements between Dundee Integration Joint Board, Dundee City Council and NHS Tayside were consolidated into a single document (Report DIJB21-2016) on 4 May 2016.
- A Risk Management Policy and Strategy and a High Level Risk Register for the Integration Joint Board with regular review were developed and approved.
- An Equalities Outcomes and a Mainstreaming Equalities Framework with associated performance measures to meet its obligations under Equalities legislation was adopted by the Integration Joint Board.
- The level of assurance provided by the Chief Internal Auditor as part of the 2015/16 Internal Audit Review in that Dundee Integration Joint Board had adequate and effective controls in place proportionate to its responsibilities at the time and recommended actions was noted by the Integration Joint Board.
- Dundee Integration Joint Board noted the Chief Internal Auditors opinion that the financial assurance / due diligence process followed was robust and carried out in line with guidance with acknowledgement of the level of collaborative working which took place throughout the process and the recommended actions which followed.
- A new Complaints Procedure for the Integration Joint Board was developed.
- The performance management framework was developed with a range of performance reports published throughout the year, including specific areas such as Discharge Management performance and Measuring Performance Under Integration, initially to the Integration Joint Board and subsequently to the Performance and Audit Committee once established.
- The 2016/17 delegated budget was approved by Dundee Integration Joint Board, with the risk sharing arrangement with NHS Tayside invoked for specific areas such as prescribing whereby the financial risks of those budgets would remain with NHS Tayside.
- A process of regular reporting of financial performance and monitoring to the Integration Joint Board was in place throughout 2016/17.
- The Integration Joint Board received in-year reporting of progress made in meeting the strategic priorities as set out in the Strategic & Commissioning Plan.
- The Integration Joint Board received in-year reporting on issues relating to Clinical, Care and Professional Governance.

- The wider financial settlement facing Dundee City Council and NHS Tayside and estimated implications for Dundee Integration Joint Board in 2017/18 and beyond were communicated to the Integration Joint Board as part of the Revenue Budget setting process with a subsequent budget proposal for 2017/18 and approved Transformation Programme.
- A process of ensuring the Performance & Audit Committee has sight of a range of external scrutiny reports relating to delegated services from scrutiny bodies such as the Care Inspectorate and Mental Welfare Commission and supporting subsequent action plans is in place.
- Dundee Integration Joint Board has adopted Audit Scotland's Annual Audit Plan 2016/17.
- Dundee Integration Joint Board has approved a Reserves Policy.

Dundee Integration Joint Board complies with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA). The Head of Internal Audit reports directly to the Performance and Audit Committee with the right of access to the Chief Financial Officer, Chief Officer and Chair of the Performance and Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Performance & Audit Committee.

Review of Adequacy and Effectiveness

Dundee Integration Joint Board is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control.

The review is informed by the work of the Senior Management Team (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditors and the Chief Internal Auditor's annual report, and reports from external auditors and other review agencies and inspectorates.

The review of Dundee Integration Joint Board's governance framework is supported by a process of self-assessment and assurance certification by the Chief Officer. The Chief Officer completes a "Self-assessment Checklist" as evidence of review of key areas of the Integration Joint Board's internal control framework. The Senior Management Team has input to this process through the Chief Financial Officer. In addition, the review of the effectiveness of the governance arrangements and systems of internal control within the Health Board and Local Authority partners places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control. There were no significant internal control issues identified by the self-assessment review.

Throughout the year, the Performance and Audit Committee has considered a range of issues which cover its core responsibilities in providing the Integration Joint Board with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance arrangements. The Chair of the Performance and Audit Committee provides an update to the next available Integration Joint Board meeting on the issues raised and any areas of concern which the Integration Joint Board should be made aware of. Over the course of 2016/17, no such areas of concern were noted by the Chair of the Performance and Audit Committee.

The review is subject to assessment and comment by Internal Audit who will reflect their findings and any recommendations in an Audit Report to be presented to the Performance

and Audit Committee in July 2017. An action plan to meet any identified recommendations will be produced and agreed by the Performance and Audit Committee and will be incorporated into the above Annual Governance Statement to form the final Annual Accounts Statement.

Conclusion and Opinion on Assurance

While recognising that the above Annual Governance Statement is subject to Internal Audit assessment, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of Dundee Integration Joint Board's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the Integration Joint Board's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.

Councillor Ken Lynn
Chair
Dundee Integration Joint Board

27 June 2017

David W Lynch
Chief Officer

27 June 2017

Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments this is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

2015/16 Net Expenditure / (Income) £000		2016/17 Net Expenditure / (Income) £000
0	Older People Services	61,545
0	Mental Health	21,836
0	Learning Disability	27,932
0	Physical Disability	7,301
0	Substance Misuse	1,316
0	Community Nurse Services / AHP* / Other Adult	12,009
0	Community Services (Hosted)	10,184
0	Other Dundee Services / Support / Management	4,737
0	Prescribing	35,450
0	General Medical Services (FHS**)	24,533
0	FHS – Cash limited & Non Cash Limited	20,048
0	Total of Costs Reported during 2016/17	226,891
107	IJB Operational Costs	229
0	Central Support	4,352
0	Acute Large Hospitals	21,059
107	Total Cost of Services	252,531
(107)	Taxation and Non- Specific Grant Income (Note 6)	(257,494)
0	(Surplus) or Deficit on Provision of Services	(4,963)
0	Total Comprehensive Income & Expenditure	(4,963)

Notes

* AHP – Allied Health Professionals

** FHS – Family Health Services

Dundee Integration Joint Board was established on 3 October 2015. Integrated delivery of health and care services did not commence until 1 April 2016. Consequently the 2016/17 financial year is the first fully operational financial year for the Integration Joint Board and the figures above reflect this.

Dundee Integration Joint Board’s Comprehensive Income and Expenditure Statement shows the net commissioning expenditure provided to partners to support services. It does not detail income received from service users as this remains the statutory responsibility of the partners.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Dundee Integration Joint Board, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus or (Deficit) on the Provision of Services line shows the true economic cost of providing Dundee Integration Joint Board's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance. The Net Increase / Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Dundee Integration Joint Board.

Movement in Reserves 2015/16	General Fund Balance £000	Non Earmarked Reserves £000	Earmarked Reserves – Integration Reserve £000	Earmarked Reserves – Transformation Reserve £000	Total Usable Reserves £000	Unusable Reserves: Employee Statutory Adjustment Account £000	Total Dundee IJB Reserves £000
Balance at 3 October 2015	0	0	0	0	0	0	0
<u>Movement in Reserves During 2015/2016</u>							
Comprehensive Income & Expenditure	0	0	0	0	0	0	0
Total Comprehensive Income & Expenditure	0	0	0	0	0	0	0
Adjustments between accounting basis and funding basis under regulations*	(5)	0	0	0	0	(5)	(5)
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	(5)	0	0	0	0	(5)	(5)
Transfers to/(from) Earmarked Reserves	0	0	0	0	0	0	0
Increase/(Decrease) in 2015/16	(5)	0	0	0	0	(5)	(5)
Balance at 31 March 2016 c/fwd	(5)	0	0	0	0	(5)	(5)

Dundee Integration Joint Board– Annual Accounts for the year ended 31 March 2017

Movement in Reserves 2016/17	General Fund Balance £000	Non Earmarked Reserves £000	Earmarked Reserves – Integration Reserve £000	Earmarked Reserves – Transformation Reserve £000	Total Usable Reserves £000	Unusable Reserves: Employee Statutory Adjustment Account £000	Total Dundee IJB Reserves £000
Balance at 1 April 2016	(5)	0	0	0	0	(5)	(5)
<u>Movement in Reserves During 2016/2017</u>							
Comprehensive Income & Expenditure	4,963	4,963	0	0	4,963	0	4,963
Total Comprehensive Income & Expenditure	4,958	4,963	0	0	4,963	(5)	4,958
Adjustments between accounting basis and funding basis under regulations*	5	0	0	0	0	5	5
Net (Increase)/ Decrease before Transfers to Earmarked Reserves	4,963	4,963	0	0	4,963	0	4,963
Transfers to/(from) Earmarked Reserves	(4,331)	(4,331)	3,931	400	0	0	0
Increase/(Decrease) in 2016/17	637	632	3,931	400	4,963	5	4,968
Balance at 31 March 2017 c/fwd	632	632	3,931	400	4,963	0	4,963

The only adjustment, in both years, between the accounting basis and funding basis under regulations is the deferral of charge to the General Fund for the Chief Officer's absence entitlement as at 31 March. This relates to any absence entitlement which has been earned but not yet taken as at 31 March. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by Dundee Integration Joint Board. The net assets of Dundee Integration Joint Board (assets less liabilities) are matched by the reserves held by Dundee Integration Joint Board. Reserves are reported in two categories. The first category is usable reserves, i.e. those that Dundee Integration Joint Board may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category is those that Dundee Integration Joint Board is not able to use to provide services. This category of includes reserves that hold unrealised gains and losses (for example the Employee Benefits Reserve). Funding basis under regulations.

31 March 2016 £000		Notes	31 March 2017 £000
54	Short Term Debtors	Note 7	4,975
54	Current Assets		4,975
(59)	Short Term Creditors	Note 8	(12)
(59)	Current Liabilities		(12)
0	Provisions		0
0	Long Term Liabilities		0
(5)	Net Assets		4,963
0	Usable Reserves	Note 9	4,963
(5)	Unusable Reserves	Note 10	0
(5)	Total Reserves		4,963

Dave Berry, CPFA
Chief Financial Officer
Integration Joint Board

27 June 2017

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarises Dundee Integration Joint Board's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The Dundee Integration Joint Board was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS), and statutory guidance issued under Section 12 of the 2003 Act.

The accounts are prepared on a going concern basis, which assumes that the Dundee Integration Joint Board 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 cash payments are made or received. In particular:

- a) Revenue from the sale of goods is recognised when Dundee Integration Joint Board transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to Dundee Integration Joint Board.
- b) Revenue from the provision of services is recognised when Dundee Integration Joint Board can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to Dundee Integration Joint Board. Income is only recognised when the Integration Joint Board 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.
- c) Commissioned services are recorded as expenditure when they are consumed.
- d) Expenses in relation to services received are recorded as expenditure when the services are received and their benefits are used by Dundee Integration Joint Board, rather than when payments are made.
- e) When 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.

Funding

Dundee Integration Joint Board is primarily funded through funding contributions from the statutory funding partners, Dundee City Council and NHS Tayside. Expenditure is incurred as the Integration Joint Board commission's specified health and social care services from the funding partners for the benefit of service recipients in the City of Dundee.

Cash and Cash Equivalents

Dundee Integration Joint Board does not operate a bank account or hold cash. Transactions are settled on behalf of Dundee Integration Joint Board by the funding partners. Consequently Dundee Integration Joint Board does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March 2017 is represented as a debtor or creditor on Dundee Integration Joint Board's Balance Sheet.

Employee Benefits

Short-term employee benefits (those that fall due wholly within 12 months of the year-end), such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. motor vehicle) for current employees, are recognised as an expense in the year in which employees render service to Dundee Integration Joint Board. An accrual is made against services in the Surplus or Deficit on the Provision of Services for the cost of holiday entitlements and other forms of leave earned by employees but not taken before the year-end and which employees can carry forward into the next financial year. The accrual is made at the remuneration rates applicable in the following financial year. Any accrual made is required under statute to be reversed out of the General Fund Balance by a credit to the Accumulating Compensated Absences Adjustment Account in the Movement in Reserves Statement.

Dundee Integration Joint Board does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. Dundee Integration Joint Board therefore does not present a Pensions Liability on its Balance Sheet. Dundee Integration Joint Board 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. Charges from funding partners for other staff are treated as administration costs.

Changes in Accounting Policies and Estimates and Errors

Changes in accounting policies are only made when required by proper accounting practices or when the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Dundee Integration Joint Board's financial position or financial performance. Where a change is made and it is material to the financial statements, it is applied retrospectively (unless stated otherwise) 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.

Charges to Revenue for Non-Current Assets

Dundee Integration Joint Board does not hold non-current assets and therefore is not subject to direct depreciation charges. However The Dundee Integration Joint Board does receive a charge for property for the use assets. These assets enable the Dundee Integration Joint Board to deliver their priorities. Contained within this recharge amongst other costs, is an element of depreciation associated with the assets that help support the Board's activities.

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 2017 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 2017, 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 Dundee Integration Joint Board'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 2017, whose existence will only be confirmed by later events. A contingent asset is not recognised in Dundee Integration Joint Board's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

Reserves

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 to the appropriate service in that year to count against

the Surplus/Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement.

Dundee Integration Joint Board's reserves are classified as either Usable or Unusable Reserves. Dundee Integration Joint Board currently has three Usable Reserves in the form of the General Fund (non-earmarked); Integration Fund (earmarked); and Transformation Reserve (earmarked). The balance of the Usable Reserves as at 31 March 2017 shows the extent of resources which the Integration Joint Board can use in later years to support service provision.

Dundee Integration Joint Board's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation. It defers the charge to the General Fund for the Chief Officer's absence entitlement as at 31 March 2017, for example any annual leave earned but not yet taken. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

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.

Indemnity Insurance

Dundee Integration Joint Board has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Tayside and Dundee City Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. Unlike NHS Boards, Dundee Integration Joint Board does not have any 'shared risk' exposure from participation in CNORIS. Dundee Integration Joint Board 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 Dundee Integration Joint Board'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.

2. Critical Judgements and Estimation Uncertainty

Critical Judgements in Applying Accounting Policies

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

There is a continuing high degree of uncertainty about future levels of funding for local government, particularly ahead of the Scottish Government's 2018-2020 Spending Review. However, the Dundee Integration Joint Board has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the constituent bodies, Dundee City Council and NHS Tayside, might be impaired as a result of a need to close facilities and reduce levels of service provision.

Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

The Annual Accounts contains estimated figures that are based on assumptions made by the Dundee Integration Joint Board about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

3. Events after the Reporting Period

Events after the reporting period 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:

- a) those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events.
- b) those that provide evidence of conditions that existed at the end of the reporting period – the Annual Accounts are adjusted to reflect such events.

The Annual Accounts were authorised for issue by Dundee Integration Joint Board's Chief Financial Officer on 27 June 2017. Events taking place after this date are not reflected in the financial statements or notes.

4. Expenditure and Funding Analysis

The objective of the Expenditure and Funding Analysis is to demonstrate how the funding available to Dundee Integration Joint Board for the year has been used in providing services in comparison with those resources consumed or earned by Dundee Integration Joint Board in accordance with generally accepted accounting practices. The Expenditure and Funding Analysis also shows how this expenditure is allocated for decision making purposes between Dundee Integration Joint Boards services. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

2015/16	Net Expenditure in the Comprehensive Income and Expenditure Statement (£000)	Adjustments between the Funding and Accounting Basis (£000)	Net Expenditure Chargeable to Dundee Integration Joint Board (£000)
Older People Services	0	0	0
Mental Health	0	0	0
Learning Disabilities	0	0	0
Physical Disability	0	0	0
Substance Misuse	0	0	0
Community Nursing / AHP/ Other Adult	0	0	0
Community Services (Hosted)	0	0	0
Other Services / Support / Management	0	0	0
Prescribing	0	0	0
General Medical Services (FHS)	0	0	0
FHS – Cash Limited & Non Cash Limited	0	0	0
Total of Reported Segments	107	0	107
IJB Operational costs	107	(5)	102
Central Support	0	0	0
Acute Large Hospitals	0	0	0
Total Cost of Service	107	(5)	102
Taxation and Non-specific Grant Income	(107)	0	(107)
(Surplus) or Deficit on Provision of Services	(0)	(5)	(5)

2016/17	Net Expenditure in the Comprehensive Income and Expenditure Statement (£000)	Adjustments between the Funding and Accounting Basis (£000)	Net Expenditure Chargeable to Dundee Integration Joint Board (£000)
Older People Services	61,545	0	61,545
Mental Health	21,836	0	21,836
Learning Disabilities	27,932	0	27,932
Physical Disability	7,301	0	7,301
Substance Misuse	1,316	0	1,316
Community Nursing / AHP/ Other Adult	12,009	0	12,009
Community Services (Hosted)	10,184	0	10,184
Other Services / Support / Management	4,737	0	4,737
Prescribing	35,450	0	35,450
General Medical Services (FHS)	24,533	0	24,533
FHS – Cash Limited & Non Cash Limited	20,048	0	20,048
Total of Reported Segments	226,891	0	226,891
IJB Operational costs	229	5	234
Central Support	4,352	0	4,352
Acute Large Hospitals	21,059	0	21,059
Total Cost of Service	252,531	5	252,536
Taxation and Non-specific Grant Income	(257,494)		(257,494)
(Surplus) or Deficit on Provision of Services	(4,963)		(4,958)
Opening Reserve Balance	0		
Less/Add Surplus or (Deficit) Reserve in Year	(4,963)		
Transfers to / from Other Reserves	0		
Closing Balance	(4,963)		
Closing Reserve – 31 March 2017	(4,963)		

The adjustments shown relate solely to the statutory requirement to defer the charge to the General Fund for the Chief Officer's absence entitlement as at 31 March 2017. The significant difference between 2015/16 and 2016/17 is attributable to Dundee Integration Joint Board not commencing full operation until 1 April 2016.

5. Expenditure and Income Analysis by Nature

2015/16 (£000)	Description	2016/17 (£000)
0	Services commissioned from NHS Tayside	160,810
0	Services commissioned from Dundee City Council	91,493
5	Employee Benefits Expenditure	(5)
97	Other IJB Operating Expenditure	217
6	Auditor Fee : External Audit Work	16
(54)	Partners funding Contributions – NHS Tayside	(169,496)
(54)	Partners Funding Contributions – Dundee City Council	(87,998)
0	Surplus or Deficit on the Provision of Services	(4,963)

6. Taxation and Non-Specific Grant Income

2015/16 (£000)	Description	2016/17 (£000)
53	Funding Contribution from NHS Tayside*	(169,496)
54	Funding Contribution from Dundee City Council	(87,988)
107	Taxation and Non-Specific Grant Income	(257,494)

*£179.717million was provided to Dundee Integration Joint Board from NHS Tayside. This consisted of a £169.496 million funding contribution and £10.220million Integration funding. In the case of the specific Integration funding NHS Tayside was acting wholly as agent on behalf of the Scottish Government. The Integration funding has been passed to Dundee City Council and the local authority became both the funder and related party to the Dundee Integration Joint Board.

The funding contribution from the NHS Board shown above includes £21.059million 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. Dundee Integration Joint Board 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.

7. Debtors

2015/16 (£000)	Description	2016/17 (£000)
0	Central Government Bodies :- CNORIS	0
54	NHS Bodies :- NHS Tayside	0
0	Other Local Authorities :- Dundee City Council	4,975
0	Other Bodies	0
54	Total Debtors	4,975

Amounts owed by the funding partners are stated on a net basis. Debtor balances relating to income yet to be received by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the Integration Joint Board.

8. Creditors

2015/16 (£000)	Description	2016/17 (£000)
6	NHS Bodies :- NHS Tayside	0
53	Other Local Authorities :- Dundee City Council	0
0	Other Bodies	12
59	Total Creditors	12

Amounts owed 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 Integration Joint Board.

9. Usable Reserve: General Fund

Dundee Integration Joint Board 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 Integration Joint Board's risk management framework.

2016/17	Balance at 1 April 2016 (£000)	Transfers Out 2016/17 (£000)	Transfers In 2016/2017 (£000)	Balance at 31 March 2017 (£000)
Non Earmarked Reserves – General Fund	0	0	632	632
Non earmarked Reserves Total	0	0	632	632
Earmarked Reserves – Integration Reserve	0	0	3,931	3,931
Earmarked Reserves – Transformation Reserve	0	0	400	400
Non Earmarked Reserves – Total	0	0	4,331	4,331
Total – General Fund Balances	0	0	4,963	4,963

2015/16	Balance at 1 April 2015 (£000).	Transfers Out 2015/16 (£000)	Transfers In 2015/2016 (£000)	Balance at 31 March 2016 (£000)
Non Earmarked Reserves – General Fund	0	0	0	0
Non earmarked Reserves Total	0	0	0	0
Earmarked Reserves – Integration Reserve	0	0	0	0
Earmarked Reserves – Transformation Reserve	0	0	0	0
Non Earmarked Reserves – Total	0	0	0	0
Total – General Fund Balances	0	0	0	0

Purpose of Earmarked Reserves:-

- a) Integration Reserve - To assist in the integrating of Social Care and Health Service provisions.
- b) Transformation Reserve - To assist in the development of service provisions to meet ongoing and future demand.

10. Unusable Reserve: Employee Statutory Adjustment Account

The balance on the Employee Statutory Adjustment Account reflects any absence entitlement on the part of the Chief Officer which has been earned but not yet taken as at 31 March. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

31 March 2016 (£000)	2016/17 Movements	31 March 2017 (£000)	31 March 2017 (£000)
0	Balance at 1 April 2016		5
0	Settlement or cancellation of previous year's accrual	(5)	
5	Additional amount accrued at year end	0	
5	Amount Charged to CIES		(5)
5	Balance at 31 March 2017		0

11. Related Party Transactions

The Dundee Integration Joint Board has related party relationships with NHS Tayside and Dundee City Council. In particular the nature of the partnership means that the Dundee Integration Joint Board may influence or be influenced by, its partners. The following transactions and balances included in Dundee Integration Joint Board's accounts are presented to provide additional information on the relationships. Dundee Integration Joint Board is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence Dundee Integration Joint Board or to be controlled or influenced by Dundee Integration Joint Board. Related party relationships require to be disclosed where control exists, irrespective of whether there have been transactions between the related parties. Disclosure of these transactions allows readers to assess the extent to which the Dundee Integration Joint Board may have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with Dundee Integration Joint Board.

Dundee Integration Joint Board Members

Board members of Dundee Integration Joint Board have direct control over the Board's financial and operating policies. The Dundee Integration Joint Board membership is detailed on page 4 of these statements. Board members have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, board members with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

Officers

Senior Officers have control over Dundee Integration Joint Board's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report (page 12). Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

Transactions with NHS Tayside

2015/16 (£000)	Description	2016/17 (£000)
53	Funding Contributions received from the NHS Tayside Board*	169,496
0	Net Expenditure on Services Provided by the NHS Tayside Board	(160,810)
53	Net Transactions with NHS Tayside	8,686

*£179.717million was provided to Dundee Integration Joint Board from NHS Tayside. This consisted of a £169.496 million funding contribution and £10.220million Integration funding. In the case of the specific Integration funding NHS Tayside was acting wholly as agent on behalf of the Scottish Government. The Integration funding has been passed to Dundee City Council and the local authority became both the funder and related party to the Dundee Integration Joint Board.

Balances with NHS Tayside

2015/16 (£000)	Description	2016/17 (£000)
0	Debtor balances: Amounts due from the NHS Board	0
0	Creditor balances: Amounts due to the NHS Board	0
0	Net Balance with the NHS Board	0

Transactions with Dundee City Council

2015/16 (£000)	Description	2016/17 (£000)
54	Funding Contributions received from Dundee City Council	87,998
0	Net Expenditure on Services Provided by Dundee City Council	(87,141)
0	Support Services from Dundee City Council	(4,352)
54	Net Transactions with Dundee City Council	(3,495)

Balances with Dundee City Council

2015/16 (£000)	Description	2016/17 (£000)
54	Debtor balances: Amounts due from Dundee City Council	0
0	Creditor balances: Amounts due to Dundee City Council	4,975
54	Net Balance with Dundee City Council	4,975

12. Value Added Tax (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.

Non recoverable VAT is limited to costs incurred directly by Dundee Integration Joint Board which are outwith any special legal regime.

13. Agency

On behalf of all Integration Joint Boards within the NHS Tayside area, the IJB acts as the lead manager for a variety of Community, Older People, Physical Disability, Mental Health and Learning Disability Services. It commissions services on behalf of the other Integration Joint Boards (Perth & Kinross and Angus) and reclaims the costs involved.

The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

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

2015/16 (£000)	Description	2016/17 (£000)
0	Expenditure on Agency Services	10,928
0	Reimbursement for Agency Services	(10,928)
0	Net Agency Expenditure Excluded from CIES	0

14. Provisions

Dundee Integration Joint Board has currently made no provisions. This does not prohibit Dundee Integration Joint Board making provisions in the future and will where necessary consider the needs for a provision based on the merits of the incumbent circumstances at a relevant future point.

Independent Auditors Report

The Annual Accounts are subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Audit Scotland
4th Floor
102 West Port
Edinburgh
EH3 9DN