



Shetland Health and Social Care Partnership

Unaudited Annual Accounts 2016/17

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Introduction

The Shetland Health and Social Care Partnership (Integration Joint Board) is a body corporate, established by Parliamentary Order under section 9 of the Public Bodies (Joint Working) (Scotland) Act 2014, on 27 June 2015.

The Parties:

Shetland Islands Council (“the Council” or “SIC”), established under the Local Government etc. (Scotland) Act 1994

Shetland Health Board (“the Health Board” or “NHS Shetland”), established under section 2(1) of the National Health Service (Scotland) Act 1978 (operating as Shetland NHS Board)

The Parties agreed the Integration Scheme of Shetland Island Health and Social Care Partnership, which sets out the delegation of function by the Parties to the Integration Joint Board.

The Shetland Health and Social Care Partnership Members for 2016/17 were as follows:

Voting Members:

- Mr B Fox (SIC Member)
- Mr G Cleaver (SIC Member) – resigned January 2017
- Mr K Massey (NHS Shetland) –resigned 31 May 2016
- Mr T Morton (NHS Shetland) – appointed June 2016
- Mr C Smith (Chairperson)
- Ms C Waddington (Vice Chairperson) – resigned January 2017
- Mrs E Watson (NHS Shetland) – appointed January 2017
- Mrs M Williamson (Vice Chairperson) - appointed January 2017
- Mr A Wishart (SIC Member) – appointed February 2017

Non-Voting Members:

- Mr S Bokor-Ingram (Chief Officer)
- Mrs M Nicolson (Chief Social Work Officer)
- Mr K Williamson (Chief Financial Officer)
- Ms S Beer (Carers’ Representative)
- Dr S Bowie (GP Representative)
- Ms K Carolan (Lead Nurse for the Community) – appointed January 2017
- Ms S Gens (Staff Representative)
- Mrs C Hughson (Third Sector Representative)
- Mr H Massie (Patient / Service User Representative) – resigned December 2016
- Ms E Watson (Lead Nurse for the Community) – became temporary voting member January 2017
- Mr I Sandilands (Staff Representative)
- Mr J Unsworth (Senior Consultant: Local Acute Sector)

Management Commentary

The purpose of the Management Commentary is to inform all users of these Accounts and help them to understand the most significant aspects of Shetland Health and Community Care Partnership's financial performance for the year 1 April 2016 to 31 March 2017 and its financial position as at 31 March 2017.

Background

Integration of health and social care is the Scottish Government's ambitious programme of reform to improve services for people who use health and social care services. Integration will ensure that health and social care provision across Scotland is joined-up and seamless, especially for people with long-term conditions and disabilities, many of whom are older people.

The Public Bodies (Joint Working) (Scotland) Act was granted royal assent on 1 April 2014. Shetland Islands Council and the Board of NHS Shetland took the decision that the model of integration of health and social care services in Shetland would be the Body Corporate, known as an Integrated Joint Board (IJB).

Under the Body Corporate model, the Health Board and the Council delegate the responsibility, for planning and resourcing service provision of adult health and social care services to an Integration Joint Board.

As a separate legal entity the IJB has full autonomy and capacity to act on its own behalf and can, accordingly, make decision about the exercise of its functions and responsibilities as it sees fit.

The IJB is responsible for the strategic planning of the functions delegated to it by SIC and NHS Shetland. The Strategic Plan specifies the service to be delivered by the Parties. The IJB is also responsible for ensuring the delivery of its functions through the locally agreed operational arrangements set out within its Integration Scheme.

The practical application of the Integration Scheme will be managed and administered in accordance with the Financial Regulations, Standing Orders and Scheme of Administration of the Parties as amended to meet the requirements of the Act.

The IJB approved its Joint Strategic (Commissioning) Plan 2016 -2019 on 28 June 2016.

Purpose and Objectives

The main purpose of integration 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. The Integration Scheme is intended to achieve the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under section 5(1) of the Act:

National Health and Wellbeing Outcomes

1. People are able to look after and improve their own health and wellbeing and live in good health for longer.
2. People, including those with disabilities or long-term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.
3. People who use health and social care services have positive experiences of those services, and have their dignity respected.
4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.
5. Health and social care services contribute to reducing health inequalities.
6. People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.
7. People using health and social care services are safe from harm.
8. People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.
9. Resources are used effectively and efficiently in the provision of health and social care.

The following objectives were set out in the Shetland Joint Strategic (Commissioning) Plan 2016 - 2019:

- That the main purpose of services which are provided to meet integration functions is to improve the wellbeing of services users;
- That, in so far as consistent with the main purpose, those services be provided in a way which, so far as possible:
 - is integrated from the point of view of service users;
 - takes account of the particular needs of different service users;
 - takes account of the particular needs of service users in different parts of the area in which the service is being provided;
 - takes account of the particular characteristics and circumstances of different service users;
 - respects the rights of service users;
 - takes account of the dignity of service users;
 - takes account of the participation by service users in the community in which service users live;
 - protects and improves the safety of service users;
 - improves the quality of the service;
 - is planned and led locally in a way which is engaged with the community (including in particular service users, those who look after service-users and those who are involved in the provision of health or social care);
 - best anticipates needs and prevents them arising; and
 - makes the best use of the available facilities, people and other resources.

Operational Review

For 2016/17 we set out to put in place arrangements to improve our services through a range of initiatives and we concentrated on six key actions. We are pleased to report that we have achieved two of these actions and are well on our way to completing the remaining four. On one of the actions, regarding the Mental Health Service, we still have a number of recommendations from the review to address.

Achieved:

- Develop Integrated Locality Service Plans; and
- Assist Shetland Partnership with implementing the redesign of community justice.

In Progress:

- Implementing the findings outlined within the Mental Health Review;
- Develop a Joint Organisational Development and Workforce Strategy;
- Development of an Oral Health Strategy;
- Develop Anticipatory Care Plans.

Shetland continues to perform well against peer group comparators and the Scottish average. Some areas worth highlighting are:

- Shetland is the best in Scotland for the percentage of people spending the last six months of life at home or in a community setting;
- The percentage of adults with intensive needs receiving care at home is well above the Scotland average;
- The rate of emergency bed days is also low, indicating fewer days are spent in hospital after an emergency admission;
- The re-admission rate to hospital within 28 days of discharge is low, indicating that services are working at discharging people when they are ready and then keeping them in the community thereafter.

The operational management team had a continued challenge to find further efficiencies within the budgets of both Parties, and whilst the Council part of the budget has underspent this year, the Health Board has struggled to meet its efficiency targets and as a result, its budgets were overspent. Considerable pressures remain in the Health Board budget which will require continued attention in 2017/18 and beyond in order to achieve a balanced position. The Medium Term Financial Plan for the Council also identifies the need for savings to be made in the coming years as a result of anticipated funding reductions, set against the rising cost of providing services.

Further detail on operational performance can be found in the IJB Annual Performance Report 2016/17.

Primary Financial Statements

The Annual Accounts detail Shetland Health and Social Care Partnership's transactions for the period from 1 April 2016 to 31 March 2017. The Annual Accounts are prepared in accordance with the International Accounting Standards Board (IASB) Framework for the Preparation and Presentation of Financial Statements (IASB Framework) as interpreted by the Code of Practice on Local Authority Accounting in the United Kingdom.

A description of the purpose of the primary statements has been included immediately prior to each of the financial statements: The Statement of Income and Expenditure and the Balance Sheet. These Statements are accompanied by Notes to the Accounts which set out the Accounting Policies adopted by the Partnership and provide more detailed analysis of the figures disclosed on the face of the primary financial statements.

The primary financial statements and notes to the accounts, including the accounting policies, form the relevant Annual Accounts for the purpose of the auditor's certificate and opinion. The remuneration of the Chief Officer of the Partnership is disclosed in the Remuneration Report.

Financial Review

The Joint Strategic (Commissioning) Plan 2016-2019 sets out the functions which have been delegated by the Parties and the associated agreed budgets. The Plan was agreed by IJB Members on 28 June 2016.

The purpose of the Annual Accounts is to present a public statement on the stewardship of funds for the benefit of both Members of the IJB and the public. The IJB is funded by Shetland Islands Council (SIC) and Shetland Health Board (NHSS).

The Statement of Income and Expenditure presents the full economic cost of providing the Board's services in 2016/17.

The presentation of the Annual Accounts has been revised for 2016/17, which represents the first full year of operation for the IJB. As the IJB only became live in November 2015, the Annual Accounts for 2015/16 only disclosed a 19-week proportion of the overall operating expenditure of IJB, the proportion of the Chief Officer's cost from his appointment on 20 July 2016 and each party's additional contributions to the running costs of the

IJB. The expenditure detailed, also took into account the proportionate refund and repayment of underspend and overspend, respectively, by the Parties.

Given the Statement of Income and Expenditure for 2016/17 requires to show the actual expenditure of the IJB in the year, the 2015/16 figures, whilst still apportioned as detailed above have been restated to remove adjustment made for over and underspend.

For the year-ended 31 March 2017 the IJB has generated a surplus of £125k, after adjustment has been made for fortuitous underspend repaid to SIC and additional contribution made by NHS.

The Integration Scheme states that where there is a planned, forecast, under spend on an element of the operational budget due to agreed changes in line with the Strategic Plan, this will be retained by the IJB to either fund other service areas in-year in line with the Strategic Plan or be carried forward to fund services in subsequent years of the Strategic Plan. However, any windfall under spend will be returned to SIC and/or NHSS in line with the original budget allocation for 2016/17.

The surplus of £125k represents the underspend in the year of Scottish Government Additionality Funding allocations agreed by the IJB to each of the Parties. This funding will be carried forward and the IJB can then make decisions on how best it can be utilised to further its objectives, in line with its Joint Strategic (Commissioning) Plan.

The table below details the variances and additional transactions required:

	SIC £000	NHSS £000	Total £000
1 Budgets delegated to the Parties from the IJB	(20,845)	(22,605)	(43,450)
2 Contribution from the Parties to the IJB (against delegated budgets)	20,431	23,958	44,389
3 Variance	(414)	1,353	939
4 Additional contributions from Parties to meet IJB Direct Costs	13	12	25
5 IJB Direct Costs (Audit fee, Insurance & Members Expenses)	(13)	(12)	(25)
6 Fortuitous underspend repaid to SIC	367	-	367
7 Additional contribution from NHS to IJB to meet overspend	-	(1,431)	(1,431)
8 Final position of IJB	(47)	(78)	(125)

The table below details the financial position for the IJB and is broken down by service area.

The outturn position to the end of March 2017 is an overall adverse variance of £939k which represents an underspend in SIC of £414k and an overspend in NHSS of £1.353m.

The main reasons for significant variances from budget are explained below the table.

Service Heading	Annual Budget				Outturn				Outturn Variance			
	Joint Budgets		Set aside Budget	Total	Joint Budgets		Set aside Budget	Total	Joint Budgets		Set aside Budget	Total
	NHS	SIC			NHS	SIC			NHS	SIC		
	£	£	£	£	£	£	£	£	£	£		
Mental Health	1,347	1,058	-	2,405	1,267	1,097	-	2,364	80	(39)	-	41
Substance Misuse	402	259	-	661	392	243	-	635	10	16	-	26
Oral Health	3,178	-	-	3,178	3,143	-	-	3,143	35	-	-	35
Pharmacy & Prescribing	6,039	-	524	6,563	5,909	-	537	6,446	130	-	(13)	117
Primary Care	4,660	-	-	4,660	5,022	-	-	5,022	(362)	-	-	(362)
Community Nursing	2,576	-	-	2,576	2,559	-	-	2,559	17	-	-	17
Directorate	330	478	-	808	344	177	-	521	(14)	301	-	287
Pensioners	-	78	-	78	-	76	-	76	-	2	-	2
Sexual Health	-	-	38	38	-	-	41	41	-	-	(3)	(3)
Adult Services	66	5,148	-	5,214	72	4,955	-	5,027	(6)	193	-	187
Adult Social Work	-	1,761	-	1,761	-	2,176	-	2,176	-	(415)	-	(415)
Community Care Resources	-	10,199	-	10,199	-	9,920	-	9,920	-	279	-	279
Criminal Justice	-	29	-	29	-	18	-	18	-	11	-	11
Speech & Language Therapy	83	-	-	83	73	-	-	73	10	-	-	10
Dietetics	112	-	-	112	105	-	-	105	7	-	-	7
Podiatry	201	-	-	201	191	-	-	191	10	-	-	10
Orthotics	143	-	-	143	140	-	-	140	3	-	-	3
Physiotherapy	572	-	-	572	533	-	-	533	39	-	-	39
Occupational Therapy	185	1,409	-	1,594	174	1,390	-	1,564	11	19	-	30
Health Improvement	-	-	244	244	-	-	238	238	-	-	6	6
Unscheduled Care	-	-	3,042	3,042	-	-	3,461	3,461	-	-	(419)	(419)
Renal	-	-	144	144	-	-	185	185	-	-	(41)	(41)
SG Additionality Funding	86	426	-	512	8	379	-	387	78	47	-	125
Integrated Care Fund	410	-	-	410	444	-	-	444	(34)	-	-	(34)
Efficiency Target	(1,357)	-	(420)	(1,777)	(599)	-	(281)	(880)	(758)	-	(139)	(897)
	19,033	20,845	3,572	43,450	19,777	20,431	4,181	44,389	(744)	414	(609)	(939)

Mental Health

There were only minor underspends in Mental Health due to part year vacancies.

Pharmacy & Prescribing

There was a £46k underspend in specialist drugs due to delayed commencement of HEP C treatment, combined with other minor underspends across the service.

Primary Care

Due to difficulty in recruiting and retaining General Practitioners, there has been an overspend of £311k in Primary Care as locum cover was required in Yell, Unst, Whalsay and Lerwick. In addition to this, the Hildasay 17c practice should have received £61k from the General Medical Council global sum payment, but no additional funding was provided. There is a £24k overspend in Police Surgeon costs due to payments made to the Scalloway Practice for service provided during daytime hours for which there was no budget.

Directorate

There is an SIC underspend in training costs of £289k due to all training budgets being held within the Directorate. This is partly off-set by actual expenditure on training in the year of (£141k) which has been allocation across the service headings, with the remaining £148k underspend due to changes in training priorities and insufficient cover availability in some areas to allow employees to be released for training.

Adult Services

There is an underspend of £187k in Adult Services which mainly relates to underspent employee costs of £213k, through vacant posts at Eric Gray Resource Centre and across the Supported Living and Outreach service. These vacancies were mainly in the first six months of the year and are now filled, with the exception of part-time social care workers posts (totalling 56 hours per week) and one part-time senior social care worker (25 hours per week) which have been deleted. This is off-set by holiday pay costs for which Council contingency had been provided but was not applied due to overall underspend in the Directorate of Community Health and Social Care (£90k).

Borrowing costs budgeted in respect of the Eric Gray Replacement Project were less than

anticipated due to re-profiling of capital funding, leading to an underspend of £89k.

Adult Social Work

There was an overspend in Adult Social Work of £469k in respect of Off-Island Placements. The SIC provided for this in its central contingency, but due to the overall underspend in the Directorate of Community Health and Social Care this was not applied.

Community Care Resources

The overall underspend in Community Care Resources of £279k is due to several factors, including an underspend in employee costs of £765k, due to:

- less than budgeted hours of care at home being delivered in the year leading to a review and the revision of rotas. The level of demand in this area does fluctuate during the year and individuals now also have the choice to access home care through self-directed support packages where increased demand has been seen in the year;
- rolling vacancies across the service, often taking several months to recruit to;
- difficulty in recruitment despite efforts to promote careers in the care sector.

The employee costs underspend was off-set by the cost of agency staffing used to cover vacant posts (£42k) and by holiday pay costs for which Council contingency had been provided but was not applied due to the overall underspend in the Directorate of Community Health and Social Care (£224k).

There was an underspend of £217k due to over-achievement of Board and Accommodation income. This is off-set by under-achievement of (£44k) in Non-residential charging income. Charging income can vary significantly as it is dependent on the financial circumstances or those receiving care.

Meal Supplies budgets were underspent in the year by £112k, due to savings from centralising kitchen provision in Lerwick, more efficient procurement across the service and an overall reduction in demand for meals, which may be linked to more meal preparation being provided in people's home. This led to underachievement in meal sales income of (£42k).

There was an overspend in Equipment/Furniture Purchases and Repairs and Maintenance in year of (£165k), due to essential equipment and furniture replacement and repairs, including the costs of upgrading the nurse call systems and replacement flooring at several care homes.

There was an overspend in Independent Sector Placements of (£201k) for which Council Contingency had been provided but was not applied, due to the overall underspend in the Directorate of Community Health and Social Care.

Integrated Care Funding

The Integrated Care Fund (ICF) was provided by the Scottish Government in 2015/16 to help Health and Social Care Partnership to support investment in integrated services. In March 2015 the Cabinet Secretary for Health, Wellbeing and Sport announced that an additional £100m would be made available to Health and Social Care Partnerships through the ICF in each of the financial years 2016/17 and 2017/18.

The Shetland IJB funding allocation for 2016/17 was £410k. The plan for use of this funding was developed alongside the work on the Joint Strategic (Commissioning) Plan 2016 – 2019. It was hoped to continue building the capabilities to shift the balance of care further to community settings, with support to people to maintain and enhance independence seen as key to enhancing people's lives, whilst maintaining service provision for those that most need it in the face of diminishing resources.

The funding has been utilised in full during 2016/17 on a range of integration projects, with the majority of the money being used to provide the Intermediate Care Service.

Scottish Government Additionality Funding

The Scottish Government allocated £250m of funding nationally in 2016-17 to health and social care partnership to support the delivery of improved outcomes in social care, help drive the shift toward prevention and further strengthen its approach to tackling inequalities. Shetland Health and Social Care Partnership was allocated £1.024m of this funding.

As per Scottish Government guidance, £512k of the funding was provided to help meet a range of existing costs faced by local authorities in the delivery of effective and high quality health and social care services in the context of reducing

budgets. The remaining £512k was available to support integration projects and the IJB agreed it would be used as follows:

- Support for increased demand for Self-Directed Support packages - £348k
- Recruitment of 2 therapist posts for the Re-ablement Programme in Care Homes - £86k
- Funding for Hospital Discharge Liaison Staff - £78k

The IJB recognises an underspend in this funding of £125k, due to less demand for Self-Directed Support packages than anticipated in year, £47k, and delays in recruitment of staffing in relation to the Re-ablement Programme in Care Homes, £76k.

The Balance Sheet as at 31 March 2017

The IJB carries a General Reserve of £125k as at 31 March 2017. This reserve was created from an underspend in the Scottish Government Additionality Funding.

2017/18 Budget and Medium Term Financial Outlook

The 2017/18 budget was noted on 10 March 2017 as part of the 2017/18 Strategic Commissioning Plan. The plan also contains an indicative budget allocation for 2018/19 and 2019/20.

The Shetland IJB, like many others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. Additional funding of £250m was announced for Health and Social Care Partnerships for 2016/17 with an additional £110m allocated nationally in 2017/18. These additional funds are intended to address social care pressures, as well as providing funding to offset the costs of the national Living Wage and reduced income through increased charging thresholds. Despite this additional funding, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted in 2018/19.

The anticipated reduction in funding coupled with the demographic challenges which Shetland is facing, results in key risks which can be summarised as follows:

- Increased demand for services alongside reducing resources;

- The wider financial environment which continues to be challenging; and
- Political uncertainty including Scottish Parliament and local elections in the next two years, as well as the financial powers arising from the Scotland Act 2012 and recommendations arising from the Smith Commission.

There is currently a shortfall in the NHS funding to the IJB in 2017/18 of £2.529m. Planned Savings and Efficiency projects totalling £1.291m have been agreed but there is still a £1.208m shortfall which has to be addressed. Work is ongoing to identify further service redesign that delivers the required savings and efficiencies to close the remaining funding gap.

Acknowledgement

We would like to acknowledge the significant effort of all the staff across the IJB who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the favourable financial position at 31 March 2017.



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Simon Bokor-Ingram
Chief officer
23 June 2017

.....
Marjorie Williamson
Chair
23 June 2017

.....
Karl Williamson
Chief Financial Officer
23 June 2017

Annual Governance Statement

Introduction

The Annual Governance Statement explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

Scope of Responsibility

The Integration Joint Board (IJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The IJB also aims to foster a culture of continuous improvement in the performance of the IJB's functions and to make arrangements to secure Best Value.

In discharging these responsibilities, the Chief Officer has a reliance on the systems of internal control of both Shetland NHS Board (the Health Board) and Shetland Islands Council (the Council) that support compliance with both organisations' policies and promote achievement of each organisation's aims and objectives, as well as those of the IJB.

The IJB has adopted a Local Code of Corporate Governance ("the Local Code") consistent where appropriate with the six principles of CIPFA and the Society of Local Authority Chief Executives (SOLACE) framework "*Delivering Good Governance in Local Government*". This statement explains how the IJB has complied with the Local Code and also meets the Code of Practice on Local Authority Accounting in the UK, which details the requirement for an Annual Governance Statement.

Purpose of Internal Control

The system of internal control is based on an ongoing process designed to identify, prioritise and manage the risks facing the organisation. The system aims to evaluate the nature and extent of failure to achieve the organisation's policies, aims and objectives and to manage risks efficiently, effectively and economically. As such it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control has been in place at the IJB for the financial year ended 31 March 2017 and up to the date of the approval of the Statement of Accounts.

The Governance Framework and Internal Control System

The Board of the IJB comprises the Chair and 5 Members with voting rights; 3 are Council Members appointed by the Council and 3 are Health Board Members appointed by the Health Board from among those Members of the local NHS system appointed by Scottish Ministers. The IJB via a process of delegation from the Health Board and the Council has responsibility for the planning, resourcing and operational delivery of all integrated health and social care within its geographical area through its Chief Officer. The IJB also has strategic planning responsibilities for a range of acute health services for which the budget is "set aside".

The main features of the IJB's system of internal control are summarised below.

- The overarching strategic vision and objectives of the IJB are detailed in the IJB's Integration Scheme which sets out the key outcomes the IJB is committed to delivering through the Council and the Health Board as set out in the IJB's Strategic Plan and Annual Financial Statement.
- Services are able to demonstrate how their own activities link to the IJB's vision and priorities through their Corporate Improvement Plans and Service Plans.
- Performance management, monitoring of service delivery and financial governance is provided through quarterly reports to the IJB as part of the Planning and Performance Management Framework. Quarterly reports include financial monitoring of the integrated budget and the "set aside" budget, the IJB Risk Registers, performance against national outcome measures, local outcome measures and service development projects. The IJB also receives regular reports from the joint Council, Health Board and IJB Clinical, Care and Professional Governance Committee and the IJB Audit Committee.
- The Participation and Engagement Strategy sets out the IJB's approach to engaging with stakeholders. Consultation on the future vision and activities of the IJB is undertaken collaboratively with the Council and the Health Board and through existing community planning networks. The IJB publishes information about its performance regularly as part of its public performance reporting.
- The IJB operates within an established procedural framework. The roles and

responsibilities of Board Members and officers are defined within Standing Orders, Scheme of Administration and Financial Regulations; these are subject to regular review.

- Effective scrutiny and service improvement activities are supported by the formal submission of reports, findings and recommendations by Audit Scotland, the external auditors, national inspection agencies and the appointed Internal Audit service to the IJB's Senior Management Team, to the IJB and the main Board and Audit Committee.
- The IJB follows the principles set out in COSLA's *Code of Guidance on Funding External Bodies and Following the Public Pound* for both resources delegated to the Partnership by the Health Board and the Council and resources paid to its Council and Health Board Partners.
- Responsibility for maintaining and operating an effective system of internal financial control rests with the Chief Financial Officer. The system of internal financial control is based on a framework of regular management information, Financial Regulations and Standing Financial Instructions, administrative procedures (including segregation of duties), management and supervision, and a system of delegation and accountability. Development and maintenance of the system is undertaken by managers within the IJB.
- The IJB's approach to risk management is set out in the Integration Scheme and IJB Risk Management Strategy. Reports on risk management are considered regularly by the H&SC Management Team with quarterly reporting on the IJB Risk Registers to the IJB Board and an annual report to the IJB Audit Committee.
- The IJB has adopted a code of conduct for its employees. IJB Board Members observe and comply with the Nolan Seven Principles of Public Life. Comprehensive arrangements are in place to ensure IJB Board Members and officers are supported by appropriate training and development.
- Staff are made aware of their obligations to protect client, patient and staff data. The NHS Scotland *Code of Practice on Protecting Patient Confidentiality* has been issued to all NHS Shetland staff working in IJB directed services and all staff employed by the Council working in IJB directed services have been issued with the SSSC Codes of Practice.

Review of Adequacy and Effectiveness

The IJB has responsibility for conducting at least annually, a review of effectiveness of the system of internal control and the quality of data used throughout the organisation. The review is informed by the work of the Service Managers within the Council and the Health Board (who have responsibility for the development and maintenance of the internal control framework environment), the work of the internal auditors, the Chief Internal Auditor's annual report, and reports from external auditors and other review agencies and inspectorates.

The review of the IJB's governance framework is supported by a process of self-assessment and assurance certification by Directors within the Council and the Health Board. The IJB directs the Council and the Health Board to provide services on its behalf and does not provide services directly. Therefore, the review of the effectiveness of the governance arrangements and systems of internal control within the IJB places reliance upon the individual bodies' management assurances in relation to the soundness of their systems of internal control.

There was one significant internal control issue identified by the 2016/17 Internal Audit Report. The key area of concern centred on the 2016/17 Financial Recovery Plan which ultimately failed with unachieved savings of £897k which contributed to the £1.353 million overall NHSS shortfall. This shortfall was however met by NHS Shetland from non-recurrent funding.

The Recovery Plan for 2016/17 presented to the IJB in March 2016 was not robust and did not have clear SMART (Specific, Measurable, Achievable, Relevant and Timely) attributes. It did not clearly articulate what needed to be done or how this would be delivered. Detailed plans on delivery were never presented to the IJB.

Given that there is now a Recovery Plan for 2017/18 which requires £2.5 million of savings it is vital that lessons are learned from 2016/17.

Roles and Responsibilities of the Audit Committee and Chief Internal Auditor

IJB Members and officers of the IJB are committed to the concept of sound internal control and the effective delivery of IJB services. The IJB's Audit Committee operates in accordance with CIPFA's Audit Committee Principles in Local

Authorities in Scotland and Audit Committees:
Practical Guidance for Local Authorities.

The Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2013 (PSIAS) and reviews the performance of the IJB's Internal Audit Service. The appointed Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of the IJB's system of internal control.

The internal audit service undertakes an annual programme of work, approved by the Audit Committee, based on a strategic risk assessment. The appointed Chief Internal Auditor provides an independent opinion on the adequacy and effectiveness of internal control.

The work undertaken for 2016/17 focused on the Strategic Commissioning Plan, the Financial Recovery Plan and the Integrated Care Fund. The Chief Internal Auditor has also conducted a review of all relevant NHS Shetland Internal Audit reports issued in the financial year by Scott Moncrieff.

On the basis of the audit work undertaken during the reporting period, the Chief Internal Auditor is able to conclude that a reasonable level of assurance can be given that the system of internal control is operating effectively within the organisation.

Compliance with Best Practice

The IJB complies with the CIPFA Statement on "*The Role of the Chief Financial Officer in Local Government 2010*". The IJB's Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff in both partner organisations to ensure the effective financial management of the IJB. The Chief Financial Officer has direct access to the Director of Finance in Shetland NHS Board and the Executive Manager – Finance in Shetland Islands Council to address financial issues and is a member of the Local Partnership Finance Team.

The Partnership complies with the requirements of the CIPFA Statement on "*The Role of the Head of Internal Audit in Public Organisations 2010*". The IJB's appointed Chief Internal Auditor has responsibility for the IJB's internal audit function

and is professionally qualified and suitably experienced to lead and direct internal audit staff. The Internal Audit service generally operates in accordance with the CIPFA "*Public Sector Internal Audit Standards 2013*".

Internal Control Issues and Planned Actions

The IJB continues to recognise the need to exercise strong management arrangements to manage the pressures common to all public bodies. Regular reviews of the IJB's arrangements are undertaken by the appointed internal auditors and overall the IJB's arrangements are sound. The key area of concern is currently in relation to the 2017/18 Financial Recovery Plan. The Chief Officer has agreed action to address this governance issue and has provided assurance that the audit recommendations will be implemented.

Assurance

Subject to the above, and on the basis of assurances provided, we consider that the internal control environment operating during the reporting period provides reasonable and objective assurance that any significant risks impacting upon the achievement of our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the internal control environment and action plans are in place to identify identified areas for improvement.

.....
Simon Bokor-Ingram
Chief officer
23 June 2017

.....
Marjorie Williamson
Chair
23 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 IJB members and staff.

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

Remuneration: IJB Chair and Vice Chair

The voting members of the Integration Joint Board shall comprise three persons appointed by NHS Shetland (NHSS), and three persons appointed by the Shetland Islands Council (SIC). Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair and Vice Chair appointments and any taxable expenses paid by the IJB are shown below:

Taxable Expenses 2015/16 £	Name	Post Held	Nominating Organisation	Taxable Expenses 2016/17 £
-	Mr C Smith	Chairperson (April 2016 to March 2017)	SIC	-
-	Ms C Waddington	Vice Chairperson (April 2016 to January 2017)	NHSS	-
-	Ms M Williamson	Vice Chairperson (January 2017 to March 2017)	NHSS	-

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

Remuneration: Officers of the IJB

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

Chief Officer

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

Other Officers

No other staff are appointed by the IJB under a similar legal regime and no other non-voting board members of the IJB meet the criteria for disclosure.

All Partnership officers are employed by either NHS Shetland or Shetland Islands Council, and remuneration to senior staff is reported through the employing organisation.

The Chief Officer is employed by NHS Shetland but this is a joint post with Shetland Islands Council, with 50% of his cost being recharged to the Council. Performance appraisal and terms and conditions of service are in line with NHS Scotland circulars and continuity of service applies. Formal line management is provided through the Chief Executive, NHS Shetland, but the Director of Community Health and Social Care is accountable to both the Chief Executive of NHS Shetland and the Chief Executive of Shetland Islands Council.

The IJB approved the appointment of the Chief Financial Officer at its meeting on 20 July 2015. The role of Chief Financial Officer for the IJB is carried out by the NHS Shetland Head of Finance & Procurement, Karl Williamson, with NHS Shetland meeting his full cost.

Remuneration

The Chief Officer received the following remuneration during 2016/17:

Senior Employees	Post held	2016/17			2015/16*
		Salary, Fees and Allowances £	Taxable Expenses £	Total Remuneration £	Total Remuneration £
Simon Bokor-Ingram	Chief Officer	92,432	-	92,432	63,460

2015/16 information relates to the period from the Chief Officer's appointment on 20 July 2015 to 31 March 2016.

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 (where bands are missing, values were nil for 2015/16 and 2016/17).

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
1	£60,000 - £64,999	-
-	£90,000 - £94,000	1
1	Total	1

Pension benefits

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

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The table below shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

The Chief Officer participates in the National Health Service Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations.

Pension entitlement for the Chief Officer for the year to 31 March 2017 is shown in the table below, together with the contribution made to this pension by the employing body.

Name of Senior Official	Designation	In-Year Employer Pension Contributions			Accrued Pension Benefits			
			Year ending 31 March 2017 £	Year ending 31 March 2016 £		As at 31 March 2017 £	As at 31 March 2016 £	Increase (Decrease) £
Simon Bokor-Ingram	Chief Officer	ER	13,516	13,383	Pension	27,272	25,918	1,354
		Strain	-	-	Lump Sum	71,668	72,645	(977)

.....
Simon Bokor-Ingram
Chief Officer

23 June 2017

.....
Marjorie Williamson
Chair

23 June 2017

Statement of Responsibilities for the Annual Accounts

The Integration Joint Board's Responsibility

The Integration Joint Board is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer has the responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this Integration Joint Board, the proper officer is the Chief Financial Officer;
- manage its affairs to secure economic, efficient and effective use of resources and to 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 can confirm that these Annual Accounts were approved for signature by the Integration Joint Board on 23 June 2017.

Signed on behalf of Shetland Islands Integration Joint Board.

.....
Marjorie Williamson
Chair
23 June 2017

The Chief Financial Officer's Responsibilities

The Chief Financial Officer is responsible for the preparation of the 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 Accounting Code).

It is the responsibility of the Chief Financial Officer to sign, date and submit the un-audited Annual Accounts to the appointed auditor by 23 June 2017.

In preparing this Annual Accounts, the Chief Financial Officer has:

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

The Chief Financial Officer has also:

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

I certify that the Annual Accounts give a true and fair view of the financial position of the Integration Joint Board at the reporting date and the transactions of the Integration Joint Board for the year ended 31 March 2017.



.....
Karl Williamson
Chief Financial Officer
23 June 2017

Statement of Income and Expenditure for period from 1 April 2016 to 31 March 2017

The **Statement of Income and Expenditure** shows the accounting costs of providing the service in accordance with generally accepted accounting practices (GAAP).

2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net Expenditure £000		Notes	2016/17 Gross Expenditure £000	2016/17 Gross Income £000	2016/17 Net Expenditure £000
8,922	-	8,922	Health Services	3	24,838	-	24,838
7,058	-	7,058	Social Care Services	3	20,430	-	20,430
19	-	19	Corporate Services	3	25	-	25
15,999	-	15,999	Cost of Services		45,293	-	45,293
-	(15,999)	(15,999)	Taxation and Non-Specific Grant Income	4	-	(45,418)	(45,418)
15,999	(15,999)	-	(Surplus) / Deficit on provision of services		45,293	(45,418)	(125)
		-	Total Comprehensive Income and Expenditure		45,293	(45,418)	(125)

*The IJB was established on 27 June 2015, but only became live and commenced delivery of health and care services on 20 November 2015. Consequently, the 2016/17 financial year is the first fully operational financial year of the IJB and the figures above reflect this.

There are no statutory or presentation adjustments which affect the IJB's application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.

Movement in Reserves Statement

The **Movement of Reserves Statement** shows the movement in the year in the IJB's reserves.

Movements in Reserves During 2016/17	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 31 March 2016	-	-	-
Total Comprehensive Income and Expenditure	(125)	-	(125)
Increase or Decrease in 2016/17	(125)	-	(125)
			-
Closing Balance at 31 March 2017	(125)	-	(125)

The IJB had no reserves or movement in reserves in the period from 27 June 2015 to 31 March 2016, so a Movement in Reserves Statement for 2015/16 was not required.

Balance Sheet as at 31 March 2017

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

As at 31 March 2016 £000		Notes	As at 31 March 2017 £000
15,999	Short-term Debtors	5	45,418
15,999	Current Assets		45,418
(15,999)	Short-term Creditors	6	(45,293)
(15,999)	Current Liabilities		(45,293)
-	Net Assets		125
-	Usable Reserves		125
-	Total Reserves		125

The Statement of Accounts presents a true and fair view of the financial position of the Integration Joint Board as at 31 March 2017 and its income and expenditure for the year then ended.

The unaudited Annual Accounts were authorised for issue on 23 June 2017.



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Karl Williamson
Chief Financial Officer
23 June 2017

Notes to the Primary Financial Statements

Note 1: Summary of Significant Accounting Policies

General Principles

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

The Shetland Health and Social Care Partnership was formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Joint Venture between NHS Shetland and Shetland Islands Council.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government Act 1973 and as such are required to prepare their Annual Accounts in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom.

The Code specifies the applicable accounting policies for:

- selecting measurement bases for recognising assets, liabilities, gains and losses in the Annual Accounts;
- making changes to reserves;
- the minimum disclosure requirements.

A valid estimation technique can be used to derive the monetary amount (i.e. the one that best reflects the economic reality of a transaction or event) to be recognised in the financial statements in such circumstances when the basis of measurement for the monetary amount cannot be applied with certainty (and the range of options is considered to be material).

Accounting Conventions and Concepts

The accounting convention adopted in the Annual Accounts is historical cost.

The concept of the IJB as a going concern is based on the premise that its functions and services will continue in existence for the foreseeable future.

The concept of materiality derives from the premise that financial statements need not be precisely accurate to represent a true and fair

view. It is a matter of professional judgement as to whether users of the accounts could come to different conclusions about the IJB's standards of stewardship or make different economic decisions as a result of deviations from the provisions set out in the Code.

The accounting policies which have a significant effect on the amounts recognised in the financial statements of the IJB are summarised below.

A Accruals of income and expenditure

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

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

B Funding

The IJB is primarily funded through funding contributions from the statutory funding partners, Shetland Islands Council and NHS Shetland. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Shetland.

C Cash and Cash Equivalents

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

D Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in

the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangement are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs.

E Provisions, contingent liabilities and assets

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

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

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

F Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

G Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member or officer responsibilities. The NHS Shetland Board and the Shetland Islands Council have responsibility for claims in respect of

the services that they are statutorily responsible for and that they provide.

Unlike NHS Boards, the IJB does not have any "shared risk" exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the expected value of known claims, taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

Note 2: Events After the Reporting Period

The Annual Accounts were authorised for issue by the Chief Financial Officer on 23 June 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respect to reflect the impact of this information.

Note 3: Expenditure and Income Analysis by Nature

2015/16 £000		2016/17 £000
7,058	Services commissioned from Shetland Islands Council	20,430
8,922	Services commissioned from NHS Shetland	24,838
17	Auditor fee: External Audit	21
2	Other administrative costs	4
(15,999)	Partners' funding contributions and Non-Specific Grant Income	(45,418)
-	Total	(125)

Note 4: Taxation and Non-Specific Grant Income

2015/16 £000		2016/17 £000
7,068	Funding contribution from Shetland Islands Council	19,552
8,931	Funding contribution from NHS Shetland	24,432
-	Other Non-ringfenced grants and contributions	1,434
15,999	Total	45,418

The funding contribution from the NHS Board shown above includes £4.463m in respect of 'set aside' resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB has responsibility for the consumption of, and level of demand placed on, these resources,

Other non-ringfenced grants and contributions represents Scottish Government funding provided for the IJB, which is paid to the IJB via NHS Shetland.

Note 5: Short-term Debtors

As at 31 March 2016 £000		As at 31 March 2017 £000
7,068	Shetland Islands Council	19,552
8,931	NHS Shetland	25,866
15,999	Total	45,418

Note 6: Short-term Creditors

As at 31 March 2016 £000		As at 31 March 2017 £000
(7,068)	Shetland Islands Council	(20,442)
(8,931)	NHS Shetland	(24,851)
(15,999)	Total	(45,293)

Note 7: Usable Reserve: General Fund

The IJB holds a balance on the General Funding 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.

2015/16 £000	General Fund	2016/17 £000
	- Balance at 1 April	-
	Transfers in:	
	Scottish Government	(125)
	- Additionality Funding Reserve	
	- Balance at 31 March	(125)

Note 8: Related Party Transactions

The IJB has related party relationships with the Shetland Islands Council and NHS Shetland. In particular, the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balance included in the IJB's accounts are presented to provide additional information on the relationships.

Transactions with Shetland Islands Council

2015/16 £000		2016/17 £000
(7,068)	Funding contributions due from Shetland Islands Council	(19,552)
7,068	Expenditure on services provided by Shetland Islands Council	20,430
	- Total	878

Balances with Shetland Islands Council

2015/16 £000		2016/17 £000
7,068	Amounts due from Shetland Islands Council	19,552
(7,068)	Amounts due to Shetland Islands Council	(20,442)
	- Total	(890)

Transactions with NHS Shetland

2015/16 £000		2016/17 £000
(8,932)	Funding contributions due from NHS Shetland	(25,866)
8,932	Expenditure on services provided by NHS Shetland	24,838
-	Total	(1,028)

Balances with NHS Shetland

2015/16 £000		2016/17 £000
(8,932)	Amounts due from NHS Shetland	25,866
8,932	Amounts due to NHS Shetland	(24,851)
-	Total	1,015

Note 9: VAT

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

Independent Auditor's Report