



**Orkney Integration Joint Board
Annual Accounts 2015 - 2016**

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Management Commentary

Introduction

Orkney Health and Care was formed in 2010 and was responsible for the management of Orkney Islands Council social work services and the NHS Orkney community based health services. Orkney Health and Care was run under joint management arrangements and was accountable to both the Council and NHS Orkney for the effective delivery of these services through the Orkney Health and Care Board. This arrangement ceased with the introduction of Integrated Joint Boards.

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. It establishes the framework for the integration of health and social care in Scotland.

The Act requires the Parties to prepare, agree and consult on an integration scheme setting out how this joint working is to be achieved. In Orkney, the Health Board and Local Authority opted to delegate the functions to an Integrated Joint Board.

The Integration Joint Board is a legal entity in its own right, created by Parliamentary Order following ministerial approval of an Integration Scheme. The Orkney Integration Joint Board (OIJB) was established as a body corporate by order of Scottish Ministers with effect from 6 February 2016. This can be found at <http://www.legislation.gov.uk/ssi/2016/2/contents/made>

The integration scheme is a legally binding contract between Orkney Islands Council and NHS Orkney. It sets out the make-up of the Integration Authority and how it will work. This can be found at http://www.orkney.gov.uk/Files/OHAC/Integration_Scheme_Accessible_Version.pdf

Membership of the OIJB comprises voting and non-voting members. The voting members are three Elected Members of the Council and three Non-Executive Directors of the Health Board, although article 3(5) of the Integration Joint Board Order permits otherwise if necessary.

The non-voting members include:

- The Chief Officer of the OIJB.
- The Chief Finance Officer of the OIJB.
- Senior clinicians including a GP, a consultant working in the acute sector locally and a senior nurse.
- Orkney Islands Council's Chief Social Work Officer.
- A patient/service user representative.
- A carer's representative.
- A representative of the third sector.
- A staff representative from each of the Parties.

Purpose and Objective

The main purpose of the OIJB is to plan, resource and oversee the delivery of high quality health and social care services for and with the people of Orkney.

The objective is to improve the health and 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 Scottish Government has set out nine national health and wellbeing outcomes to explain what health and social care partners are attempting to achieve through integration, and through working with individuals and local communities.

Outcome 1

People are able to look after and improve their own health and wellbeing and live in good health for longer.

Outcome 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.

Outcome 3

People who use health and social care services have positive experiences of those services, and have their dignity respected.

Outcome 4

Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.

Outcome 5

Health and social care services contribute to reducing health inequalities.

Outcome 6

People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and well-being.

Outcome 7

People using health and social care services are safe from harm.

Outcome 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.

Outcome 9

Resources are used effectively and efficiently in the provision of health and social care services.

The OIJB strategic plan has linked its plans to these outcomes and this can be found at: <http://www.orkney.gov.uk/Service-Directory/S/ohac-strategic-commissioning-plan.htm>

Financial Review

The Annual Accounts cover the period from 6 February 2016 to 31 March 2016, the period for which the OIJB was operational during the financial year ended 31 March 2016.

The purpose of the Annual Accounts is to demonstrate proper stewardship of the OIJB's financial affairs.

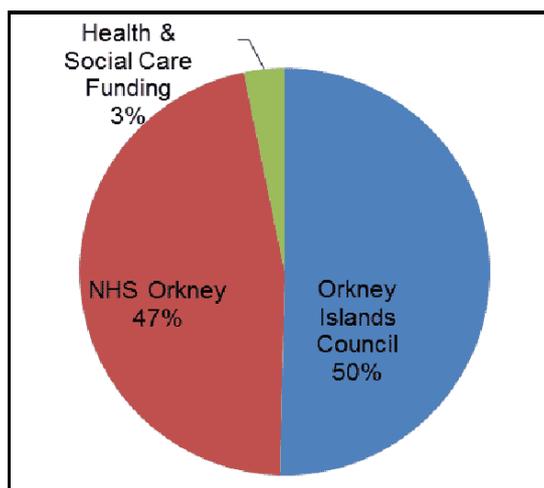
This provides an explanation of the Annual Accounts and of the most significant matters reported in the Accounts, together with a summary of the financial outturn for the period ended 31 March 2016.

Within this period there were no functions delegated to the Board and the costs were mainly in relation to the Chief Officer and Chief Finance Officer and a few associated costs. The staff costs incurred previous to 6 February 2016 was classed as an operational cost within the Council's Accounts.

The Integrated Joint Board becomes fully operational on the 1 April 2016 with all functions delegated at this date.

The indicative budgets for the following three years which are included within the Strategic Commissioning Plan are as follows:

	Initial Budget 2016-2017 £000.	Indicative Budget 2017-2018 £000.	Indicative Budget 2018-2019 £000.
Orkney Islands Council.	16,833.60	16,496.80	16,166.80
NHS Orkney.	15,516.50	15,051.00	14,599.60
Health and Social Care Funding.	1,073.00	1,073.00	1,073.00
Total.	33,423.10	32,620.80	31,839.40



A due diligence was prepared to consider the sufficiency of the budget provided for the Partnership by the Health Board and Council and submitted to the OIJB on 29 June 2016. This document illustrated spending for the previous three years and initial budget for 2016-2017. This can be found at:

http://www.orkney.gov.uk/Files/Committees-and-Agendas/IJB/2016/29-06-2016/I09_07_App1_Financial_Assurance.pdf

At the end of the year the financial position showed Social Care with an overspend of £492K and Health with an overspend of £132K.

This document showed that based on previous analysis of expenditure the main financial pressures are within:

Children's Residential Services - This is in relation to requiring additional properties due to the delay of the new Children's home and additional capacity requirements due to higher numbers requiring specialist care. However this is being actively managed and there is an earmarked reserve within the Council of £1,039K in regards to this.

Elderly Residential - There were costs in relation to residential care facilities of which one is no longer progressing. Also the fees within the care homes are much less than anticipated which will be an ongoing budget pressure.

Self Directed Support - Self-directed support is whereby service users wish to purchase their care in a different way to traditional services. This is an ongoing cost pressure due to not being able to reduce in house services to release cash to fund these packages of care.

Primary Care - In recent years there has been a significant service pressure within primary care, in regards to unavoidable costs for agency and locum cover. The overspend in 2015-2016 was £236.5K. Some of this cost pressure is being supported by increased budgets; however it would be fair to assume an ongoing cost pressure of at least £250K. This has traditionally been offset by underspends in other areas of the Health budget.

There will be further analysis throughout the year in preparation for calculating future budget allocations.

As functions, strategies and services are reviewed and integrated, it is likely that the current pattern of spend will alter as the OIJB seeks to operate in accordance with the Integration Planning Principles and takes steps, along with the two statutory partners and other sectors, to shift the balance of care from reactive to preventative and early intervention spend.

Financial Outlook

The OIJB faces significant challenges ahead to deliver better outcomes for its service users with reducing budgets.

The impact of the Living Wage and other nationally agreed policies have a significant impact without adequate resources being received.

The recent Scottish budget announcement sets out significant revenue reductions for future years. The Council and Health Board only have a one year funding agreed, but as a prudent approach we are expecting a 2% cut in Council Funding and a 3% cut in Health Board's future year's allocations. Therefore the OIJB will not be immune to cuts in future funding allocations.

There is also no commitment on the additional funding received of £1,074K in 2016-2017 ongoing in future years. As there has been a commitment for the Living Wage and addressing those on lower incomes this will add an additional financial pressure on already diminishing resources.

Operational Review

During 2015-2016 the key activities of the OIJB included:

- Appointment of Chief Officer: 03 August 2015.
- Appointment of Chief Finance Officer: 14 March 2016.
- Appointment of Standards Officer: 29 June 2016.
- Appointment of Chief Internal Auditor: 29 June 2016.

In regards to governance the following was approved by the Board:

- Strategic Commissioning Plan: 21 March 2016.
- Risk Log: 08 March 2016.
- Freedom of Information Policy: 08 March 2016.
- Publication Scheme and Guide to Information: 08 March 2016.
- Code of Conduct for Public Bodies (2014): 08 March 2016.
- Communication and Engagement Strategy: 08 March 2016.
- Organisational Development Plan: 08 March 2016.
- Orkney Health and Care Equalities Outcomes: 21 March 2016.
- Financial Regulations: 21 March 2016.
- Performance Framework: 21 March 2016.
- Risk Management Strategy: 21 March 2016.
- Members Expenses: 29 June 2016.

- IJB Members Role Descriptor: 29 June 2016.
- Code of Conduct for Members: 29 June 2016.
- Directions: 29 June 2016.
- Financial Assurance (noting paper): 29 June 2016.

The formal committees that were approved by the Board were:

- Audit Committee: 29 June 2016.
- Clinical and Care Governance Group: 29 June 2016.
- Strategic Planning Group: 29 June 2016.
- Staff Partnership Forum: 29 June 2016.

These reports and documents can be found at:

<http://www.orkney.gov.uk/Council/C/ijb-minutes-agendas-and-papers.htm>

In regards to the insurance/indemnity cover the OIJB joined the Clinical Negligence and Other Risks Scheme (CNORIS) which became effective on 1 April 2016.

There is also a joint inspection of services for older people which commenced on 11 July 2016. The inspection plans of both the Care Inspectorate and Healthcare Improvement Scotland, approved by Ministers, sets out a commitment to implement a scrutiny model for the multi-agency inspection of adult and older peoples services that is:

- Targeted, proportionate and risk-based.
- Providing public assurance that services are delivering quality outcomes.
- Informed by assessed needs, rights and risks.
- Open and transparent.
- Focused on continuous improvement and development.
- Evaluating the consistency of outcomes for people who are supported by health and social services across Scotland.
- Reducing the scrutiny landscape by incorporating sampling of regulated services as part of the model of scrutiny.

Principal Risks and Uncertainties Affecting Services in 2016-2017

As a very small area, with a hospital that cannot be further reduced in size and a demographic profile that presents some of the biggest challenges in Scotland in terms of increasing number of older age, older people, we have very limited scope to make significant resource shifts from hospital to other forms of care.

We have also been working in partnership between the Council and NHS for a number of years and have already made a great deal of the changes and shifts that are available. The task at hand therefore presents a significant challenge.

There is also a period of political uncertainty whereby this can affect decisions on policy changes.

Plans for the Future

We are making use of a Joint Strategic Needs Assessment to consider investment priorities and subsequent resource shifts.

To continue piloting a GP led community bed as an alternative to hospital admission.

Undertaking a review of our totality of Out of Hours services will identify areas for efficiency and change aligned to safe and effective service delivery.

Scrutinising the profile of our High Resource Use Individuals will help identify areas where planning or care could have been provided differently to positively affect the patient / service user journey – this scrutiny work will inform further investment / disinvestment considerations.

Developing a financial strategy will ensure that we are utilising our resources to achieve best value and alternative models of care to maximise the sustainability of the services.

Conclusion

The OIJB faces many challenges in regards to ensuring that the aims to “help the people of Orkney live longer, healthier and more independent lives within their own homes and communities wherever possible.”

We have an established reputation for good joint working between Orkney Islands Council and NHS Orkney, as well as our wider community planning partners and therefore have a strong foundation to address the challenges that the future brings.

Comprehensive Income and Expenditure Statement

The Comprehensive Income and Expenditure Statement on page 23 shows the cost in the period of providing services in accordance with generally accepted accounting practices.

Movement In Reserves Statement

The Movement In Reserves Statement on page 22 shows the different reserves held by the Board.

		
Caroline Sinclair. Chief Officer. 19 September 2016.	Russ Madge. Chair. 19 September 2016.	Pat Robinson. Chief Finance Officer. 19 September 2016.

Statement of Responsibilities

The Orkney Integration Joint Board's Responsibilities

The 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 the Board, that officer is the Chief Finance Officer.
- To 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).
- To approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature by the OIJB on 19 September 2016.



Russ Madge.

Chair.

19 September 2016.

Responsibilities of the Chief Finance Officer

The Chief Finance Officer is responsible for the preparation of the Board's Annual Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), is required to give a true and fair view of the financial position of the OIJB at the financial year end and its income and expenditure for the year ended 31 March 2016.

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

- Selected suitable accounting policies and then applied them consistently.
- Made judgements and estimates which were reasonable and prudent.
- Complied with legislation.
- Complied with the local authority Accounting Code (in so far as it is compatible with legislation).

The Chief Finance Officer has also:

- Kept adequate accounting records which were up to date
- 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 Orkney Integration Joint Board and the transactions of the Board for the year ended 31 March 2016.



Pat Robinson.

Chief Finance Officer.

19 September 2016.

Annual Governance Statement

Scope of Responsibility

The OIJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards; that public money is safeguarded; properly accounted for; and used economically, efficiently and effectively.

The OIJB is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The Governance Framework

In accordance with The Public Bodies (Joint Working) (Scotland) Act 2014, the OIJB has a legal personality distinct from the Parties, and the consequent authority to manage itself to:

- Prepare and implement a Strategic Commissioning Plan in relation to the provision of health and social care services in accordance with the Act.
- Oversee the delivery of services delegated by the Parties in pursuance of the Strategic Commissioning Plan.
- Allocate and manage the delegated budget in accordance with the Strategic Plan.

There is no role for either Party to independently sanction or veto decisions of the OIJB. However, the Act provides the Health Board and the Local Authority, acting jointly, to require the OIJB to replace its Strategic Commissioning Plan in certain circumstances given the Parties are jointly accountable for the delivery of improvements in health and wellbeing, people's experience of services and achieving sustainable and affordable services for Orkney in the long term.

The functions that are delegated to the OIJB by NHS Orkney and Orkney Islands Council are set out in the Integration Scheme which can be found at http://www.orkney.gov.uk/Files/OHAC/Integration_Scheme_Accessible_Version.pdf

In exercising its functions, the OIJB must take into account the Parties' requirements to meet their respective statutory obligations. Apart from those functions delegated by virtue of the Integration Scheme, the Parties retain their distinct statutory responsibilities and formal decision making roles.

The OIJB strategic plan has linked its plans to the 9 outcomes and this can be found at: <http://www.orkney.gov.uk/Service-Directory/S/ohac-strategic-commissioning-plan.htm>

A due diligence was prepared to consider the sufficiency of the budget provided for the Partnership by the Health Board and Council and submitted to the OIJB on 29 June 2016. This document illustrated spending for the previous three years and initial budget for 2016/17. This can be found at:

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Structure and Management of the Orkney Integration Joint Board

The membership of the IJB is largely prescribed by the Scottish Government in terms of numbers and the organisation that they represent. The members of the IJB are outlined as follows:

Voting Members	
Orkney Islands Council.	Councillor Russ Madge (Chair).
	Councillor Alan Clouston.
	Councillor John Richards.
	Deputies:
	Councillor Gwenda Shearer.
	Councillor Bill Stout.
NHS Orkney.	Jeremy Richardson (Vice Chair).
	Gillian Skuse.
	David Drever.
	Deputies:
	Naomi Bremner.
	Ronnie Johnson.
Non-Voting Members (Professional Advisors)	
Chief Officer of the IJB.	Caroline Sinclair.
Chief Social Work Officer.	Jon Humphreys.
Chief Finance Officer of the IJB – Proper Officer appointed under s95.	Pat Robinson.
Registered Medical Practitioner who is a GP.	Dr Andy Trevett.
Registered Medical Practitioner who is not a GP.	Dr Louise Wilson.
Registered Nurse.	Elaine Peace.
Non-Voting Members (Stakeholder Members)	
Staff Representative.	Sally George – Unison.
Third Sector Representative.	Gail Anderson – VAO.

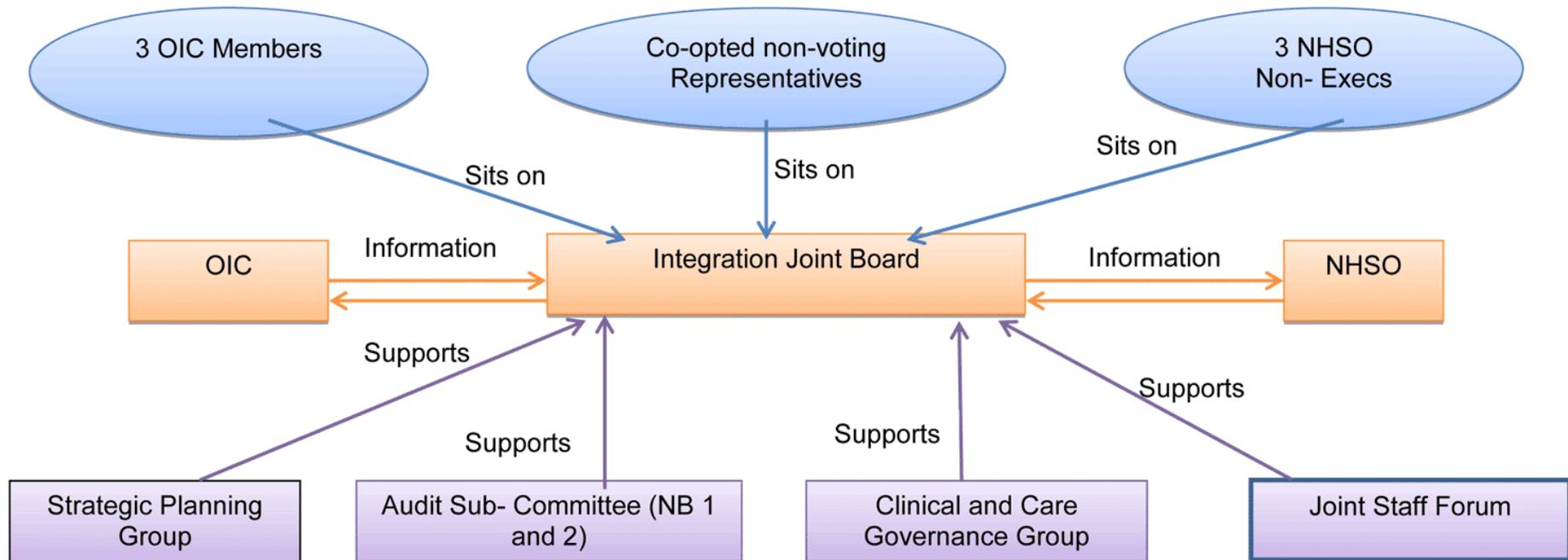
Unpaid Carer Representative.	Vacant.
Service User Representative.	Janice Annal.
Additional Non-Voting Members (Locally Agreed in Addition to Requirements)	
An Additional Staff Representative from the employer not covered above.	Fiona MacKellar – NHSO Employee Director.
Housing Representative.	Frances Troup – Head of Housing and Homelessness.

The initial appointment of the Chair and Vice Chair will be until the end of April 2017. The Chair and Vice Chair will then rotate every two years. The Chair will not have a casting vote. All other appointments with the exception of the Chief Officer, Chief Finance Officer of the Board and the Chief Social Work Officer, who are members of the Board by virtue of the Regulations and the post they hold, will be for a period of two years.

In addition, individual Board appointments will be made as required when a position becomes vacant for any reason. Any member of the Board can be appointed for a further term.

The Board meets on a quarterly basis and more frequently if required.

Orkney IJB – Elected Members Scrutiny Framework



Notes:

NB1) OIC has in house internal audit. Scott Moncrieff provides internal audit services to NHSO.

NB2) The Council's internal audit service will provide the services to the IJB.

- External Scrutiny of IJB**
- Care Inspectorate
 - Health Improvement Scotland
 - Accounts Commission
 - Audit General for Scotland
 - Scottish Ministers

Review of Effectiveness

The OIJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Senior Management Team who have responsibility for development and maintenance of the governance environment, the annual report by the Chief Internal Auditor and reports from Audit Scotland and other review agencies.

The Chief Internal Auditor will report directly to the OIJB Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Finance Officer and Chair of the Audit Committee on any matter. In accordance with the principles of the code of corporate governance, regular reports will be made to the IJB's Audit Committee.

Audit

The appointed external auditor for the OIJB is Audit Scotland. A report of the Annual Audit Plan, which provides details of the planned audit activity, including responsibilities, the audit approach, audit issues and risks, and the audit fees and resources was submitted to the OIJB on 21 March 2016.

An audit committee was approved by the Board on the 29th June 2016. There have been appointments made in respect of this committee to sign off the final accounts on 19 September 2016.

The Council's Chief Internal Auditor was appointed by the OIJB on 29 June 2016. The IJB audit requirements will be accommodated within the contingency allocation available within the overall Council and Health Board's existing audit plans. There have been initial internal audits by Orkney Islands Council's Internal Audit team and Scott Moncrieff on behalf of NHS Orkney.

The Orkney Islands Council audit has confirmed that good progress has been made in establishing the required governance, finance and monitoring arrangements required for the OIJB. The OIJB Officer Working Group is progressing the governance, finance and monitoring arrangements, and maintains its own action log with escalation procedures in place for actions which are overdue.

There are a number of matters which need to be addressed to strengthen the governance and financial arrangements in place for the OIJB and for Orkney Islands Council in delivering the commissioned services.

The audit report includes 10 high priorities and one medium priority recommendations. The priorities and management comments are as follows:

1. The information sharing protocol should be signed by all signatories remaining bodies. 11 signatures have been achieved to date, with reminders issued to third sector and GP colleagues in May 2016. This will continue to be followed up until all parties have signed.
2. A Chief Internal Auditor and Internal Auditors should be appointed by the IJB at the June 2016 meeting. The Chief Internal Auditor from the Council was approved by the Board on 29 June 2016.

3. Role specifications and obligations of Members and Officers to the IJB, including professionals, should be fully defined and agreed by the IJB. The role descriptors were approved at the OIJB meeting on 29 June 2016.
4. IJB Members should continue to receive training and development opportunities to support them to understand their roles in the IJB. This requires to be developed and delivered in collaboration with organisational development / training staff from OIC and NHSO. Will not have specific completion date as will be ongoing programme. A measure of a delivery of a minimum of one more formal externally facilitated relevant development session during the year 2016/2017 is proposed in relation to this.
5. A workforce development strategy and plans should be produced in order to obtain efficient and joined up workforce planning. This requires to be developed and delivered in collaboration with organisational development / training staff from OIC and NHSO.
6. The Chief Finance Officers of the Council and the IJB should assess the potential level of VAT leakage as a result of the IJB and maintain a watching brief on local and national discussions with HMRC to advise the IJB and the Council accordingly. This will be discussed within the IJB working group on any potential VAT leakage. The discussion with HMRC is not within local control and awaits national decisions.
7. Due diligence assurance should be completed on the IJB Budget as specified in the guidance for integration financial assurance issued by the Scottish Government and within the Integration scheme. This report was submitted to the OIJB meeting on 29 June 2016.
8. It should be considered whether the Orkney Health and Care Committee continue to have responsibility for policy and scrutiny of the delivery of service. It has been agreed that the Orkney Health & Care Committee will continue in the interim basis.
9. The IJB should develop a strategic based focus on future budget spending. Funding and financial risks should be identified and considered within the Risk Register of the IJB. A medium term financial strategy shall be prepared for the Board following discussions with OIC and NHSO. The funding and financial risks are being identified and will be incorporated into the risk register.
10. The Chief Finance Officer of the IJB should develop and finalise how Best Value will be obtained and measured. Challenging and supporting decision makers by ensuring policy and operational proposals with financial implications will be signed off by the finance function. Also to obtain assurance on spending within services at the Finance and Performance Review group.
11. Financial metrics for the use of assessing whether integration has met its objectives should be developed together with a process of obtaining baseline data. The financial metrics shall be identified within the Finance Working group and measures shall be put in place to identify the required data.

Those recommendations classified as high priority have been assessed as such as the requirement to have proper governance and internal controls in place are imperative since the OIJB was legally established from 6 February 2016.

The recommendations included within the action plan have been agreed and are due to be implemented by March 2017.

As part of the assurance process, NHS Orkney commissioned Scott Moncrieff, NHS Orkney's Internal Audit, to perform an interim review of how we were ensuring that the integration meets the requirements of the pre-integration provisions contained in the guidance for financial assurance. This audit enabled the working groups supporting development of the OIJB to include additional activities as required, and streamline the project reporting arrangements. At end March 2016 the outgoing outputs log was reviewed and any actions were agreed.

Board Meetings

The first official Integration Joint Board meeting was held on 8 March 2016. There have been further meetings on the 21st March and 29 June 2016.

Working Groups

An OIJB Officer Working Group meets on a monthly basis with a purpose to ensure that there is joint working and all work streams are progressing. This group includes the Head of Finance from Orkney Islands Council and the Director of Finance from NHS Orkney.

A Finance and Performance Officer Working Group meets on a monthly basis to give assurances that Service Managers are kept updated with the overall financial position of the OIJB and that measures are in place to ensure that performance can be captured.

The Strategic Planning group meets at least quarterly and it will be concerned primarily with supporting and informing the development process for the Partnership's Strategic Commissioning Plan, together with ongoing iterative review and will provide stakeholder advice to the OIJB.

The Clinical and Care Governance Group meets at least quarterly and fulfils the function of providing the OIJB with assurance that robust clinical and care governance controls and management systems are in place and effective for the services that NHS and Orkney Islands Council have delegated to it.

Risk Management

The Risk Management Strategy forms part of the wider framework for corporate governance and internal control within the OIJB. The OIJB will broadly face two types of risks: those which it relates to its operation as a separate legal entity; and risks to the quality of service delivery which are experienced by commissioned services. For the latter risks it will depend to a large extent on these risks being identified, assessed and treated by the parent organisations for commissioned services (mainly Orkney Islands Council and NHS Orkney). The risk framework and

risk management strategy was approved by the OIJB on 21 March 2016 and this will be further developed throughout financial year 2016-2017.

Certification

It is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the Orkney Integration Joint Board's systems of governance. The governance systems will continue to be developed throughout 2016-2017.



Caroline Sinclair

Chief Officer.

19 September 2016.



Russ Madge

Chair.

19 September 2016.

Remuneration Report

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No.2014/200) require local authorities and IJB's in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

Senior Officers

The Chief Officer is appointed by the OIJB in consultation with NHS Orkney and Orkney Islands Council. The Chief Officer is employed by Orkney Islands Council and seconded to the OIJB. The Chief Finance Officer is appointed by the OIJB and is employed by Orkney Islands Council and seconded to the OIJB.

The remuneration of the Chief Officer is set by the OIJB.

The proportion of the Chief Officer's remuneration with effect from 6 February 2016 to 31 March 2016 relating to the OIJB is as detailed below:

Name.	Salary, Fees and Allowances.	Taxable Expenses.	Total Remuneration.
Caroline Sinclair, Chief Officer	£13,285	£0.00	£13,285

(Note: the full salary equivalent for 2015/16 is £83,828).

Voting Board Members

Voting IJB members constitute councillors nominated as Board members by constituent authorities and NHS representatives nominated by NHS Boards. The six voting members of the OIJB were appointed by the respective partner organisations.

Remuneration Policy

The OIJB does not currently pay allowances or remuneration to voting Board members.

The cost of any member's expenses which are wholly, exclusively and necessarily incurred on OIJB business will be charged to the IJB, with NHS Orkney and Orkney Islands Council providing equal additional contributions to meet the cost. The level of expenses is not expected to be material.

Remuneration

The Board members and senior officers in 2015/16 were as follows:

Name.	Post.	Partner Organisation.
Russ Madge.	Chair.	OIC.
Jeremy Richardson.	Vice Chair.	NHS.
Alan Clouston.	Board Member.	OIC.
David Drever.	Board Member.	NHS.
John Richards.	Board Member.	OIC.
Gillian Skuse.	Board Member.	NHS.

Pension Benefits

The Chief Officer is a member of the Local Government Pension Scheme (LGPS) which is a public sector pension arrangement.

The Chief Officer is an employee of Orkney Islands Council and her pension benefits for the full financial year are disclosed in the Orkney Islands Annual Accounts for the year ended 31 March 2016.

Costs of the pension scheme contributions for the year to 31 March 2016 are:

Name	Period	Accrued pension benefits as at 31 March 2016		Change in accrued pension benefits since 06 February 2016		Pension contributions made during 2015-2016
		Pension	Lump Sum	Pension	Lump Sum	
		£	£	£	£	
Caroline Sinclair, Chief Officer	01/04/15 - 31/03/16	21,181	32,790	196	0	196

Note: The changes in the accrued pension are disclosed from the date of commencement of the IJB. However the accrued pension benefit is shown as a full year as per the regulations.

C. Sinclair

Caroline Sinclair
Chief Officer.
19 September 2016.



Russ Madge
Chair.
19 September 2016.

Independent Auditor's Report

Independent auditor's report to the members of Orkney Integration Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of Orkney Integration Joint Board for the period 6 February 2016 to 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the Orkney Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of Orkney Integration Joint Board as at 31 March 2016 and of the income and expenditure of Orkney Integration Joint Board for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement 2015/16 has not been prepared in accordance with Delivering Good Governance in Local Government.

I have nothing to report in respect of these matters.



Stephen Boyle, CPFA (Assistant Director)

Audit Scotland, 4th Floor, 8 Nelson Mandela Place, Glasgow, G2 1BT.

19 September 2016.

Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (those reserves that can be applied to fund expenditure) and unusable reserves. The surplus or deficit on the provision of services line shows the true economic cost, more details of which are shown in the comprehensive income and expenditure statement. Additional information to support these movements can be found in note 7 to these accounts.

	General Fund Balance £.	Total Usable Reserves £.	Employee Statutory Adjustment Account £.	Total Reserves of the IJB £.
Balance at 5 February 2016.	0	0	0	0
Movement in reserves during the year.				
Surplus/(deficit) on provision of services.	(319)	0	0	(319)
Other comprehensive expenditure and income.	0	0	0	0
Adjustment in relation to short – term compensated absences.	319	0	(319)	0
Balance at 31 March 2016.	0	0	(319)	(319)

Comprehensive Income and Expenditure Statement

This statement shows the accounting cost of providing services and managing the OIJB during the year. It includes, on an accruals basis, all of the OIJB's day-to-day expenses and the income and expenditure pertaining to the business of the OIJB.

In the inaugural year of the OIJB, which is 2015-2016, the Financial Statements have been prepared to show transactions occurring between the dates of establishment of the OIJB being 6 February 2016 to 31 March 2016.

	Notes	Expenditure £	Income £	Net £
Corporate Democratic Core.	2 and 3.	25,725	25,406	319
(Surplus)/deficit on provision of services.				319
Total Comprehensive Income and Expenditure.				319

Balance Sheet as at 31 March 2016

The balance sheet shows the value as at 31 March 2016 of the assets and liabilities recognised by the OIJB. The net assets of the OIJB are matched by the reserves held by the OIJB. Reserves are reported in two categories. The first category comprises usable reserves, which are those reserves that the OIJB may use to provide services and any statutory limitations on their use. The second category of reserves comprises those that the OIJB is not able to use to provide services.

	Notes	£
Current Assets		
Short term debtors	4	5,000
Current liabilities		
Short term creditors	5	5,319
Net Liability		(319)
Usable Reserves		0
Unusable Reserves	7	(319)
Total reserves		(319)

The unaudited annual accounts were issued on 29 June 2016 and the audited annual accounts were authorised for issue on 19 September 2016.



Pat Robinson

Chief Finance Officer.

19 September 2016.

Notes to the Core Financial Statements

Note 1: Summary of Significant Accounting Policies

The Annual Accounts for the year ended 31 March 2016 have been prepared in accordance with proper accounting practice as per Section 12 of the Local Government in Scotland Act 2003 and regulations under section 105 of the Local Government Scotland Act 1973. Proper accounting practice comprises the Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code) and the Service Reporting Code of Practice (SeRCOP), supported by International Financial Reporting Standards and recommendations made by the Local Authority (Scotland) Accounts Advisory Committee (LASAAC). They are designed to give a true and fair view of the financial performance and position of the OIJB and comparative figures for the previous financial year will be provided after the inception year. There are no significant departures from these recommendations.

The following accounting concepts have been considered in the application of accounting policies:

- **Accruals basis** - the accruals concept requires the non-cash effects of transactions to be included in the financial statement for the year in which they occur, not in the period in which payment is made or income received
- **Going concern** - the going concern concept assumes that the OIJB will continue in existence for the foreseeable future
- **Understandability** - users of the financial statements are assumed to have a reasonable knowledge of accounting and local government
- **Relevance** – the information in the financial statements is useful for assessing the OIJB's stewardship of public funds and for making economic decisions
- **Materiality** - information is included in the financial statements where the information is of such significance that it could influence the decisions or assessments of users of the information
- **Reliability** - information included in the financial statements faithfully represents the substance of transactions, is free from bias and material error, is complete within the bounds of materiality and cost, and has been prudently prepared
- **Primacy of legislative requirements** - legislative requirements have priority over accounting principles in the event of conflict between legislation and the Accounting Code

The Accounts have been prepared under the historic cost convention.

1.1. Accruals of Expenditure and Income

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

- Revenue from the provision of services is recognised when the OIJB can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the OIJB.

- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including those rendered by the OIJB's officers) are recorded as expenditure when the services are received, rather than when payments are made.
- Where income 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.

1.2. VAT status

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

HMRC have confirmed in writing that there is no VAT registration requirement for the OIJB under the VAT Act 1994. This is on the basis that the OIJB is not delivering any supplies that fall within the scope of VAT and as there is no consideration received by the OIJB for the production of the plan this will not alter the VAT registration position.

The VAT treatment of expenditure in the IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as Income from the Commissioning IJB.

1.3. Provisions, Contingent Liabilities and Contingent Assets

Provisions are made where an event has taken place that gives the OIJB a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation. Provisions are charged as an expense to the appropriate service line in the Income and Expenditure Statement in the year that the OIJB becomes aware of the obligation, and measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial

year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service. Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the OIJB settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

1.4. Events after the Balance Sheet date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statements are authorised for issue. There are two types of events:

- **Adjusting events** - those that provide evidence of conditions that existed at the end of the reporting period, and the Statements are adjusted to reflect such events
- **Non-adjusting events** - those that are indicative of conditions that arose after the reporting period, and the Statements are not adjusted. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the event and its estimated financial effect.

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

1.5. Reserves

The Board is able to hold reserves. There is an expectation that the OIJB will achieve a break-even position each year unless there are clear plans to create/

utilise reserves. The Board cannot budget for a position which would result in the reserves moving into a deficit.

1.6. Service Expenditure Analysis and Segment Reporting

The Comprehensive Income and Expenditure Statement is presented in accordance with the CIPFA Service Reporting Code of Practice, and the analysis of service income and expenditure is based on this Code. However, decisions taken about resource allocation are taken by the Board on the basis of financial information analysed across services.

1.7. Employee Benefits

Benefits payable during employment

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. cars) for current employees, are recognised as an expense in the year in which employees render service to the Board. An accrual is made 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 Employee Statutory Adjustment Account in the Movement in Reserves Statement.

Termination benefits

Termination benefits are amounts payable as a result of a decision by the Board to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy.

Post-employment benefits

The Board does not participate in a formal pension scheme. The Chief Officer of the Board participates in the Local Government Pension Scheme which is managed by the Council who makes the relevant contributions.

Note 2: Related Parties

The OIJB was established on 6 February 2016 as an integration scheme between Orkney Islands Council and NHS Orkney. In the year ended 31 March 2016 the following financial transactions were made with NHS Orkney and Orkney Islands Council relating to integrated health and social care functions:

Income - payments for integrated functions:

31 March 2016.	£.
NHS Orkney.	2,500
Orkney Islands Council.	22,906
Total.	25,406

Although Orkney Islands Council incurred the majority of the costs for the period in question, and did not recharge this to NHS Orkney, once fully operational these costs will be attributable equally between the parties. If this treatment had been adopted in the period 6 February to 31 March 2016 £12,703 would have been contributed by both parties.

2.1. Voting Members Interests

All voting members must declare any interests and these will be held on a register of members' interests.

Name.	Position.	Organisation.
Russ Madge.	Chair.	OYCA.
Jeremy Richardson.	Chair.	Age Concern Orkney.
	Chair.	Advocacy Orkney.
	Vice Chair.	Relationship Council.
Alan Clouston.	Councillor Trustee.	Pickaquoy Centre Trust.
	Member.	Orkney Family History Society.
	Member.	Orphir School Parent Council.
David Drever.	N/A.	No interests declared.
John Richards.	Member.	The Orkney Club.
	Corporate Member.	The Chartered Institute of Housing and The Chartered Institute of Management .
	Member.	Orkney Islands Property Development Ltd
	Member.	Orkney Homes Trust.
Gillian Skuse.	Managing Director	Age Concern.

Under the Ethical Standards in Public Life etc. (Scotland) Act 2000 (Register of Interests) Regulations 2003, and section 4 of the IJB Code of Conduct, all members

including non-voting members are required to register all interests, which are available for inspection upon request.

Note 3: Corporate Expenditure

The analysis below details the corporate expenditure:

2015-2016.	£.
Staff costs.	19,408
Administrative costs.	1,317
Audit Fees.	5,000
Total.	25,725

Note 4: Short-term Debtors

The analysis below details the main short-term debtors balances.

2015-2016.	£.
NHS .	2,500
OIC.	2,500
Total.	5,000

Note 5: Short-term Creditors

The analysis below details the main short-term creditor balances.

2015-2016.	£.
Audit Fees.	5,000
Total.	5,000

Note 6: External Audit Costs

Audit Scotland is the appointed external auditor for the 2015/16 audit. The fee is £5,000. This fee covers the costs of planning, delivering and reporting the annual audit including auditor's attendance at committees.

Note 7: Employee Statutory Adjustment Account

The Employee Statutory Adjustment Account absorbs the differences that would otherwise arise on the General Fund Balance from accruing for short-term accumulating compensated absences at the end of the financial year. Generally accepted accounting practices require that all short-term employee benefits, including accumulating compensated absences, should be recognised as a cost in the accounts for the year to which they relate. This means that where employees' full holiday entitlement, time in lieu or credit flexi-time balance has not been taken by the financial year-end, the cost of the untaken days or time is calculated and recorded as an accrued expense. However, statutory arrangements require that the impact of

such accrued expenditure on the General Fund Balance is neutralised by transfers to or from the Employee Statutory Adjustment Account.

2015-2016.	£.
Balance at 5 February 2016.	0
Adjustment in relation to short - term compensated absences.	(319)
Balance at 31 March 2016.	(319)

Note 8: Events after the Balance Sheet Date

The Chief Finance Officer, being the officer responsible for the OIJB's financial affairs, signed the draft Annual Accounts on 29 June 2016. Events taking place after this date are not reflected in the Annual Accounts or Notes. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the accounts and notes have been adjusted in all material respects to reflect the impact of this information.

Note 9: Contingent Liabilities

Contingent liabilities are possible obligations that arise from past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events.

There are no contingent liabilities to report.