



## **PERTH AND KINROSS INTEGRATION JOINT BOARD**

Council Building  
2 High Street  
Perth  
PH1 5PH

20 September 2017

A Special Meeting of the **Perth and Kinross Integration Joint Board** will be held in **the Council Chamber, 2 High Street, Perth, PH1 5PH on Tuesday 26 September 2017 at 3.00pm.**

If you have any queries, please contact Scott Hendry on 01738 475126 or e-mail [committee@pkc.gov.uk](mailto:committee@pkc.gov.uk).

**Robert Packham**  
**Chief Officer**

### **Voting Members**

Councillor C Reid, Perth and Kinross Council (Chair)  
Councillor C Ahern, Perth and Kinross Council  
Councillor X McDade, Perth and Kinross Council  
Councillor E Drysdale, Perth and Kinross Council  
L Dunion, Tayside NHS Board (Vice-Chair)  
S Hay, Tayside NHS Board  
J Golden, Tayside NHS Board  
S Tunstall-James, Tayside NHS Board

### **Professional Advisers**

J Pepper, Chief Social Work Officer, Perth and Kinross Council  
R Packham, Chief Officer, Perth and Kinross Integration Joint Board  
J Smith, Chief Financial Officer  
Dr N McLeod, Independent Contractor  
J Foulis, NHS Tayside  
Dr N Prentice, NHS Tayside

### **Additional Members**

Dr D Walker, NHS Tayside  
Dr A Noble, External Advisor to Board

### **Stakeholder Members**

F Fraser, Staff Representative, Perth and Kinross Council  
A Drummond, Staff Representative, NHS Tayside  
H MacKinnon, PKAVS (Third Sector Interface)  
B Campbell, Carer Public Partner  
M Mitchell, Service User Public Partner



# PERTH AND KINROSS INTEGRATION JOINT BOARD

26 SEPTEMBER 2017

## AGENDA

1. Welcome and Apologies

2. Declarations of Interest

Members are reminded of their obligation to declare any financial or non-financial interest which they may have in any item on this agenda in accordance with the [Perth and Kinross Integration Joint Board Code of Conduct](#).

3. **Finance and Governance**

3.1 Annual Accounts 2016/17 – Report by Chief Finance Officer (copy herewith G/17/162) **(Pages 1-72)**

4. **Redesigning Care**

4.1 Review of Day Services – Report by Chief Officer (copy herewith G/17/163) **(Pages 73-88)**

4.2 Review of Residential Care – Report by Chief Officer (copy herewith G/17/164) **(Pages 89-104)**

5. Future Meeting Dates 2017/18

Friday 3 November 2017

Friday 26 January 2018





**PERTH AND KINROSS INTEGRATION JOINT BOARD**

**26 SEPTEMBER 2017**

**ANNUAL ACCOUNTS 2016/17**

**Report by Chief Finance Officer**

**PURPOSE OF REPORT**

This report presents the IJB'S Audited Annual Accounts for the period to 31 March 2017 for approval.

**1. BACKGROUND**

The Unaudited Annual Accounts for 2016/17 were submitted to Audit Scotland on 30 June 2017. The Annual Accounts were prepared in accordance with the 2014 CIPFA Code of Practice on Local Authority Accounting ('the code'). These accounts also comply with the Local Authority Accounts (Scotland) Regulations 2014. The Unaudited Annual Accounts were available for public inspection between 3 July and 21 July 2017 (inclusive). KPMG, the IJB's external auditors, received no objections during this period. On 30th June 2017 the IJB approved the Unaudited Annual Accounts for 2016/17.

**2. ANNUAL ACCOUNTS 2016/17**

The audit of the Annual Accounts took place between July and August 2017 during which time KPMG considered whether the Annual Accounts 2016/17:-

- Gave a true and fair view in accordance with applicable law and the 2014/15 Code of the state of the affairs of the IJB as at 31 March 2017 and the income and expenditure of the IJB for the year then ended;
- Had been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2014/15 Code;
- Had been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003.

KPMG's findings are set out in the Annual Audit Report to the members of the IJB and the Controller of Audit attached at Appendix 1.

The key messages from the 2016/17 audit are set out at within the Executive Summary at Page 3 and are summarised as follows:-

- Unqualified independent auditor’s report on the 2016/17 financial statements;
- The IJB finished 2016/17 in surplus due to the under spend on PKC social care services;
- The IJB has in place effective financial management arrangements;
- For 2017/18 budgets have been approved for PKC Social Care Services and NHS Tayside Hospital and Community Services and Hosted Services. A budget has however not yet been approved for GP Prescribing;
- The IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

The Audited Accounts are attached to this report at Appendix 2.

### 3. CONCLUSION AND RECOMMENDATION

KPMG’s findings on the 2016/17 Audit are set out in the Annual Report to members and the Controller of Audit which is attached at Appendix 1 to this report.

It is recommended that the Integration Joint Board.

- Note that the Audit and Performance Committee have considered the Audited Annual Accounts and KPMG’S Annual Audit Report at its meeting on 26 September 2017.
- Consider the contents of KPMG’S Annual Audit Report to Members of Perth & Kinross IJB and the Controller of Audit on the 2016/17 Audit.
- Approve the Audited Annual Accounts for 2016/17

### 4. NEXT STEPS

#### Author(s)

Name	Designation	Contact Details
Jane M Smith	Chief Finance Officer	janemsmith@nhs.net janemsmith@pkc.gov.uk 01738 459556 07966 875713

**Appendix 1:** KPMG Annual Audit report to Members and the Controller of audit on the 2016/17 Audit

**Appendix 2:** 2016/17 Audited Annual Accounts



# Perth and Kinross Integration Joint Board

Annual Audit Report to the Members of Perth and Kinross Integration Joint Board and  
the Controller of Audit

For the year ended 31 March 2017  
7 September 2017

**DRAFT**

# Contents

**DRAFT**

	Page
<b>Executive summary</b>	3
<b>Introduction</b>	4
<b>Financial position</b>	5
<b>Financial statements and accounting</b>	8
<b>Wider scope and Best Value</b>	14
<b>Appendices</b>	23

## **About this report**

This report has been prepared in accordance with the responsibilities set out within the Audit Scotland's *Code of Audit Practice* ("the Code"). This report is for the benefit of Perth and Kinross Integration Joint Board ("the IJB") and is made available to Audit Scotland and the Controller of Audit (together "the Beneficiaries"). This report has not been designed to be of benefit to anyone except the Beneficiaries. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Beneficiaries, even though we may have been aware that others might read this report. We have prepared this report for the benefit of the Beneficiaries alone. Nothing in this report constitutes an opinion on a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than in the limited circumstances set out in the introduction and responsibilities section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against KPMG LLP (other than the Beneficiaries) for any purpose or in any context. Any party other than the Beneficiaries that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Beneficiary's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Beneficiaries.

## **Complaints**

If at any time you would like to discuss with us how our services can be improved or if you have a complaint about them, you are invited to contact Andy Shaw, who is the engagement leader for our services to the IJB, telephone 0131 527 6673, email: andrew.shaw@kpmg.co.uk who will try to resolve your complaint. If your problem is not resolved, you should contact Hugh Harvie, our Head of Audit in Scotland, either by writing to him at Saltire Court, 20 Castle Terrace, Edinburgh, EH1 2EG or by telephoning 0131 527 6682 or email to hugh.harvie@kpmg.co.uk. We will investigate any complaint promptly and do what we can to resolve the difficulties. After this, if you are still dissatisfied with how your complaint has been handled you can refer the matter to Russell Frith, Assistant Auditor General, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN.





# Executive summary

## Key messages

**DRAFT**

### Audit conclusions

We intend to issue an unqualified audit opinion on the financial statements of Perth and Kinross Integration Joint Board (“the IJB”) following their approval by the Board.

We have concluded satisfactorily in respect of each of the significant risks and audit focus areas identified in the audit strategy document.

The annual accounts, statement of responsibilities, governance statement and remuneration report were received at the start of the audit fieldwork and were supported by high quality audit work papers. We have no matters to highlight in respect of adjusted audit differences or independence.

### Financial position

The IJB finished 2016-17 in surplus, due to Perth and Kinross Council underspending against the total allocated budget. The final spend commissioned from NHS Tayside was £145.7 million, being £2.7 million higher than the 2016-17 budget. The shortfall was funded by NHS Tayside in line with the integration scheme.

Reserves as at 31 March 2017 were £1.4 million, with a further £0.6 million held in the earmarked reserves of Perth and Kinross Council, pending approval for spend against robust proposals.

### Financial management and financial sustainability

The IJB has effective financial management arrangements. Financial updates are provided to the Board three times a year which enables overspends to be forecast and actions taken to mitigate.

The Perth and Kinross Council Social Care Services and NHS Tayside Hospital and Community Services/ Other Hosted Services 2017-18 budget was approved by the Board in March 2017. The NHS Tayside Inpatient Mental Health Services budget was approved in June 2017. Further discussion also took place about the 2017-18 GP Prescribing budget during the June meeting, however as at the date of this report the budget has not been approved by the IJB.

### Governance and transparency

The IJB undertook a governance self assessment, identifying recommendations for improvements. An action plan was formed, with time scales identified for all medium and high risk findings.

The IJB operates in a transparent manner, with meetings of the Board and the audit and performance committee being taken in public. Agendas, reports and minutes are available online for public download.

# Introduction

## Scope and responsibilities

**DRAFT**

### **Purpose of this report**

The Accounts Commission has appointed KPMG LLP as auditor of Perth and Kinross Integration Joint Board (“the IJB”) under part VII of the Local Government (Scotland) Act 1973 (“the Act”). The period of appointment is 2016-17 to 2021-22, inclusive.

Our annual audit report is designed to summarise our opinions and conclusions on significant issues arising from our audit. It is addressed to both those charged with governance at the IJB and the Controller of Audit. The scope and nature of our audit were set out in our audit strategy document which was presented to the audit and performance committee at the outset of our audit.

Audit Scotland’s Code of Audit Practice (“the Code”) sets out the wider dimensions of public sector audit which involves not only the audit of the financial statements but also consideration of areas such as financial performance and corporate governance.

### **Accountable officer responsibilities**

The Code sets out the IJB’s responsibilities in respect of:

- corporate governance;
- financial statements and related reports;
- standards of conduct for prevention and detection of fraud and error
- financial position; and
- Best Value.

### **Auditor responsibilities**

This report reflects our overall responsibility to carry out an audit in accordance with our statutory responsibilities under the Act and in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and the Code. Appendix one sets out how we have met each of the responsibilities set out in the Code.

### **Scope**

An audit of the financial statements is not designed to identify all matters that may be relevant to those charged with governance.

Weaknesses or risks identified are only those which have come to our attention during our normal audit work in accordance with the Code, and may not be all that exist.

Communication by auditors of matters arising from the audit of the financial statements or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Under the requirements of International Standard on Auditing (UK and Ireland) (‘ISA’) 260 *Communication with those charged with governance*, we are required to communicate audit matters arising from the audit of financial statements to those charged with governance of an entity.

This annual audit report to members and our presentation to the audit and performance committee, together with previous reports to the audit and performance committee throughout the year, discharges the requirements of ISA 260.

# Financial position

## Overview

The Public Bodies (Joint Working) (Scotland) Act 2014 specifies that Integration Joint Boards should be treated as if they were bodies falling within section 106 of the Local Government (Scotland) Act 1973. The financial statements of the IJB should therefore be prepared in accordance with the 1973 Act and the 2015/16 Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

The Board is responsible for the strategic planning and delivery of health and adult social care services in Perth and Kinross. The Board is responsible for services as set out in the Integration Scheme, which includes 'hosted' services which are provided by the IJB on behalf of the other integration joint boards in Tayside: Dundee City and Angus.

## IJB financial management overview

The IJB budget process begins in September each year with final approval by March. Delegated baseline budgets for 2017-18 were subject to due diligence and comparison to actual expenditure in previous years.

The Board does not have any fixed assets, nor does it directly incur expenditure or employ staff (other than the chief officer and the chief financial officer). All funding and expenditure is delegated to the partner organisations and is recorded in the partner organisation's accounting records.

Funding contributions from Perth and Kinross City Council  
£48.2 million

Funding contributions from NHS Tayside  
£145.7 million

Net expenditure  
£192.5 million

Surplus on provision of services  
£1.4 million

## DRAFT

Legislation empowers the Board to hold reserves. The integration scheme and the reserves strategy set out the arrangements between the partners for addressing and financing any overspends or underspends. It highlights that in the event of an underspend at the year end, it will be retained by the IJB as reserves following agreement with the partners, unless the following conditions apply:

- where a clear error has been made in calculating the budget requisition or;
- in other circumstances agreed through a tri-partite agreement between the partners and the IJB.

Where a year end overspend in the IJB's budget is projected the chief officer and chief finance officer must take remedial action to prevent this overspend materialising. In the event that the remedial action cannot prevent the overspend, the IJB will present a recovery plan to the partners, to address in year overspends and any recurring overspends for future financial years without impacting on the achievement of performance outcomes.

In the event that an overspend remains following the application of a recovery plan, use of reserves or, where the Strategic Plan cannot be adjusted, the following arrangements will apply:

- in 2016-17 the overspend is met by the partner with operational responsibility, unless agreed otherwise through a tri-partite agreement between the IJB and the partners; and
- in 2017-18 onwards, the overspend may be allocated based on each partner's proportionate contribution to the IJB's budget requisition for that financial year on a like for like basis.

# Financial position (continued)

## 2016-17 financial position

The IJB financial statements are prepared on a going concern basis. A surplus of £1.4 million was reported in the comprehensive income and expenditure statement ("CIES"), which resulted in £1.4 million net assets in the balance sheet as at 31 March 2017.

## Comprehensive income and expenditure statement

The IJB's planned breakeven position for 2017-18 was reliant on the early invoking of the risk sharing agreement due to the level of unidentified savings within GP prescribing and in patient mental health. This was based on expenditure and income of £49 million contributed by Perth and Kinross Council ("PKC") and £143 million from NHS Tayside. The year end outturn was a surplus of £1.4 million.

An underlying overspend of £2.8 million was reported against services where operational responsibility lies with NHS Tayside. However, in line with the risk sharing agreement for 2016-17, NHS Tayside devolved further non-recurring budget to the IJB to balance income with expenditure.

Against social care budgets, where operational responsibility lies with PKC, an underspend of £2.6 million was reported. Of this £1.9 million had been forecast in the latter months of the financial year. As the Integration Scheme sets out, underspends may be retained by the IJB as reserves, subject to the agreement of the relevant body. Agreement was reached with PKC prior to 31 March 2017 that savings of £1.4 million projected earlier in the year would be retained by the IJB to meet agreed social care priorities. The balance of £0.598 million, which was anticipated additional savings in the year, was retained by PKC in an earmarked reserve for the IJB against which priorities will be proposed for agreement in 2017-18. The "unanticipated" additional £0.565 million further underspend was also retained by PKC whilst further discussions take place around social care priorities.

The NHS Tayside overspend is made up of some key under and over

spends as set out: © 2017 KPMG LLP, a UK limited liability IJB and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.



**DRAFT**

— GP prescribing: overspend £2.0 million. This is based on GP prescribing expenditure to January 2017 (a two month delay exists across Scotland in receiving actual expenditure information and the year end position). This is due to a £1 million savings shortfall, together with an overspend of £951,000. The IJB's variance from Scottish average costs is increasing; the cost per weighted patient increased by 6.0% locally for the period to December 2016, compared with a Scotland-wide increase of 2.9% for the same period. (continued ...)

Expenditure	2016-17 Budget (£000)	2016-17 Actual (£000)
Older peoples service/ Physical disabilities	62,102	60,422
Learning disabilities	17,359	16,760
Mental health and addictions	5,898	5,874
Planning/Management/Other services	7,729	7,724
Prescribing	26,187	28,190
General medical services	22,157	22,017
Family health services	13,448	13,431
Hosted services	19,764	20,751
Large hospital set aside	17,672	17,672
<b>Total expenditure</b>	<b>192,316</b>	<b>192,541</b>
<b>Breakdown of variance:</b>		
<b>Health</b>	<b>142,924</b>	<b>145,698</b>
<b>Social Care</b>	<b>49,392</b>	<b>46,843</b>

Source: draft 2016-17 PKC IJB Annual Performance Report

© 2017 KPMG LLP, a UK limited liability IJB and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved.

# Financial position (continued)

**DRAFT**

- Older people service/ Physical disabilities: underspend £1.6 million. This is due to higher than anticipated income and client turnover within home care placements, as well as the re-assignment of staff within Aberfeldy Community hospital which is currently non-operational.
- Hosted health services: overspend of £987,000. Higher locum costs within forensic services and inpatient mental health, along with delays in implementing prisoner healthcare planned savings due to recruitment issues led to this overspend.

## Scottish government funding

The Scottish Government provided funding to IJBs across Scotland for use to transform services, support integration and to reduce delayed discharges. A total of £2.7 million was received in 2016-17 through the recurring Integrated Care Fund ("ICF"). £6.54 million was received through Social Care funding, which included funding to support with the implementation of living wage. Amounts to reduce delayed discharge was also received from the Scottish Government, being £0.8 million.

## Related party

NHS Tayside receives funding from the Scottish Government to support the operation of the IJB. As the services delivered relating to this funding are carried out operationally by PKC, it invoices NHS Tayside for the services.

There is also a longstanding payment from NHS Tayside to PKC for social care packages, this totalled £6.26 million and was invoiced in the same way as set out above. This payment is to support PKC to deliver social care within the community for those discharged from hospital.

Therefore there was a £15 million payment from NHS Tayside to PKC, disclosed in the related parties note within the annual accounts.

## Balance sheet

The debtors balance at the year end arose from the underspend within the PKC budget. IJB 'cash' is held by the partner organisation due to the IJB not having a bank account, leading to a debtor to the IJB.

Balance sheet	2016-17 £000	2015-16 £000
Short term debtors	1,386	-
Current assets	1,386	-
<b>Net assets</b>	<b>1,386</b>	-
<b>Usable Reserve : General fund</b>	<b>(1,386)</b>	-
<b>Total reserves</b>	<b>(1,386)</b>	-

# Financial statements and accounting

## Audit conclusions

**DRAFT**

### **Audit opinion**

Our audit work is complete pending receipt of management representations. Following approval of the annual accounts by the audit and performance committee we have issued an unqualified opinion on the truth and fairness of the state of the IJB's affairs as at 31 March 2017, and of the surplus for the year then ended.

There are no matters identified on which we are required to report by exception.

### **Financial reporting framework, legislation and other reporting requirements**

The IJB is required to prepare its financial statements in accordance with International Financial Reporting Standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2015-16 ("the Code"), and in accordance with the Local Authority Accounts (Scotland) Regulations 2014. Our audit confirmed that the financial statements have been prepared in accordance with the Code and relevant legislation.

### **Statutory reports**

We have not identified any circumstances to notify the Controller of Audit that indicate a statutory report may be required.

### **Other communications**

We did not encounter any significant difficulties during the audit. There were no other significant matters arising from the audit that were discussed, or subject to correspondence with management that have not been included within this report. There are no other matters arising from the audit, that, in our professional judgement, are significant to the oversight of the financial reporting process.

### **Audit misstatements**

There were no audit misstatements identified during the audit.

### **Written representations**

Our management representation letter contains our standard representations.

# Financial statements and accounting

## Audit conclusions (continued)

**DRAFT**

### Materiality

We summarised our approach to materiality in our audit strategy document. On receipt of the financial statements and following completion of audit testing we reviewed our materiality levels and concluded that the level of materiality set at planning was still relevant.

We used a materiality of £1.8 million for the JJB's financial statements. This equated to 1% of budgeted gross expenditure. We designed our procedures to detect errors in specific accounts at a lower level of precision than our materiality. Our performance materiality was £1.35 million. We report all misstatements greater than £0.09 million.

### Forming our opinions and conclusions

In gathering the evidence for the above opinions and conclusions we:

- performed controls testing and substantive procedures to ensure that key risks to the annual accounts have been covered;
- communicated with the Chief Internal Auditor of Perth and Kinross Council, who provides internal audit support to the JJB, and reviewed internal audit reports as issued to the audit and performance committee to ensure all key risk areas which may be viewed to have an impact on the annual accounts had been considered;
- reviewed estimates and accounting judgments made by management and considered these for appropriateness;
- considered the potential effect of fraud on the annual accounts through discussions with senior management and internal audit to gain a better understanding of the work performed in relation to the prevention and detection of fraud; and
- attended audit and performance committee meetings to communicate our findings to those charged with governance, and to update our understanding of the key governance processes.

### Financial statements preparation

Draft financial statements were published online in line with Section 195 of Local Government (Scotland) Act 1973, this included the management commentary and annual governance statement.

In advance of our audit fieldwork we issued a 'prepared by client' request setting out a list of required analyses and supporting documentation. We arranged a meeting with management to discuss our requirements and expected timescales. We will continue to refine our prepared by client requests and work with management to improve the quality of audit schedules.

### Significant risks and other focus areas in relation to the audit of the financial statements

We summarise below the risks of material misstatement as reported within the audit strategy document.

#### Significant risks (page 10 of this report):

- management override of controls fraud risk.

#### Other focus areas (page 11 of this report):

- completeness and accuracy of expenditure; and
- financial statement disclosure.

#### Wider scope work (page 14 of this report):

- financial sustainability;
- financial management; and
- governance and transparency.

# Financial statements and accounting

## Significant risks

**DRAFT**

SIGNIFICANT RISK	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Fraud risk from management override of controls</b></p> <p>Professional standards require us to communicate the fraud risk from management override of controls as a significant risk; as the standards consider management to typically be in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk. We have not identified any specific additional risks of management override relating to the audit of the IJB.</p> <p>Strong oversight of finances by IJB management, as well as management at the partner level, provides additional review of potential material errors caused by management override of controls.</p> <p>In line with our methodology, we carried out appropriate controls testing over the budget monitoring control, and agreed the total income, expenditure and debtor balances to confirmations from the partner organisations.</p>	<p>There were no specific circumstances identified which would indicate additional risk of management override of controls. No overrides of controls were identified.</p>



# Financial statements and accounting

## Other focus areas

**DRAFT**

OTHER FOCUS AREA	OUR RESPONSE	AUDIT CONCLUSION
<p><b>Completeness and accuracy of expenditure</b></p> <p>The IJB receives expenditure forecasts from Perth and Kinross Council and NHS Tayside. There is a risk that actual expenditure and resulting delegated income is not correctly captured.</p>	<p>The closing positions with the partner organisations were agreed to confirmations from each body, and the split of expenditure on the comprehensive income and expenditure statement agreed to reports from the partner organisations.</p> <p>The IJB does not post journals throughout the year, with financial processing taking place at the partner bodies. Consolidation adjustments are posted as part of the year end accounts preparation process. These post-closing entries were tested without exceptions identified.</p>	<p>The expenditure disclosed in the accounts is complete and accurate.</p>
<p><b>Financial statement disclosure</b></p> <p>The IJB prepared financial statements for the first time in 2015-16 for the period from October 2015 to March 2016. We note that the previous auditor, Audit Scotland, noted that the financial statements for this period were not of a sufficient standard, with significant monetary and presentational adjustments required to the unaudited accounts.</p> <p>There is a risk in the IJB's first full accounting year that the financial statements and disclosures will not be prepared to the required quality and by the agreed timescales.</p>	<p>The draft IJB financial statements were compared against the CIFPA local authority disclosure checklist as completed by IJB management. No significant omissions were identified.</p> <p>Furthermore, the draft financial statements were reviewed against the LASAAC (The Local Authority (Scotland) Accounts Advisory Committee) guidance on integration joint board accounting. No omissions were identified.</p>	<p>Some small amendments were identified and actioned, however on the whole the financial statements had been prepared to a high standard. We consider that the annual accounts are prepared in accordance with financial reporting requirements.</p>

# Financial statements and accounting Management reporting in financial statements

**DRAFT**

REPORT	SUMMARY OBSERVATIONS	AUDIT CONCLUSION
<p><b>Management commentary</b></p>	<p>The Local Authority Accounts (Scotland) Regulations 2014 require the inclusion of a management commentary within the financial statements, similar to the Companies Act requirements for listed entity financial statements.</p> <p>We are required to read the management commentary and express an opinion as to whether it is consistent with the information provided in the annual accounts.</p> <p>We also review the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts.</p>	<p>We are satisfied that the information contained within the management commentary is consistent with the annual accounts.</p> <p>We reviewed the contents of the management commentary against the guidance contained in the CIPFA template IJB accounts and are content with the proposed report.</p> <p>We provided management with some minor suggestions relating to how the management commentary could be enhanced and where additional information disclosures should be made.</p>
<p><b>Remuneration report</b></p>	<p>The remuneration report was included within the unaudited financial statements and supporting reports and working papers were provided.</p>	<p>We are satisfied that the information contained within the remuneration report is consistent with the underlying records and the financial statements and all required disclosures have been made.</p> <p>Our independent auditor's report confirms that the part of the remuneration report subject to audit has been properly prepared.</p>
<p><b>Annual governance statement</b></p>	<p>The statement for 2016-17 outlines the corporate governance and risk management arrangements in operation in the financial year. It provides details over the main features of the IJB's governance framework, the system of internal control, review over the adequacy and effectiveness of governance framework and an action plan for 2017-18.</p>	<p>We consider the governance framework and annual governance statement to be appropriate for the IJB and that it is in accordance with guidance and reflects our understanding of the IJB.</p>

# Financial statements and accounting (continued)

## Qualitative aspects and future developments

**DRAFT**

### Qualitative aspects

ISA 260 requires us to report to those charged with governance our views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures.

We consider the accounting policies adopted by the IJB to be appropriate. There are no significant accounting practices which depart from what is acceptable under IFRS or the Code.

Financial statement disclosures were considered against requirements of the Code, relevant legislation and IFRS. No departures from these requirements were identified.

There were no new accounting standards adopted by the Code during 2016-17 which affected the IJB.

There are no significant accounting estimates.

Financial statement disclosures were considered against requirements of the Code, relevant legislation and IFRS. No departures from these requirements were identified.

### Future accounting and audit developments

CIPFA / LASAAC consulted on amendments to the Code for IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from contracts with customers*. A separate publication *Forthcoming Provisions for IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers in the Code of Local Practice on Local Authority Accounting in the United Kingdom 2018/19* will be issued as a companion publication to the Code setting out the approach to these two standards.

Other changes to the 2017 Code include an amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report, and updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting.

IFRS 16 *Leases* will bring a significant number of operating leases onto the balance sheet unless they are low value or have less than a year to run. CIPFA/LASAAC will revisit accounting for PFI liabilities which are currently under finance lease accounting rules of IAS 17, which is being replaced by the new standard.

# Wider scope and Best Value Introduction

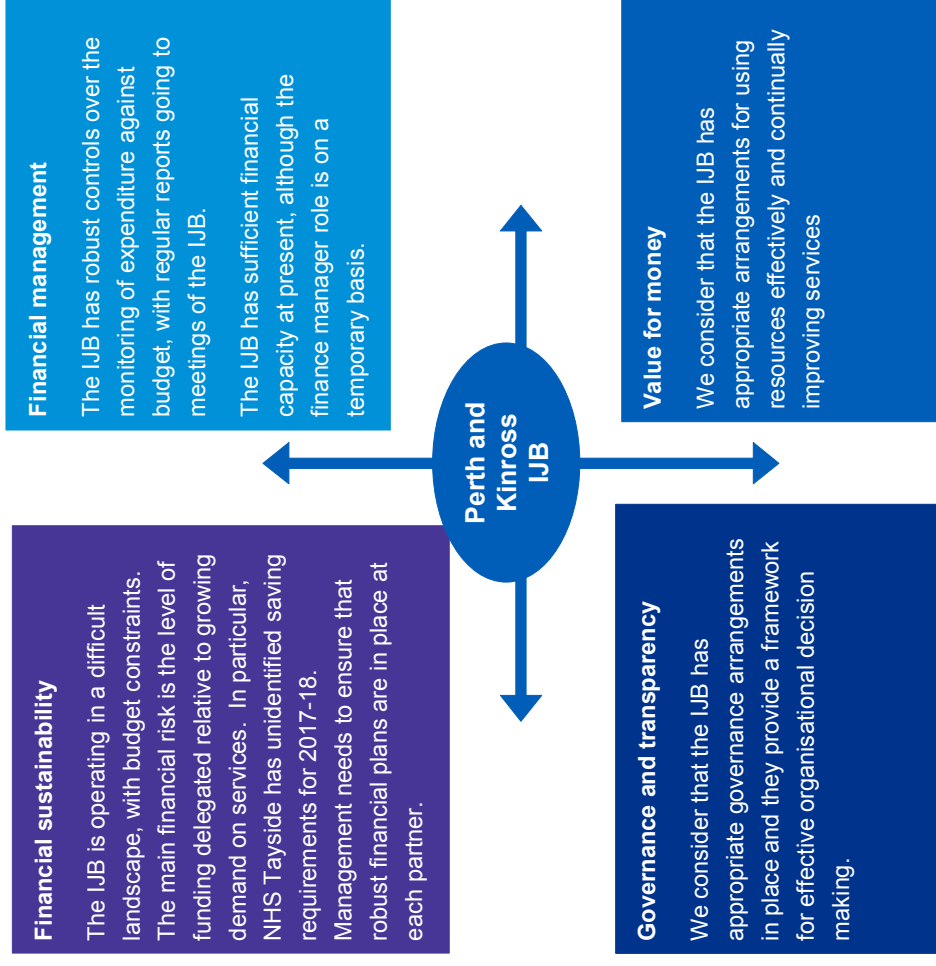
## Audit dimensions introduction

The Code of Audit Practice sets out four audit dimensions which, alongside Best Value in the local government sector, set a common framework for all the audit work conducted for the Controller of Audit and for the Accounts Commission: financial sustainability; financial management; governance and transparency; and value for money.

It remains the responsibility of the audited body to ensure that it has proper arrangements across each of these audit dimensions. These arrangements should be appropriate to the nature of the audited body and the services and functions that it has been created to deliver. We review and come to a conclusion on these proper arrangements.

During our work on the audit dimensions we considered the work carried out by internal audit and other scrutiny bodies to ensure our work meets the proportionate and integrated principles contained within the Code of Audit Practice.

**DRAFT**



# Wider scope and Best Value

## Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to continue to deliver its services. This is inherently a risk to the IJB given the challenging environment where funding is reduced in real terms and efficiency savings are required.

In assessing financial sustainability we consider whether the Board is able to balance budgets in the short term and whether longer term financial pressures are understood and are planned for, as evidenced by the IJB's financial strategies and plans.

### Budget setting

The IJB receives budget allocations from NHS Tayside and PKC. The 2017-18 NHS Tayside budget allocation contains savings targets which are not all supported by detailed plans. There is a risk sharing agreement with both bodies for 2016-17 and 2017-18. For 2018-19 these arrangements may be extended on agreement of both partner bodies.

This agreement sets out that overspend during this period would be met by the partner with operational responsibility. This agreement gives the IJB comfort with regards to overspends in 2017-18, however, there is a risk going forward regarding ongoing budget balance, specifically in the context of the challenging NHS Tayside budget.

The IJB's budget for 2017-18 is balanced via a net savings target of £4.2 million is required. Savings have been identified across social care, hospital and community health and other hosted services. However a recurring gap of £2 million remains in respect of GP prescribing and inpatient mental health.

Expenditure pressures have also been identified which include the first full year of implementation of the living wage, care home contract rates, service demand pressures over care at home and residential placements and within drug and alcohol services. Income is expected from the Scottish Government to offset Living Wage expenditure.

### NHS Tayside

A review was carried out by Scottish Government NHST Assurance and Advisory Group over NHS Tayside. The executive management team has set out the ongoing actions it is taking that respond to these recommendations.

Key recommendations included:

- NHS Tayside should take urgent and robust action in order to maximise the likelihood of achieving the planned in-year savings and delivery of the projected financial outturn for 2017-18.
- Over the next three months, NHS Tayside should subject its financial planning framework to rigorous and comprehensive review
- Over the next six months, NHS Tayside should continue to work with its partners to agree the content and a realistic timeline for completion of the Integrated Clinical Strategy

The Chief Finance Officer meets regularly with all budget holders to review the 2017-18 financial position and to identify slippage on delivery and actions necessary to deliver a balanced position. During 2016-17, a financial planning and budgeting process was implemented by the Chief Finance Officer to ensure a consistent approach across health and social care budgets. This approach sets the conditions for a robust joint approach to financial planning for 2018-19 that supports the identification of savings plans for future years.

### NHS Tayside 2017-18 budget

During the 2017-18 budget setting the IJB was informed that the Chief Finance Officer cannot recommend approval of the budget proposition from NHS Tayside for GP prescribing and inpatient mental health services. In response, reports were presented during the IJB meeting in June to set out plans to control spending and meet savings targets.

**DRAFT**

# Wider scope and Best Value Financial sustainability (continued)

## *Inpatient mental health*

Mental health services in Tayside have undergone significant change, however we understand that the decision to retain inpatient services within each locality of Tayside has resulted in the level of inpatient spend is substantially higher than the Scottish average.

In line with the assumed optimum delivery of mental health service provision and across Scotland, the IJB identified the balance of care should shift to community-based services. Through remodelling adult inpatient mental health services in a way that makes better use of a skilled workforce, the IJB plans to achieve savings targets while still providing a safe service that provide patients with the “right care in the right place at the right time”.

An options report was presented to IJB members at the June meeting. The report set out options and the estimated cost of each option. The preferred option was a single site for General Adult Psychiatry. This option would allow for a Centre of Excellence which is sustainable in terms or work force, the environment and affordability. The total projected variance (Budget Release) for this option was estimated at £2.4 million and was the highest of four options considered.

## *GP prescribing*

The biggest pressure on the IJB’s financial sustainability is the GP prescribing budget and the lack of agreed budget or plan to reduce costs. The IJB Chief Finance Officers for Tayside wrote to the NHS Tayside Director of Finance advising that the target being set is not deliverable in the 2017-18 year. Whilst there is full recognition of the need for a significant step up in efforts to reduce expenditure, this will not happen immediately. A change in culture will be required including a new way of working with GPs across Perth & Kinross to deliver a sustainable reduction in spend.

As at 13 March 2017, savings plans of £0.4 million had been identified by

**DRAFT**

the NHS Tayside Prescribing Support Unit.

A three year GP engagement plan, focused on sustainable prescribing and the wider transformation of care was presented to the IJB in June 2017. It was resolved that: an investment of £0.3 million per annum for IJB Development funding for three years in GP Prescribing and Locality Engagement Programming was to be approved subject to annual review by the board and; the clinical director will provide quarterly reports to the IJB providing progress on implementation linked to the three year Prescribing Improvement Plan.

The IJB recognises that it needs a sustainable GP prescribing budget, and does not consider it appropriate to use other service underspends to close the gap. We recommend a budget for 2017-18 is approved as soon as possible and an action plan agreed between the IJB and two partner bodies, NHS Tayside and Perth and Kinross Council.

## *Recommendation one*

### **PKC**

PKC also has financial pressures, total revenue funding from the Scottish Government decreased overall by 7% in real terms since 2010-11. The Council has identified savings requirements (£65.3 million) over the next five years in order to continue to provide services to meet demand. Results for 2017-18 to date identify that the Council is operating broadly in line with budget.

## *Reserves strategy*

The IJB approved a reserves policy in March 2017 describes the purpose for which reserves can be used. which sets out the statutory and regulatory framework for reserves, the operation of these reserves and the role of the Chief Finance Officer in determining the adequacy of reserves held by the IJB. The challenging future financial position for both partner bodies will make it difficult for the Chief Finance Officer to set a reserves target over the next three years.

# Wider scope and Best Value Financial sustainability (continued)

**DRAFT**

## Going concern

The annual accounts are prepared on a going concern basis. The IJB is in its infancy and is at the start of plans to transform services. However it has reserves of £1.4 million and a risk sharing agreement for 2017-18; reducing its exposure to significant overspends. In light of this position, the strong management of resources and the commitment from the two partner organisations we concur with the going concern basis.

## Conclusion

The IJB is operating in a difficult landscape, with budget constraints on both of its partner organisations and ongoing transformation programmes at each. The main financial risk to the IJB is the level of funding delegated relative to the growing demand on services in particular, the GP prescribing budget.

Progress is being made to identify efficiency savings in the short term and to deliver transformational change over the longer term in order to address some of the financial challenges faced.

Management needs to ensure that the robust financial plans are in place at each partner organisation, to reduce the risk of relying on integration and change funds to bridge gaps in the mainstream budget inappropriately.

In order for the IJB to be financially sustainable, efficiency savings need to be identified and quantified, and we acknowledge that the IJB and partner organisations are in the process of delivering change programmes with this in mind.

# Wider scope and Best Value Financial management

**DRAFT**

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is a risk given that the IJB is in its first year of directing services.

## Financial monitoring

The IJB's financial management comes under a reasonable degree of scrutiny, with budgets being monitored at board, local authority and NHS level.

The IJB produces a finance update for every IJB meeting. The update presents information on IJB and Partnership year end over/under spend forecast, a summary of savings planned and savings booked and narrative to support to figures. The base budget position is not reported, only the over/under spend forecast against the budget.

## Recommendation two

From our review of the minutes, it is evident that there is an appropriate level of scrutiny from IJB members, and these reports have allowed the IJB to address overspends in a timely fashion.

The Council provides induction and ongoing training for both elected members and other Board members. Board members can request training sessions on specific areas, either as group session or one to one. Feedback is sought after training sessions to improve and develop future sessions.

## Internal audit reviews

The IJB does not have its own an internal audit function. Internal audit is supported by, and reviews carried out by, PKC and NHS Tayside internal audit team. Reviews carried out specific to the IJB are shared with the Board and audit and performance committee.

Internal audit completed one review during 2016-17 over Delayed Discharge. The review was concluded to be "Broadly Satisfactory". Recommendations were graded as priority two, important issues that require the attention of senior management.

The annual audit report, presented to June audit committee concluded that reliance can be placed on the IJB's governance arrangements and system of internal controls for 2016-17.

We are able to conclude that reasonable assurance can be placed upon the adequacy and effectiveness of the Board's internal control system.

## Finance function capacity

The finance team is led by the chief financial officer, a qualified Chartered Accountant who has a number of years experience working within within the NHS Lothian as the Head of Finance and more recently as the Head of Efficiency and Productivity. The partnership accountant provides significant support to the day to day financial management and control within the IJB. This position is currently fixed term due to end in July 2018. We recommend that the role of Partnership Accountant is changed to a permanent position to ensure the CFO can focus on high level strategic decision making as opposed to the operational running of the IJB.

## Recommendation three

### Conclusion

The IJB has robust controls over the monitoring of expenditure against budget, with regular reports going to public meetings of the IJB. Financial capacity is appropriate, however the existence of the post of Partnership Accountant should have greater certainty to ensure ongoing support within the finance team.



# Wider scope and Best Value Governance and transparency

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. This is a risk for the first year of directing services, as arrangements become mature.

The IJB is developing scrutiny and governance arrangements, as this is the early stages of maturity there are some areas for development.

We have obtained an understanding of the IJB's governance and scrutiny arrangements and proposed developments to the governance framework and conclude on the appropriateness of these in our annual audit report.

## Governance framework

The integration scheme between PKC and NHS Tayside sets out the key governance arrangements.

The Board is responsible for establishing arrangements for ensuring the proper conduct of the affairs of the IJB and for monitoring the adequacy of these arrangements.

The Board comprises a wide range of service users and partners including elected councillors nominated by PKC and directors nominated by NHS Tayside.

The IJB appointed a Chief Officer who provides overall strategic and operational advice to the Board and is accountable for the delivery of services.

**DRAFT**

The board is made up of Councillors, IJB Chief Officer and Chief Financial Officer, PKC staff, NHS Tayside Staff, Doctors, Public Partners and a representative from the third sector.

Perth and Kinross Integration Joint Board	
Chair (Conservative Councillor) Vice Char (NHS Tayside Board Member) Chief Officer	
Chief Financial Officer Chief Social Work Officer (PKC)	
5 NHS Staff Members <i>Including NHS Associate Nurse Director</i>	
4 Doctors <i>Including Director of Public Health</i>	
5 NHS Staff Members <i>Including NHS Associate Nurse Director</i>	
3 Councillors 2 SNP 1 Liberal Democrat	
Chief Officer, Third Sector Interface of PKAVS <i>(Perth &amp; Kinross Association of Voluntary Service)</i>	
4 Public Partners	

# Wider scope and Best Value Governance and transparency (continued)

**DRAFT**

The Chief Officer is also accountable to both the Chief Executive of PKC and the Chief Executive of NHS Tayside and provides regular reports to both the council and the NHS board.

The Board and Audit and Performance Committee meet on a regular basis throughout the year. We review minutes from each to assess their effectiveness. We also periodically attend meetings of the Audit and Performance Committee.

## Risk management

The IJB has developed a strategic risk register which was presented to the board at the March 2016 meeting. The register identifies risk headings, current internal controls, responsible lead, strength, RAG rating and future improvement actions for each risk identified. The risk register has not been presented to the board since March 2016.

## Governance self assessment

The IJB used CIPFA Guidance; Delivering Good Governance in Local Government Framework to review its governance arrangements, and this included carrying out a self assessment review of the IJB's governance arrangements. This provided assurance that key governance policy's and arrangements are in place, and an improvement action was identified for any high or medium risk findings. From the self assessment 38 low risk findings, 39 medium risk findings and 17 high risk findings were identified. An improvement action plan and time scale was identified for all medium and high risk findings.

## Internal control

PKC and NHS Tayside are the partner bodies. All financial transactions of the Board are processed through the financial systems of the partner bodies and are subject to the same controls and scrutiny as the council and health board, including the work performed by internal audit.

## Internal Audit

Internal audit provides the Board and Chief Officer with independent assurance on the Board's overall risk management, internal control and corporate governance processes. Each partner organisation has its own internal audit service, with Chief Internal Auditor of NHS Tayside also holding the appointment of Chief Internal Auditor of the IJB.

The Board's Chief Internal Auditor uses the results of the audit work carried out at Perth and Kinross Council and NHS Tayside to form an opinion on the Board's systems of governance, risk and internal control. For 2016-17 the Board's Chief Internal Auditor concluded that reliance can be placed on the IJB's governance arrangements and systems of internal controls for 2016/17.

We considered the activities of internal audit against the requirements of Public Sector Internal Audit Standards ("PSIAS"), focusing our review on the public sector requirements of the attribute and performance standards contained within PSIAS. We reviewed internal audit reports and conclusions, and through discussion obtained the views of internal audit of risks of fraud within the IJB.

The review of internal audit reports and conclusions did not indicate additional risks and there was no impact on our audit approach.

## Fraud

Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by one of the partner bodies internal audit sections. Since the IJB does not hold its own bank account and transactions are processed through the partner bodies management consider the risk of fraud to be low.

# Wider scope and Best Value Governance and transparency (continued)

**DRAFT**

## Transparency

The public should be able to hold the Board to account for the services it provides. Transparency means that the public has ready access to understandable, relevant and timely information about how the Board is taking decisions and how it is using its resources.

Full details of the meetings held by the Board and, as of January 2017, the Audit and Performance Committee are available through PKC website. Members of the public can access committee papers and minutes of meetings, with exempt items minimised as much as possible. We have not found any evidence to suggest that information is unjustifiably withheld from public scrutiny. Furthermore, members of the public can attend meetings of the Board.

Overall we concluded that the Board is open and transparent.

## Conclusion

We consider that the IJB has appropriate governance arrangements in place and they provide a framework for effective organisational decision making.

# Wider scope and Best Value (continued)

## Value for money

**DRAFT**

Value for money is concerned with using resources effectively and continually improving services.

The Public Bodies (Joint Working) (Scotland) Act 2014 sets out a broad framework for creating integration authorities. This allowed boards a flexibility to enable them to develop integrated services that best suited local circumstances.

The Integration Scheme specifies the range of functions delegated by the PKC and NHS Tayside to the IJB. The IJB is responsible for establishing effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives, and holding partners to account.

### Performance management

Integration authorities are required to contribute towards nine national health and wellbeing outcomes which are intended to focus on the needs of the individual to promote their health and wellbeing, and in particular, to enable people to live healthier lives in their community.

In order to review performance the IJB developed a performance management framework. An annual performance report was presented to the Audit and Performance committee during the June meeting. The report summarised performance within 2016-17 and set out improvement measures for 2017-18.

### Value for money in key decisions

The IJB has faced difficult decisions over the course of the year, driven by financial challenges.

The board considers and discusses difficult decisions throughout the year as appropriate. These are supported by options appraisals and business cases where appropriate.

### Conclusion

We consider that the IJB has appropriate arrangements for using resources effectively and continually improving services.



# APPENDICES

# Appendix one Mandated communications with the audit performance and committee

**DRAFT**

MATTERS TO BE COMMUNICATED	LINK TO AUDIT AND PERFORMANCE COMMITTEE REPORTS
Relationships that may bear on the firm's Independence and the integrity and objectivity of the audit engagement partner and audit staff (ISA 260 and Combined Code)	See appendix three.
The general approach and overall scope of the audit, including levels of materiality, fraud risks, business risks and audit responses and engagement letter (ISA 260)	Main body of this paper.
Disagreement with management about matters that, individually or in aggregate, could be significant to the entity's financial statements or the auditor's report (ISA 260)	There were no such disagreements.
The potential effect on the financial statements of any material risks and exposures, such as pending litigation, that are required to be disclosed in the financial statements (ISA 260)	There are no such matters to report.
Audit adjustments, whether or not recorded by the entity that have, or could have, a material effect on the entity's financial statements (ISA 260)	There were no audit adjustments required to the draft financial statements which could have had a material effect on the IJB's financial statements.
The selection of, or changes in, significant accounting policies and practices that have, or could have, a material effect on the entity's financial statements (ISA 260)	Accounting policies and practices selected by the IJB are appropriate for the organisation and are in line with the requirements of the Local Authority code of Practice.
The auditor's view on valuations and related disclosures (ISA 260)	There are no valuations within the IJB's financial statements.
Material uncertainties related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern (ISA 260)	We have reviewed management's assessment that the IJB is a going concern and agree with this assessment.
Expected modifications to the auditor's report (ISA 260)	There are no modifications to the auditor's report.
Other matters warranting attention by those charged with governance, such as effectiveness of internal controls relevant to financial reporting, material weaknesses in internal control, questions regarding management integrity, and fraud involving management (ISA 260 and ISA 240)	There are no such matters to report.

# Appendix two Appointed auditors responsibilities

**DRAFT**

AREA	APPOINTED AUDITOR'S RESPONSIBILITIES	HOW WE'VE MET OUR RESPONSIBILITIES
<b>Statutory duties</b>	Undertake statutory duties, and comply with professional engagement and ethical standards.	We have undertaken our statutory duties and complied with professional and ethical standards. Our independence letter is at page 24.
<b>Financial statements and related reports</b>	Provide an opinion on audited bodies' financial statements and, where appropriate, the regularity of transactions.	Page 3 summarises the opinion we expect to provide.
<b>Financial statements and related reports</b>	Review and report on, as appropriate, other information such as annual governance statements, management commentaries, and remuneration reports.	Page 8 reports on the other information contained in the financial statements, covering the annual governance statement, management commentary and remuneration report.
<b>Financial statements and related reports</b>	Notify the Auditor General or Controller of Audit when circumstances indicate that a statutory report may be required.	No notifications to Controller of Audit required.
<b>Corporate governance</b>	Participate in arrangements to cooperate and coordinate with other scrutiny bodies.	Page 19 sets out our conclusion on these arrangements.
<b>Wider audit dimensions</b>	<p>Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies':</p> <ul style="list-style-type: none"> <li>— effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets;</li> <li>— suitability and effectiveness of corporate governance arrangements;</li> <li>— financial position and arrangements for securing financial sustainability;</li> <li>— effectiveness of arrangements to achieve best value; and</li> <li>— suitability of arrangements for preparing and publishing statutory performance information.</li> </ul>	Our consideration of the wider dimensions is outlined on pages 14-20.

# Appendix three

## Auditor independence

### Assessment of our objectivity and independence as auditor of Perth and Kinross IJB ("the IJB")

Professional ethical standards require us to provide to you at the conclusion of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

We will communicate any significant judgements made about threats to objectivity and independence and the appropriateness of safeguards put in place.

#### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the APB Ethical Standards. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values;
- Communications;
- Internal accountability;
- Risk management; and
- Independent reviews.

**DRAFT**

The conclusion of the audit engagement director as to our compliance with the FRC Ethical Standard in relation to this audit engagement and that the safeguards we have applied are appropriate and adequate is subject to review by an engagement quality control reviewer, who is a partner not otherwise involved in your affairs.

We are satisfied that our general procedures support our independence and objectivity.

#### Independence and objectivity considerations relating to the provision of non-audit services

We have considered the fees charged by us to the IJB for professional services provided by us during the reporting period.

The audit fee charged by us for the period ended 31 March 2017 was £20,000 (excl VAT). No other fees were charged in the period. No non-audit services were provided to the IJB and no future services have been contracted or had a written proposal submitted.

#### Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the IJB.

#### Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the IJB and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP





The action plan summarises specific recommendations arising from our work, together with related risks and management's responses.

We present the identified findings across four audit dimensions:

- financial sustainability; financial management; governance and transparency; and value for money.

### Priority rating for recommendation

**Grade one** (significant) observations are those relating to business issues, high level or other important internal controls. These are significant matters relating to factors critical to the success of the organisation or systems under consideration. The weaknesses may therefore give rise to loss or error.

**Grade two** (material) observations are those on less important control systems, one-off items subsequently corrected, improvements to the efficiency and effectiveness of controls and items which may be significant in the future. The weakness is not necessarily great, but the risk of error would be significantly reduced if it were rectified.

**Grade three** (minor) observations are those recommendations to improve the efficiency and effectiveness of controls and recommendations which would assist us as auditors. The weakness does not appear to affect the availability of the control to meet their objectives in any significant way. These are less significant observations than grades one or two, but we still consider they merit attention.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p><b>1. GP Prescribing budget (page 16)</b> <i>Financial sustainability dimension</i></p> <p>During the 2017-18 budget setting the board was informed that the Chief Finance Officer could not recommend approval of the budget proposition from NHS Tayside for GP prescribing. As at August 2017 there is still no approved 2017-18 GP prescribing budget or an agreed action plan to form a sustainable budget.</p> <p><b>Risk:</b> The Board may be forced to use underspends from other areas to bridge the gap in the GP prescribing budget. This is not sustainable and there is a risk that the other services would be reduced as a result.</p>	<p>A budget for GP prescribing in 2017-18 should be finalised. In forming it the IJB should meet with NHS Tayside and agree a strategic action plan to address the prescribing spend. A sustainable prescribing position needs to be formed and the 2018-19 GP prescribing budget should be agreed before the start of the financial year.</p>	<p><b>Grade one</b></p>
		<p><b>Management response:</b> Agreed. The Chief Officer and Chief Finance Officer have written to both Parent Bodies asking for a formal discussion to take place around the sufficiency of the GP Prescribing budget and the implications for risk sharing arrangements moving forward.</p> <p><b>Responsible officer:</b> Rob Packham / Jane Smith</p> <p><b>Implementation date:</b> October 2017</p>

## Action plan (continued)

DRAFT

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions
<p><b>2. Financial Management; Reporting of financial position to the IJB (page 17)</b> <i>Financial management dimension</i></p> <p>The IJB produces a finance update for each IJB meeting. The update presents information on IJB and Partnership year end over/under spend forecast, a summary of savings planned and savings booked and narrative to support to figures. The base budget position is not reported, only the over/under spend forecast against the budget.</p> <p><b>Risk:</b> IJB members are not able to track spending in year against budget and identify significant over spends in order to implement savings plans.</p>	<p>The financial update should present the base budget position and variance year to date against this base budget position. This would allow appropriate levels of scrutiny over balances depending on the level of variance reported against budget.</p>	<p style="text-align: center;"><b>Grade Two</b></p> <p><b>Management response:</b> Agreed. The base budget position will now be incorporated as part of routine monthly reporting.</p> <p><b>Responsible officer:</b> Jane Smith <b>Implementation date:</b> October 2017</p>
<p><b>3. Partnership accountant post (page 17)</b> <i>Financial management dimension</i></p> <p>The partnership accountant provides significant support to the day to day financial management and control within the IJB. The position is on a fixed term basis which ends in July 2018.</p> <p><b>Risk:</b> Without the role of partnership accountant the CFO will have less time to focus on higher level strategic decisions, as a result of having to spend time on the operational running of the IJB.</p>	<p>It is recommended that a longer term solution is approved, either through a permanent post or extension of the temporary one with enough notice to enable the CFO to plan activities.</p>	<p style="text-align: center;"><b>Grade Two</b></p> <p><b>Management response:</b> Agreed. The Chief Finance Officer has now received the full support from NHST and PKC colleagues to appoint to the Partnership Accountant Post on a permanent basis.</p> <p><b>Responsible officer:</b> Jane Smith <b>Implementation date:</b> September 2017</p>

# Prior year recommendations

**DRAFT**

We follow up prior-year audit recommendations to determine whether these have been addressed by management. The table below summarised the recommendations made during the 2015-16 audit and their current status.

Number recommendations raised	Implemented	In progress	Overdue
4	3	2	-

We have provided a summary of progress against overdue actions below, and their current progress.

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
<b>1. Public Notice Period</b>			
The Local Authority Accounts (Scotland) Regulations 2014 require the board to publish on its website; a copy of the annual accounts submitted to the auditor, clearly identified as an unaudited version, a public notice of the right of interested persons to inspect and object to its accounts. The public notice was not completed within statutory deadlines and was only published through Perth & Kinross Council's website on 28 July 2016.	The board should ensure compliance with the publication requirements of the 2014 regulations and ensure its website is updated timeously with the required information.	Agreed the public notice deadline would be met for year 2016-17.	The 2016-17 unaudited accounts were published online in line with the Public Notice by 28 June 2017.
<b>2. 2015-2016 Budget not approved</b>			
The board did not agree a budget for 2015-16 and did not monitor the actual cost incurred.	The budget should be established and agreed prior to the commencement of the year and monitored regularly throughout the year.	The CFO will work with NHS Tayside and Perth and Kinross Council to align a budget setting timetable to support the delivery of a budget by 31 March each year.	A budget for 2017-18 was set on 24 March 2017. The budget was presented to the IJB through a formal procedure and agreed upon during the meeting. This report includes unidentified savings.

# Prior year recommendations (continued)

**DRAFT**

Finding(s) and risk(s)	Recommendation(s)	Agreed management actions	Status
<b>3. Public Notice Period</b>			
<p>The budget agreed in March 2016 highlighted the need to develop a financial recovery plan. The financial recovery plan was agreed in July 2016 however this highlighted that the funding was still considered by officers to be insufficient to meet the board's requirements. There is a risk the board is unable to fund the services.</p>	<p>The board should continue to develop its recovery plan to address the funding gaps identified.</p>	<p>All possible efforts continue to be made to identify further saving opportunities and reduced supplementary staffing expenditure. Progress will be reported to the IJB at each meeting.</p>	<p>A "Savings plan V Savings booked/ anticipated" is included in financial update, the information included comes from budget holders who are actively involved in providing services and from the CFO and Partnership Accountant. This is monitored on a monthly basis and included within each financial update presented to the board.</p>
<b>4. Performance Measures not yet developed</b>			
<p>The board has approved a performance management framework to comply with guidance set out in the Public Bodies (Joint Working) (Scotland) Act 2014. However, performance measures have yet to be developed.</p>	<p>The board should develop and agree key performance measures to be used in monitoring performance against its strategic objectives.</p>	<p>Work is on-going to agree key performance measures in the first instance they have focused on Capacity and Flow, however a wider framework of key performance measures will be developed for agreement by the board.</p>	<p>The setting of objectives has been an ongoing process. In June 2017 the IJB members were presented with an action plan that sets out the objectives, actions, measurable deliverable targets and timescales to complete objective. Each objective is also given a RAG rating; note no red ratings. Pending approval from the IJB this plan will be put into action.</p>



The contacts at KPMG in connection with this report are:

Andy Shaw  
*Director*  
Tel: 0131 527 6673  
[andrew.shaw@kpmg.co.uk](mailto:andrew.shaw@kpmg.co.uk)

Natalie Dyce  
*Manager*  
Tel: 0131 300 5746  
[natalie.dyce@kpmg.co.uk](mailto:natalie.dyce@kpmg.co.uk)

Miriam Brackenridge  
*Audit in-charge*  
Tel: 0141 300 5602  
[miriam.brackenridge@kpmg.co.uk](mailto:miriam.brackenridge@kpmg.co.uk)



© 2017 KPMG LLP, a UK limited liability IJB and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved.

The KPMG name, logo are registered trademarks or trademarks of KPMG International.





# Perth and Kinross Integration Joint Board

## Annual Accounts 2016/17

<b>TABLE OF CONTENTS</b>
--------------------------

<b>SECTION 1: MANAGEMENT COMMENTARY .....</b>	<b>3</b>
<b>SECTION 2: STATEMENT OF RESPONSIBILITIES.....</b>	<b>10</b>
<b>SECTION 3: REMUNERATION REPORT .....</b>	<b>12</b>
<b>SECTION 4: ANNUAL GOVERNANCE STATEMENT.....</b>	<b>16</b>
<b>SECTION 5: ANNUAL ACCOUNTS.....</b>	<b>21</b>
<b>SECTION 6: NOTES TO THE ANNUAL ACCOUNTS .....</b>	<b>24</b>
<b>SECTION 7: INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF PERTH AND KINROSS INTEGRATION JOINT BOARD .....</b>	<b>32</b>
<b>SECTION 8: GLOSSARY OF TERMS .....</b>	<b>34</b>



## SECTION 1: MANAGEMENT COMMENTARY

### INTRODUCTION

This Management Commentary provides an overview of the key messages in relation to the objectives and strategy of Perth & Kinross Integration Joint Board (IJB) and the financial performance of the IJB for the year ended 31 March 2017. It also provides an indication of the issues and risks which may impact upon the finances of the IJB in the future.

Perth & Kinross Integration Joint Board was established as a body corporate by order of the Scottish Ministers on 3 October 2015 as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB has responsibility for providing social care and defined health care services for the residents Perthshire and Kinross encompassing an area of 5,000 square kilometres and a population of 150,000. In addition, the IJB provides specific health care services across Tayside by means of hosted services arrangements agreed in the Integration Scheme between NHS Tayside and Perth & Kinross Council. Perth & Kinross Council and the NHS Tayside (Health Board), as the parties to the Integration Scheme, each nominate four voting members to sit on the IJB. The Council nominates Elected Members and the Health Board Non-Executive Directors.

A Council nominee was the Chair of the IJB in 2016/17 and the Vice-Chair was drawn from NHS Board Non-Executive Directors. A number of non-voting Representative Members sit on the Integration Joint Board and contribute to its proceedings. These Representatives are chosen from the Third Sector, Carers, Services Users, and Council and NHS Board staff. A GP Stakeholder Member has also been appointed along with a Medical Practitioner who is not a GP.

Management support to the IJB is led by the Chief Officer. The operational structure is a composite of three principal service areas:

- Community Health / Hospital & Other Hosted Services
- Adult Social Care Services
- Inpatient Mental Health Services

The IJB has appointed a Clinical Director and a Chief Finance Officer. Corporate services including strategic planning, performance and business support services to the IJB are provided by NHS Tayside and Perth & Kinross Council.

## **PURPOSE AND OBJECTIVES OF THE IJB**

The main purpose of integration is to improve the wellbeing of families, communities and 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 Joint Board has approved the following Vision for the Health and Social Care Partnership as part of its approved Strategic Plan for 2016-19: "We will work together to support people living in Perth and Kinross to lead healthy and active lives and live as independently as possible in their own homes, or in a homely setting with choice and control over the decisions they make about their care and support." The Integration Scheme puts in place a framework designed to deliver the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under Section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB Strategic Plan sets out a number of Strategic Objectives and Policy Priorities with accompanying Implementation and Resource Plans, Performance Framework and Strategic Risk Assessment, all designed to ensure a direction of travel by the Partnership consistent with National Objectives. The Partnership's agreed Strategic Objectives are as follows:

1. Prevention and early intervention
2. Person-centred health, care and support
3. Working together with our communities
4. Reducing inequalities and unequal health outcomes and promoting healthy living
5. Making best use of available facilities, people and other resources

The plan places a lot of emphasis on the need for services and support to intervene early to prevent later, longer term issues arising, and enabling people to manage their own care and support by taking control and being empowered to manage their situation. Where this is not possible, our aim is for services to target resources where they are needed most, reducing ill health and deterioration and ultimately reducing health inequalities.

## **OPERATIONS FOR THE YEAR**

The IJB's strategic ambitions sit alongside operational imperatives across a wide range of services. This creates a very challenging landscape to deliver major service redesign at the pace expected. However much progress has been made including:

- Locality Management Teams have now been established to drive forward the development of integrated care teams across Perth & Kinross.
- A review of Inpatient Hospital facilities is now underway working closely with clinicians at Perth Royal Infirmary and with staff across Community Hospitals.

- We have created a Discharge Hub at Perth Royal Infirmary (PRI) to improve the patient pathway and ensure integrated, co-ordinated responses for patients and their carers. This will be strengthened by a more integrated assessment service for frail elderly people arriving at PRI and a more flexible discharge service that will identify people who can go home earlier with the support of the health and care teams. Overall this has created a significant improvement in the number of people delayed in getting home after a stay in hospital.
- We have completed a full review of our Care at Home Service and now seek to implement a new model for our internal care at home team, which will support prevention, reablement and care package review.
- As the IJB responsible for hosting In Patient Mental Health and Learning Disabilities, we are undertaking a comprehensive review of these services across Tayside in collaboration with NHS Tayside, Angus and Dundee Health and Social Care Partnerships. By involving service users, carers, staff, voluntary organisations and communities, we aim to identify the best way to provide in patient services across Tayside for the future.
- A Partnership Transformation Board has been established with wide representation to ensure robust support and scrutiny of our wide portfolio of redesign plans.

**Looking forward to 2017/18, the Partnership has a number of key priorities focused on ensuring future sustainability of services:**

- Implementation of a new Care at Home Contract aimed at delivering sustainable Care at Home Services across Perth & Kinross.
- Complete the review of Day Services.
- Take forward a radical review of Carer Support for carers supporting people over the age of 65.
- Undertake a review of options for Intermediate Care Provision aimed at ensuring timely discharge from hospital to home and the prevention of admission/re-readmission to an acute hospital setting.
- Complete our review of Residential Care.
- Undertake a review of the Clinical workforce model supporting Inpatient Mental Health Services.
- Redesign our Mental Health Services for Older People to prevent crisis and to provide care within a more homely setting - by investing in community based services.
- Implement our plan for GP Engagement to support sustainable future services and to improve the quality, cost effectiveness and safety of

prescribing across the HSCP by addressing variation between GP practices and from the Scottish mean.

- Development of Integrated Locality Teams which will provide seamless and enhanced person centred care & support as close as possible to the person's home.

## **FINANCIAL MANAGEMENT**

### **Background**

The IJB's finances are overseen by the IJB's Chief Finance Officer with support from Finance functions within Perth & Kinross Council and NHS Tayside. This support is provided as part of overall arrangements for corporate support services whereby Perth & Kinross Council and NHS Tayside provide a range of services including, for example, Finance, Human Resources and Committee Services support without charge to Perth & Kinross IJB.

Prior to April 2016, the IJB had developed the financial governance infrastructure required to allow it to assume new responsibilities from 1st April 2016. That financial governance infrastructure continues to be reviewed and refreshed.

### **Analysis of Financial Statements**

The main objective of the Annual Accounts is to provide information about the financial position of the IJB that is useful to a wide range of users in making and evaluating decisions about the allocation of resources. During 2015/16, the IJB was non-operational and consequently comparisons with previous years are of limited value.

The 2016/17 Annual Accounts comprise:-

- a) Comprehensive Income and Expenditure Statement – This statement shows that the IJB made an overall surplus of £1.386m in 2016/17 on the total income of £194m. This overall under spend (0.7% of 2016/17 income) will be carried forward into 2017/18 through the IJB's reserves.
- b) Against health budgets an underlying over spend of £2.774m was reported. However in line with the risk sharing agreement agreed with NHS Tayside and Perth & Kinross Council for the first two years of the IJB, NHS Tayside devolved further non-recurring budget to the IJB to balance income with expenditure. A break –even position for 16/17 is therefore reported against health budgets.
- c) Against Social Care budgets, an underlying under spend of £2.549m was reported. Of this £1.984m, although not planned, had been forecast in the latter months of the financial year. The Integration scheme sets out that under spends will be retained by the IJB as reserves following agreement

with the Partners. Agreement was reached with Perth & Kinross Council prior to 31 March 2017 that £1.386m would be retained by the IJB to meet agreed social care priorities with the £598k balance to be retained by Perth & Kinross Council in an earmarked reserve for the IJB against which priorities will be discussed and agreed in 2017/18. The unanticipated additional £565k year-end underspend will similarly be retained by PKC whilst further discussions take place around social care priorities.

The final underspend differs from that reported in the Perth and Kinross Council unaudited annual accounts, due to property maintenance costs not directly allocated to the IJB.

- d) Movement in Reserves – The IJB carried nil reserves into 2016/17 but, due to the operating surplus noted above, has year-end reserves of £1.386m. These are held in line with the IJB’s reserves policy.
- e) Balance Sheet – In terms of routine business the IJB does not hold assets, however the reserves noted above are reflected in the year-end balance sheet.
- f) Notes, comprising a summary of significant accounting policies, analysis of significant figures within the Annual Accounts and other explanatory information.

The Annual Accounts for 2016/17 do not include a Cash Flow Statement as the IJB does not hold any cash or cash equivalents.

### **Financial Outlook, Risks and Plans for the Future**

The IJB, like many others, faces significant financial challenges and will be required to operate within very tight financial constraints for the foreseeable future due to the difficult national economic outlook and increasing demand for services.

A Financial Plan for 2017/18 is currently in development with the objective that the IJB operates within resources available. A budget settlement with Perth & Kinross Council has been agreed. Discussions are continuing with NHS Tayside in relation to Prescribing and Inpatient Mental Health (which Perth & Kinross IJB hosts on behalf of all three IJB’s (Dundee IJB, Angus IJB and Perth & Kinross IJB)).

Both settlements present significant challenges in terms of accommodating demographic and inflationary type pressures and for health budgets, the added requirement of delivering savings targets that have been carried forward from previous years.

The overall Financial Plan will need to address the following savings requirements inherent in each budget settlement:-

Developed Budget	Perth and Kinross Council	NHS Tayside (Excluding Prescribing/IPMH)	Prescribing	Inpatient Mental Health*	Total
	£000	£000	£000	£000	£000
Initial Shortfall	4,178	1,754	1,920	2,555	10,407
Plans in place	4,232	1,559	247	1,997	8,035
Residual Shortfall (June 2017)	(54)	195	1,673	558	2,372

The overall position for Inpatient Mental Health is shown as this is a service hosted by Perth & Kinross IJB. However the IJB's share of this service has been agreed as 33.5%.

This table clearly demonstrates the importance of Perth & Kinross IJB being able to deliver all the plans currently in place and, in discussion with NHS Tayside the need to identify further savings/income measures. For Prescribing, a wider discussion will be required around sustainability.

Shifting the balance of care, a core strategic objective of the IJB, will be key to delivering a sustainable future financial position. Only through fundamental redesign of services will a number of the current workforce challenges be addressed and efficiencies delivered. Our workforce challenges include nursing staff across our hospital services, care at home and medical staffing for Mental Health Services and Psychiatry of Old Age.

The Partnership is leading an ambitious Pan-Tayside review of Inpatient Mental Health Services which is due to identify a preferred option in 2017/18 and this redesign along with a parallel review of clinical models represents a fundamental opportunity to bring services into recurring financial balance.

The significant gap between spend and current budget available to meet the cost of GP Prescribing represents the most significant financial risk to the IJB. The agreement of a GP Engagement Plan to put our GP's at the heart of the work to deliver a sustainable GP Prescribing position will be a priority focus for the Partnership in 2017/18.

## **FURTHER INFORMATION**

These Annual Accounts refer to both the Perth & Kinross IJB Integration Scheme and the Perth & Kinross IJB Strategic Plan. These can be found at:

*Perth & Kinross IJB Integration Scheme:*

[http://www.pkc.gov.uk/media/36049/Perth-and-Kinross-Integration-Scheme/pdf/Approved\\_Health\\_Social\\_Care\\_Integration\\_Scheme](http://www.pkc.gov.uk/media/36049/Perth-and-Kinross-Integration-Scheme/pdf/Approved_Health_Social_Care_Integration_Scheme)

*Perth & Kinross IJB Strategic Plan:*

[http://www.pkc.gov.uk/media/38714/Health-and-Social-Care-Strategic-Commissioning-Plan/pdf/2016193\\_strat\\_comm\\_plan\\_CLIENT](http://www.pkc.gov.uk/media/38714/Health-and-Social-Care-Strategic-Commissioning-Plan/pdf/2016193_strat_comm_plan_CLIENT)

*Perth & Kinross IJB publishes all formal Board papers at:*

<http://www.pkc.gov.uk/ijb>

Further information regarding the Annual Accounts can be obtained from:

*Chief Finance Officer, Perth & Kinross IJB, 2 High Street, Perth PH1 5PH.*

## **CONCLUSION AND ACKNOWLEDGEMENTS**

We are pleased to record that during 2016/17 the IJB has successfully delivered health and social care services to the population of Perth and Kinross and, for hosted services, to the population of Tayside. We acknowledge this has been a challenging year and the IJB's success has only been achieved through the hard work of staff employed in Perth & Kinross Council and NHS Tayside and other partner organisations.

Looking forward, while the IJB faces continuing challenging financial circumstances it also plans to continue to take advantage of the opportunities available through Health and Social Care Integration to best deliver affordable health and social care services for the population of Perth & Kinross.

**Councillor Crawford Reid**  
IJB Chair

26/9/17

**Rob Packham**  
Chief Officer

26/9/17

**Jane Smith**  
Chief Financial Officer

26/9/17

## SECTION 2: STATEMENT OF RESPONSIBILITIES

This statement sets out the respective responsibilities of the IJB and the Chief Financial Officer, as the IJB's Section 95 Officer, for the Annual Accounts.

### Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the Integrated Joint Board on 26 September 2017.

Signed on behalf of the Perth and Kinross IJB

**Councillor Crawford Reid**  
IJB Chair

26/9/17

### Responsibilities of the Chief Financial Officer

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

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

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

The Chief Financial Officer has also:

- kept proper accounting records which were up to date



- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the financial statements give a true and fair view of the financial position of the Perth and Kinross Integration Joint Board as at 31 March 2017 and the transactions for the year then ended.

**Jane Smith**  
Chief Financial Officer

---

26/9/17

## SECTION 3: REMUNERATION REPORT

### INTRODUCTION

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

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

### BOARD MEMBERS

At 31 March 2017, Perth and Kinross IJB had 8 voting members and 13 non-voting members as follows:

#### Voting Members:

Councillor Dave Doogan (Chair)	Councillor Ian Campbell
Linda Dunion (Vice Chair)	Judith Golden (NHS Employee Director)
Councillor Kate Howie	Sheila Tunstall-James (Non Executive Member)
Councillor Peter Barrett	Stephen Hay (Non Executive Member)

#### Non-voting Members:

Robert Packham (Chief Officer)	Dr Drew Walker (Director of Public Health)
Jane Smith (Chief Finance Officer)	Allan Drummond (Staff Organisations Rep.)
Bill Atkinson (Chief Social Work Officer)	Fiona Fraser (Staff Organisations Rep.)
Dr Neil Prentice (Associate Medical Director)	Helen McKinnon (Third Sector Representative)
Dr Neil McLeod (Medical Practitioner GP)	Ann Gourlay (Service User Representative)
Jim Foulis (Associate Nurse Director)	Bernie Campbell (Carers Representative)
Dr Alistair Noble (SACH and External Advisor)	

As at May 2017, the four nominated representatives of Perth and Kinross Council on the IJB during 2016/17 all stood down following Local Government elections.

Consequently the IJB will have four new Perth and Kinross Council nominated representatives on the IJB in 2017/18.

### **IJB CHAIR AND VICE CHAIR**

The voting members of the IJB are appointed through nomination by Perth & Kinross Council and NHS Tayside. 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.

<b>Taxable Expenses 2015/16 £</b>	<b>Name</b>	<b>Post(s) Held</b>	<b>Nominated by</b>	<b>Taxable Expenses 2016/17 £</b>
Nil	Councillor Dave Doogan	Chair	Perth & Kinross Council	Nil
Nil	Linda Dunion	Vice Chair	NHS Tayside	Nil
<b>Nil</b>	<b>Total</b>			<b>Nil</b>

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.

### **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.

### Chief Officer

The Integration Joint Board requires to appoint a proper officer who has responsibility for the administration of its financial affairs in terms of Section 95 of the 1973 Local Government (Scotland) Act. The employing contract for the Chief Financial Officer will adhere to the legislative and regulatory governance of the employing partner organisation. The remuneration terms of the Chief Financial Officer as approved by the IJB.

### Other Officers

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

<b>Total 2015/16 £</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances £</b>	<b>Total 2016/17 £</b>
40,662	<b>Rob Packham</b> Chief Officer	85,253	85,253
16,548	<b>Jane Smith</b> Chief Financial Officer	69,860	69,860
	<b>Total</b>	<b>155,113</b>	<b>155,113</b>

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

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

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/16 £	For Year to 31/03/17 £		Difference from 31/03/16 £	As at 31/03/17 £
Rob Packham Chief Officer	6,059	12,703	Pension	2,300	22,998
			Lump sum	6,900	68,994
Jane Smith Chief Financial Officer	2,466	10,409	Pension	(1,017)	19,165
			Lump sum	(6,931)	49,187
<b>Total</b>	<b>8,525</b>	<b>23,112</b>	<b>Pension</b>	<b>1,283</b>	<b>42,163</b>
			<b>Lump Sum</b>	<b>(31)</b>	<b>118,181</b>

#### Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
1	£65,000 - £69,999	1
1	£85,000 - £89,999	1

**Councillor Crawford Reid**

26/9/17

IJB Chair

---

**Rob Packham**

26/9/17

Chief Officer

---

## SECTION 4: ANNUAL GOVERNANCE STATEMENT

### INTRODUCTION

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

### SCOPE OF RESPONSIBILITY

Perth & Kinross IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

To meet this responsibility the IJB has established arrangements for governance that includes a system of internal control. The system is intended to manage risk to support achievement of the IJB's policies, aims and objectives. Reliance is also placed on the NHS Tayside and Perth & Kinross Council systems of internal control that support compliance with both organisations policies and promotes achievement of each organisations aims and objectives including those of the IJB. Assurance has been received from both NHS Tayside and Perth and Kinross Council as to the effectiveness and adequacy of those systems.

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

### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the IJB to monitor the achievement of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services. The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Perth & Kinross IJB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

### OUR GOVERNANCE FRAMEWORK

The Board of the IJB comprises voting members, nominated by either NHS Tayside or Perth & Kinross Council, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the governance framework that were in place during 2016/17 are summarised below:

- The IJB, comprising all IJB Board members, was the key decision making body.
- Induction and ongoing development sessions have been provided to all IJB Board Members.
- The Audit and Performance Committee was established in 2016/17 and considered all matters in relation to Internal and External Audit, risk management and performance.
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations.
- The IJB's purpose and vision are outlined in the IJB Strategic Plan. Regular progress reports on the delivery of the Strategic Plan were provided to the IJB.
- A risk management strategy has been agreed and the strategic risks of the IJB identified. Regular review mechanism is in place and overall scrutiny and review undertaken by the Audit & Performance Committee.
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB.
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers.
- The IJB has a Participation and Engagement Strategy and Communications Strategy in place.
- The IJB's transformation programme has been developed and scrutinised through the establishment of the Partnership Transformation Board.
- Clearly defined roles and responsibilities have been established for the Chief Officer, Chief Financial Officer and members of the Partnership Team.
- The IJB has established 3 locality planning forums and has set out an outline locality development plan.
- Financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Financial Officer in Local Government (2010)'. This included regular reports to the IJB of performance against budget.

## **SYSTEM OF INTERNAL CONTROL**

The governance framework above operates on the foundation of internal controls including management and financial information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability.

The Board uses the systems of NHS Tayside and Perth & Kinross Council to manage its financial records. Development and maintenance of the systems is

undertaken by NHS Tayside and Perth & Kinross Council as part of the operational delivery of the Health & Social Care Partnership. In particular the systems include:-

- Comprehensive budgeting systems;
- Setting of targets to measure financial performance; and
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts.

The wider internal control framework includes:-

- Complaints handling
- Clinical Care Governance monitoring arrangements
- Whistle blowing
- Data Sharing
- Procedural frameworks including Scheme of Delegation; Standing Financial instructions, standing orders and scheme of administration
- Internal Audit Function
- Reliance on procedures, processes and systems of partner organisations

## **REVIEW OF ADEQUACY AND EFFECTIVENESS**

Perth & Kinross IJB 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 has been informed by:-

- the work of the Executive Management Team who have responsibility for development and maintenance of the governance environment;
- the Annual Report by the Chief Internal Auditor;
- Reports from Audit Scotland and other review agencies; and
- Self assessment against the Delivering **Good Governance in Local Government Framework 2016 Edition** ( CIPFA).

The Chief Internal Auditor reports directly to the IJB Audit & Performance Committee on all audit matters, with the right of access to the Chief Officer, Chief Financial Officer and Chair of the Audit & Performance Committee on any matter.

In addition to regular reports to the IJB's Audit & Performance Committee during 2016/17, the Chief Internal Auditor prepares an annual report to the Audit & Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

The Internal Audit Annual Report 2016/17, received by the Audit & Performance Committee on 27 June 2017, highlights findings by the IJB's Internal Audit section which indicate some weaknesses in the internal control environment.



None of these are considered material enough to have a significant impact on the overall control environment and it is the opinions of the Chief Internal Auditor that the systems of internal control relied upon by the IJB provide reasonable assurance against loss.

## **ACTION PLAN FOR 2017/18**

The IJB acknowledges that as a relatively new body working in a complicated governance environment, further review and development of governance arrangements is still required. A number of areas for continued development and review have been identified and will include:-

- Formally set out the overall governance framework that supports the relationship between Perth & Kinross Council, NHS Tayside and Perth & Kinross IJB and establish a clear basis on which to share this with officers, members and wider staff to ensure that roles and responsibilities and accountabilities are consistently understood.
- Risk management in practice: establish clear protocols for risk management at both strategic and operational level that align with the governance structure within which the IJB and Partnership operate. In particular ensure that Clinical and Care Risk Management responsibilities both at strategic and operational level are clearly established with a clear programme of work in place to improve performance and mitigate risk.
- Review scrutiny and review arrangements including role, remit and membership of Executive Management Team (EMT)/Chief Officer Group(COG)/Joint Senior Management Team (Joint SMT). EMT/COG/Joint SMT/ Transformation Board etc and establish clear routes to Perth and Kinross Council (PKC) and NHS Tayside (NHST) existing committees.
- Review and strengthen the role of the Strategic Planning Group moving forward to ensure direct involvement in the planning of services moving forward.
- Review the basis on which the partnership are engaging with communities, ensuring that a robust process exists that encourages active participation of service users, carers and communities in designing services.
- Development of 2017/18 Strategic Delivery Action Plan with timescales and clear Senior Responsible Officer's(SRO's) against agreed actions and close alignment with Performance Framework.
- With the Partnership Team develop a shared culture and identity that is linked to a shared vision around the future shape of health and social care across Perth & Kinross.
- Review the organisational structure of the Partnership Team to ensure sufficient leadership and strategic planning capacity which takes account of our significant Hosted Service responsibilities.
- Develop a model for clinical leadership and engagement across all services to ensure that our medical staff are at the heart of designing sustainable future health and social care services.

- Development of Large Hospitals Set Aside arrangements in conjunction with NHS Tayside.
- Development of improved Hosted Services arrangements including improved sharing of information between Perth & Kinross IJB, Dundee IJB and Angus IJB.
- Review the effectiveness of corporate support arrangements that the IJB is reliant upon provided by NHS Tayside and Perth & Kinross Council.
- Review the training requirements for Board Members.
- Establish a robust system to support performance management at locality, partnership and strategic IJB level.
- 2017/2018 objectives agreed for senior leadership team aligned to Strategic Delivery Action Plan along with training and development plan.
- Work with both NHST and PKC to consider the sufficiency of the GP Prescribing budget and the how best to ensure financial sustainability moving forward.
- Work with NHST and PKC to develop principles to underpin an aligned approach to budget setting for 2018/19.

## CONCLUSION AND OPINION ON ASSURANCE

While recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements.

We consider that internal control environment operating during 2016/17 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our objectives will be identified and actions taken to avoid or mitigate their impact.

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

**Councillor Crawford  
Reid**

26/9/17

IJB Chair

---

**Rob Packham**

26/9/17

Chief Officer

---

## SECTION 5: ANNUAL ACCOUNTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

2015/16		2016/17			
Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£000	£000		£000	£000	£000
-	-	Community and Hospital Health Services	43,423	-	43,423
-	-	Hosted Health Services	20,751	-	20,751
-	-	GP Prescribing/General Medical/Family Health	63,638	-	63,638
-	-	Large Hospital Set aside	17,672	-	17,672
-	96	IJB Operating Costs	226	-	226
		Community Care	46,831	-	46,831
<b>0</b>	<b>96</b>	<b>Cost of Services</b>	<b>192,541</b>	<b>0</b>	<b>192,541</b>
(96)	(96)	Taxation and Non-Specific Grant Income (Note 4)	-	(193,927)	(193,927)
<b>0</b>	<b>0</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>192,541</b>	<b>(193,927)</b>	<b>(1,386)</b>
		<b>Total Comprehensive (Income) and Expenditure (Note 3)</b>			<b>(1,386)</b>

The IJB was established on 3 October 2015. Integrated delivery of health and care services did not commence until 01 April 2016. Consequently the 2016/17 financial year is the first fully operational financial year for the IJB and the figures above reflect this.

## MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

<b>Movements in Reserves During 2016/17</b>	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
<b>Opening Balance at 31 March 2016</b>	-	-	-
Total Comprehensive Income and Expenditure	(1,386)	0	(1,386)
Increase or Decrease in 2016/17	<b>(1,386)</b>	<b>0</b>	<b>(1,386)</b>
<b>Closing Balance at 31 March 2017</b>	<b>(1,386)</b>	<b>0</b>	<b>(1,386)</b>

## BALANCE SHEET

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

<b>31 March 2016</b>		<b>Notes</b>	<b>31 March 2017</b>
£000			£000
-	Short term Debtors	5	1,386
-	<b>Current Assets</b>		<b>1,386</b>
-	Short-term Creditors		-
-	<b>Current Liabilities</b>		-
-	Provisions		-
-	<b>Long-term Liabilities</b>		-

<b>0</b>	<b>Net Assets</b>		<b>1,386</b>
0	Usable Reserve: General Fund	6	(1,386)
0	Unusable Reserve: Employee Statutory Adjustment Account		0
<b>0</b>	<b>Total Reserves</b>		<b>(1,386)</b>

**Jane Smith**

26/9/17

Chief Financial Officer

---

## SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### A. GENERAL PRINCIPLES

The Financial Statements summarise the Integration Joint Board's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017.

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

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

#### B. 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

#### C. FUNDING

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

#### D. 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.

## **E. 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 and a Chief Financial Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs.

Charges from funding partners for other staff are treated as administration costs.

## **F. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

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

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

## **G. 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.

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

## **H. INDEMNITY INSURANCE**

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Tayside and Perth and Kinross 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 Clinical Negligence and Other Risks Indemnity Scheme(CNORIS). The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

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

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

## **I. RELATED PARTY TRANSACTIONS**

Related parties are organisations that the IJB can control or influence or who can control or influence the IJB. As partners in the Joint Venture of Perth and Kinross Integration Joint Board, both Perth and Kinross Council and NHS Tayside are related parties and material transactions with those bodies are disclosed in note 8 in line with the requirements of IAS 24 Related Party Disclosures.

## **J. SUPPORT SERVICES**

Support services were not delegated to the IJB and are provided by the Council and the Health Board free of charge as a 'service in kind'. These arrangements were outlined in the report of Corporate Supporting Arrangements to the IJB on 23 March 2016.

### **NOTE 2: EVENTS AFTER THE REPORTING PERIOD**

The Annual Accounts were authorised for issue by the Chief Financial Officer on 26 September 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 respects to reflect the impact of this information.



### NOTE 3: EXPENDITURE AND INCOME ANALYSIS BY NATURE

2015/16		2016/17
£000		£000
-	Services commissioned from Perth and Kinross Council	46,831
-	Services commissioned from NHS Tayside	145,484
90	Other IJB Operating Expenditure	199
1	Insurance and Related Expenditure	3
5	External Audit Fee	24
(96)	Partner Funding Contributions and Non-Specific Grant Income	(193,927)
<b>0</b>	<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(1,386)</b>

Costs associated with the Chief Officer and Chief Financial Officer are included within "other IJB operating expenditure". The insurance and related expenditure relates to CNORIS costs (see note 1,H). Auditor fees related to fees payable to Audit Scotland with regard to external audit services carried out by the appointed auditor.

### NOTE 4: TAXATION AND NON-SPECIFIC GRANT INCOME

2015/16		2016/17
£000		£000
(48)	Funding Contribution from Perth and Kinross Council	(48,229)
(48)	Funding Contribution from NHS Tayside	(145,698)
<b>(96)</b>	<b>Taxation and Non-specific Grant Income</b>	<b>(193,927)</b>

The funding contribution from NHS Tayside shown above includes £17,672,000 in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced

funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

#### **NOTE 5: DEBTORS**

<b>2015/16</b>		<b>2016/17</b>
£000		£000
0	Perth and Kinross Council	1,386
0	<b>Debtors</b>	<b>1,386</b>

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

#### **NOTE 6: USABLE RESERVE: GENERAL FUND**

The IJB holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a contingency fund to cushion the impact of unexpected events or emergencies. This is regarded as a key part of the IJB's risk management framework.

#### **NOTE 7: AGENCY INCOME AND EXPENDITURE**

On behalf of all IJBs within the NHS Tayside area, Perth and Kinross IJB acts as the host partnership for Learning Disability Inpatient services, Substance Misuse Inpatient services, Public Dental services/Community Dental services, General Adult Psychiatry (GAP) Inpatient services, Prisoner Healthcare and Podiatry.

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

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

2015/16		2016/17
£000		£000
	- Expenditure on Agency Services	21,228
	- Reimbursement for Agency Services	(21,228)
	<b>Net Agency Expenditure excluded from the CIES</b>	<b>0</b>

#### NOTE 8: RELATED PARTY TRANSACTIONS

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

##### Income – payments for integrated functions

2015/16		2016/17
£000		£000
	- Perth and Kinross Council	48,229
	- NHS Tayside	145,698
	<b>Total</b>	<b>193,927</b>

##### Expenditure – payments for delivery of integrated functions

2015/16		2016/17
£000		£000
	- Perth and Kinross Council	62,005
	- NHS Tayside	130,337
	- NHS Tayside: Key Management Personnel Non-Voting Board	199
	<b>Total</b>	<b>192,541</b>

Key Management Personnel: The non-voting Board members employed by the NHS Board and recharged to the IJB include the Chief Officer; the Chief Financial Officer. Details of the remuneration for some specific post-holders are provided in the Remuneration Report.

Perth and Kinross Council employs the council staff and Chief Social Work Officer representatives on the IJB Board but there is no discrete charge for this representation.

Balances with Perth and Kinross Council

2015/16		<b>2016/17</b>
£000		£000
	- Debtor balances: Amounts due from Perth and Kinross Council	1,386
	- Creditor balances: Amounts due to Perth and Kinross Council	-
	- <b>Total</b>	<b>1,386</b>

Balances with NHS Tayside

2015/16		<b>2016/17</b>
£000		£000
	- Debtor balances: Amounts due from NHS Tayside	-
	- Creditor balances: Amounts due to NHS Tayside	-
	- <b>Total</b>	-

## **NOTE 9: CONTINGENT ASSETS AND LIABILITIES**

A review for contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2017.

## **NOTE 10: VAT**

The IJB is not VAT registered and as such the VAT is settled or recovered by the partner agencies.

The VAT treatment of expenditure in the IJBs 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 relating to VAT, as all VAT collected is payable to H.M. Revenue and 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 recoverable 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.

**SECTION 7: INDEPENDENT AUDITOR'S REPORT**



## SECTION 8: GLOSSARY OF TERMS

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

### Accounting Period

The period of time covered by the Accounts normally a period of twelve months commencing on 1 April each year. The end of the accounting period is the Balance Sheet date.

### Accruals

The concept that income and expenditure are recognised as they are earned or incurred not as money is received overpaid.

### Asset

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

### Audit of Accounts

An independent examination of the IJB's financial affairs.

### Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

### CIPFA

The Chartered Institute of Public Finance and Accountancy.

### Consistency

The concept that the accounting treatment of like terms within an accounting period and from one period to the next is the same.

### Contingent Asset/Liability

A Contingent Asset/Liability is either:

- A possible benefit/obligation arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain events not wholly within the IJB's control; or
- A present benefit/obligation arising from past events where it is not probable that a transfer of economic benefits will be required, or the amount of the obligation cannot be measured with sufficient reliability.



### **Creditor**

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

### **Debtor**

Amount owed to the IJB for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

### **Defined Benefit Pension Scheme**

Pension scheme in which the benefits received by the participants are independent of the contributions paid and are not directly related to the investments of the scheme.

### **Entity**

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

### **Post Balance Sheet Events**

Post Balance Sheet events are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

### **Exceptional Items**

Material items which derive from events or transactions that fall within the ordinary activities of the IJB and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

### **Government Grants**

Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the IJB. These grants may be specific to a particular scheme or may support the revenue spend of the IJB in general.

### **IAS**

International Accounting Standards.

### **IFRS**

International Financial Reporting Standards.

### **IRAG**

Integration Resources Advisory Group

## **LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

## **Liability**

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

## **Provisions**

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

## **PSIAS**

Public Sector Internal Audit Standards.

## **Related Parties**

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include voting members, the Chief Officer, the Chief Finance Officer, the Heads of Service and their close family and household members.

## **Remuneration**

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

## **Reserves**

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB.

## **Revenue Expenditure**

The day-to-day expenses of providing services.

## **Significant Interest**

The reporting authority is actively involved and is influential in the direction of an entity through its participation in policy decisions.

## **SOLACE**

Society of Local Authority Chief Executives.

## **The Code**

The Code of Practice on Local Authority Accounting in the United Kingdom.





**PERTH AND KINROSS INTEGRATION JOINT BOARD**

**26 SEPTEMBER 2017**

**REVIEW OF DAY SERVICES**

**Report by Chief Officer**

**PURPOSE OF REPORT**

The review of Day Services forms part of the Council's and the Integration Joint Board's transformation projects agreed in 2015. This includes day support for older people, people with learning disabilities and people with mental ill health. Members of the IJB are requested to consider and approve the recommended option outlined in this report.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 On 1 July 2015, Perth and Kinross Council's Transformation Strategy 2015-2020 was approved by Full Council (Report 15/292). It set out a programme of major projects that would deliver the next phase of organisational transformation, as part of public service reform to put the Council in a strong position for the future.
- 1.2 As part of this strategy, a number of projects were agreed across Adult Social Work and Social Care services and these were subsequently approved by the Integration Joint Board to support the delivery of the Strategic Commissioning Plan, namely:
  - Communities First Transformation
  - Transformation of Day Services
  - Transformation of Residential Care Services
  - Review of Community Care Packages
- 1.3 The Self-Directed Support (Social Care) Scotland Act 2013 has been the driver for delivery of personalised services for people who are eligible to access social care services.

In line with the Self-directed Support Act 2013, this report promotes and recommends a shift from traditional building based services to a more flexible approach for people to access day opportunities. This approach will provide greater choice for individuals and the opportunity to access support locally, thus delivering day services in a different and more efficient way. The proposed model will ensure future day services are responsive and sustainable to meet future demographic demands. People are remaining at

home longer, and social isolation leads to significant health problems, therefore, there is a need for flexible day services.

- 1.4 The review of day services is linked to the wider health and social care agenda and through this transformation, we will provide integrated day services for older people, and people with learning disabilities and mental health issues who are recovering
- 1.5 In Perth and Kinross there is a variety of day care provision available, particularly for Older People such as:
  - **Lunch clubs** usually run for two to three hours and offer a hot meal. People contribute towards the cost of a meal and transport, if provided. Lunch clubs are offered throughout the area.
  - **Day Centre's** can offer activities, classes and day trips. Personal care is free of charge, transport and meals are provided.
  - **One to one care** means individuals can be supported with leisure or employment activities at home or in the community.
- 1.6 There is an opportunity to redesign our service and provide increased outreach services and work more closely with the third and independent sectors as well as communities to provide alternative supports. Community-based alternatives such as in Highland Perthshire-Stanley Development Trust and Happy Highlanders are good examples of local resources that have already been developed. Another example is 'Fused Together', a group that brings socially isolated adults into peer groups to learn glass fusion art techniques, delivered by a trained artist. This project was developed after a participatory budgeting exercise. Through Self-directed Support there are also opportunities to explore alternative day activities such as small groups of support, where service users can meet with 2 or 3 people once a week in a paid carer's home.
- 1.7 Alongside these, we have maintained a number of traditional day centres and day opportunities some of which are no longer viable as people are choosing to access different types of service support in their local community. This is further explored in the next section which highlights the reducing levels of occupancy and consequent staffing in the day centres.
- 1.8 This redesign is also aligned to the recommendations made by the Fairness Commission in the report, 'Fairer Futures.' The report highlights that people with disabilities or experiencing long term conditions should have access to local services and opportunities. It has been recognised in developing the proposals that good transport arrangements for service users is very important to them to access activities.
- 1.9 All new and existing individuals will be assessed by social work staff in line with current practice and this assessment will include personal transport needs.

- 1.10 A cost saving of £702K was approved by the Council in February 2016 (Report 16/51). This proposal was later approved by the Integration Joint Board as part of the approval of the Strategic Commissioning Plan in March 2016. To date, £298K has been achieved as a result of vacancy management measures within the service, leaving a balance of £404k to be achieved by March 2018.

## 2. CURRENT DAY CARE PROVISION

### 2.1 Day Centres

The Integration Joint Board commissions Perth and Kinross Council to provide day opportunities across Perth and Kinross. This is delivered through five structured day opportunities services, namely Gleneagles, Kinnoull, Blairgowrie/Strathmore, New Rannoch and Lewis Place, for people with a range of complex health conditions such as dementia, learning disabilities. The Wellbeing service provides group and 1-1 assistance for individuals who require support with their mental health and wellbeing.

- 2.2 The current provision is underutilised as people are opting to access a range of community supports in their local area. Table 1 highlights the registered day centre places (daily) together with the average usage. It should be noted that staffing levels have been reduced in accordance with the decrease in usage. Over the last 18 months the trend continues to be that the number of older people attending day centres has been reducing and this reinforces the need to change the way we deliver day services.

Day Centre	Registered Places*	Average Occupancy		Staffing (WTE)
		2016	2017	
New Rannoch (OP) ( centre)	20	67%	65%	10.94
Lewis Place (OP) (centre)	40	55%	47%	21.69
Gleneagles Day Opportunities (LD)	50	39%	40%	18.04
Kinnoull Day Opportunities (LD)	45	81%	73%	15.88
Blairgowrie Day Opportunities (LD)	40	40%	43%	10.68
Strathmore (Dem)	15	49%	46%	4.08
Wellbeing Service (MH)	N/A	N/A	N/A	6.68

\* max no. people able to attend at one time

- 2.3 New Rannoch and Lewis Place day services for older people are located less than 1 mile from each other. Both centres have received grades of 5 and above from the Care Inspectorate which reflects very good and excellent standards. New Rannoch was designed specifically to provide a dementia friendly environment and is a modern building designed for those with complex needs. The close proximity and low levels of occupancy means that maintaining both is no longer a viable option in terms of best value. In

addition Lewis Place requires significant Capital investment monies to ensure that the centre remains fit for purpose.

- 2.4 As well as the two centres for Older People in Perth, Gleneagles Day Opportunities is a specialist service based in the Craigie area of Perth. The resource supports adults with learning disabilities, who require assistance with a range of health and social care needs and acts as a main hub for the associated staff team, visiting community nurses, healthcare professionals and other third sector agencies. The move to a more community based approach has already taken place in Blairgowrie and Perth, with outreach being provided in Kinnoull, Blairgowrie, Strathmore day opportunities.
- 2.5 The Mental Health Wellbeing Team provided by Council employed staff offers early intervention and relapse prevention services which empower individuals to recover from, or live better with, mental ill health. The team works with people living in rural communities in Perth and Kinross and is currently based in Meadowell, Springwell Day Services and Donnachie House providing community based supports.
- 2.6 The Health and Social Care Partnership also funds a number of different initiatives and projects to support community based alternatives. The Third and Independent sector play an important role in developing day opportunities and we will continue to develop new initiatives alongside them.

### **3. PROPOSALS**

- 3.1 Engagement with staff and service users has involved discussions about the future model of day opportunities. A summary of the engagement activity is summarised in Appendix 1. There was recognition that those with complex care needs continue to require a day centre provision whilst the care and support needs of those with less complex needs could be provided by locally based and community supported services. On the basis of the engagement with staff, service users and carers 4 options were developed for consideration to support the wider transformation of day care provision and meet the approved savings.

#### **Option 1 – Redesign of existing service provision across care groups to provide day opportunities and structured day care through a Hub model – saving £330k**

This option proposes to retain the existing levels of service across the services providing day opportunities whilst merging the current Older People’s Day Centres (Lewis Place and New Rannoch). New Rannoch will be registered to provide 40 placements and a Community Hub model will be developed.

A Community Hub model will provide greater opportunity to ensure that individuals accessing the service have greater choice and control around what type of activity they wish to access and how this can be developed locally. An outreach service will be provided from the Community Hubs and this will support those



who are more able to access local groups, there will be an opportunity to develop integrated services so that individuals can access health professionals whilst at the hub. The proposed option will not affect the current transport provision for service users. Any changes will take into account individual choice and will be sensitive to the assessed needs of each individual.

**Option 2 – Closure of Lewis Place – saving £130k**

This option proposes the closure of the current service at Lewis Place with no merger with New Rannoch.

**Option 3 – Reduce day opportunity placements however continue providing day services from Gleneagles and New Rannoch with no outreach service or Community Hubs – saving £980k**

This option proposes the closure of current services delivered through Kinnoull, Strathearn, Blairgowrie and Lewis Place with no merger or formation of outreach to replace future services.

**Option 4 – Status Quo – saving £0**

This option would retain the current model of Day Services and maintain existing provision of service.

**3.2 What have people told us?**

There has been a **79%** response rate to the questionnaire with those who responded, confirming that, they value the support currently being provided within the centres (see Appendix 1). Feedback taken from the questionnaires, focus groups and 1:1 meetings with users identified the following:

- More access to flexible support with longer opening times.
- Greater choice of activities would be welcomed, both within the centres and locally within their communities.
- Availability of accessing information about what is taking place in local communities.

**3.3 Recommendation**

It is recommended that **Option 1** is the preferred option. Redesigning the model of delivery to become a Community Hub model will ensure that the Partnership can continue to offer support to those with complex social and health care needs. The hub will be regulated by the Care Inspectorate. This will ensure that we can provide the necessary personal care to meet individual needs and skills to promote independence as well addressing social isolation by giving the chance to meet other people.

**Option 1**, in line with the consultation and engagement from the survey with service users, will enable us to shape services so that we can;

- Give more access to flexible, personalised support with longer opening times
- Give a greater choice of activities, both within the centres and locally within their communities.
- Provide better access to information about what is taking place in local communities, including by exploiting new digital platforms

To achieve this, a two staged approach should be considered.

### **Phase 1**

Phase 1 of the approach will:

- Consolidate buildings and services by merging New Rannoch and Lewis Place day centres developing New Rannoch as a Community Hub and amending the care inspectorate registration to 40 from 20 places a day.
- Utilise existing staff vacancies as cost savings across current day services and remodel staff to ensure best value in terms of resources.

3.4 These proposals would achieve delivery of £330k of the Council approved saving by 31 March 2018. This will be achieved through the consolidation of buildings and services as part of Phase 1.

### **3.5 Phase 2**

Phase 2 of the transformation will continue to develop a Community Hub model within the remaining Day Opportunity services in Blairgowrie, Kinnoull, Parkdale and Wellbeing. It will support the development of a series of 'Joining in Groups', and will build upon the existing community based and other alternatives across Perth and Kinross. By doing this people will have greater choice in how they access their preferred options through Self Directed Support.

3.6 We will work with those who use and deliver services locally to develop an outreach service which will support individuals to access day services locally and in a way which is personalised to their needs. This phase of the implementation is directly linked to the Communities First project which aims to develop local resilience, where communities are actively involved in developing alternative support mechanisms. The approach will support a shift in public expectation from a needs led model where people fit into the service to one which is preventative and person centred.

- 3.7 New Rannoch will continue to expand a hub model during phase 2. The hub will link in with the Dementia Outreach model from the Carer's Support project and will develop further links with groups and day opportunities within the community. This will provide wider Dementia specific support to those in the community whilst retaining places in the centre for those with complex needs that require further support.
- 3.8 Phase 2 of the project will realise the remainder of the Council approved savings £74k by no later than 31 March 2019. The savings will be made through vacancy management and other efficiencies resulting from the development of a Community Hub model throughout Day Opportunity services.

#### **4. BENEFITS**

- 4.1 The benefits of taking a staged approach to the delivery of day services across Perth and Kinross are noted below. These are:
- To continue to provide a range of services that meet the needs of those who require social activities and personal care due to complex long term conditions.
  - Due to the close proximity of New Rannoch and Lewis Place Day Centres, the impact on those who use the service will be minimal.
  - There will be no reduction in Older People care hours as a result of the merger of New Rannoch and Lewis Place Day Centres.
  - The potential impact on staff will be reduced as staff from both current centres can work within the new Rannoch Community Hub (albeit with a reduced staffing complement) and existing vacancies across the service can be utilised to make savings.
  - There will be no further need for capital budget monies to renovate Lewis Place in line with the current requirements (£368k). This could be reallocated to cover the investment required at New Rannoch.
  - A Community Hub approach will ensure that day provision become aligned with localities and designed in a way which a focus on individual and community need.

#### **5. IMPACTS**

##### **5.1 Service delivery – Rannoch and Lewis Place**

The impact on service delivery will be minimal due to the low levels of occupancy currently within Older Peoples day provision. New Rannoch and Lewis Place Day Centres Service users will be supported to transition into their new environment and will access the same support they would have received had they remained in Lewis Place Day Centre.

## 5.2 Workforce

Through the redesign there will be a reduction of 11.73 WTE across the day care service. There are currently 6.64 WTE vacant posts due to low levels of occupancies with a potential of 5.09 WTE posts removed from the staffing establishment.

In order to maximise employability options for potentially affected employees the Perth and Kinross Council Framework for Managing Workforce Changes will be applied to ensure consistency and equity of approach. This approach includes seeking opportunities for retraining and redeployment across the Council through vacancy management as well as exploring options to voluntarily leave the organisation. This will include ongoing consultation with all affected staff and the recognised Trade Unions.

- 5.3 Following approval of the final recommendation by Integration Joint Board the Council will ensure that there will be extensive support for employees going through organisational change. This will assist them to consider their career options, including their transferrable skills. Proactive measures and support mechanisms will be put in place including, Learning and Development, coaching and mentoring opportunities, developing CV and interview skills and access to resilience training.

## Financial

### Phase 1

Savings Identified	
Description	£000's
Staff Savings	240
Supplies	28
Property	13
Third party Payments	63
Sub-total	344
less - outsourcing of catering	14
<b>Total Savings</b>	<b>330</b>

Note: Achieved by 31st March 2018

### Phase 2

£74k outstanding savings will be achieved by no later than 31st March 2019.

## 6. CONCLUSION AND RECOMMENDATION(S)

- 6.1 This report sets out the ambitions to modernise day care provision in Perth and Kinross and improve the choice and opportunities available to individuals. The proposed model aims to restructure the way in which day services are delivered in Perth and Kinross. It is intended that this model will ensure that service provision to those with complex care needs is retained whilst developing additional preventative and locality based services. The proposal

addresses the continuing financial pressures facing public sector services. The success of this proposal will be dependent on developing robust commissioning frameworks and strong partnerships to ensure the delivery of excellent social care services.

6.2.1 The Integration Joint Board is asked to.

- (i) Consider any comments from the Housing and Communities Committee, 20 September 2017
- (ii) Approve the recommended option 1 - Redesign of existing service provision across care groups to provide day opportunities and structured day care through a Hub model – saving £330k
- (iii) Direct the Chief Officer to report progress to the IJB in 12 months

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Karyn Sharp	Service Manager	KSharp@pkc.gov.uk
<b>Approval</b>		
Diane Fraser	Head of Adult Social Work and Social Care	DFraser@pkc.gov.uk

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
HSCP Strategic Commissioning Plan	<b>Yes</b>
Transformation Programme	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>Yes</b>
Risk	<b>Yes</b>
Other assessments (enter here from para 3.3)	<b>Yes</b>
<b>Consultation</b>	
External	<b>Yes</b>
Internal	<b>Yes</b>
<b>Legal &amp; Governance</b>	
Legal	<b>None</b>
Clinical/Care/Professional Governance	<b>None</b>
Corporate Governance	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

#### 1.1 Strategic Commissioning Plan

This report supports the following outcomes of the Community Plan / Single Outcomes Agreement in relation to the following priorities:

- (iii) Promoting a prosperous, inclusive and sustainable economy
- (iv) Supporting people to lead independent, healthy and active lives

#### Transformation Programme

1.2 This report forms part of the Council's Transformation Strategy 2015-2020.

### 2. Resource Implications

#### Financial

2.1 The approved Council savings of £702k were agreed as part of the budget setting process in February 2016. £298k has already been made as set out in 1.10 of the report. The majority of the remaining savings in the report will be delivered by March 2018 (£330k) with the balance (£74k) achieved by no later than 31 March 2019.

## 2.2 Workforce

The Corporate Human Resource Manager has been consulted in the preparation of this report. Human Resources have been involved in the engagement activity to date and in the preparation of different options in relation to the potential impact on the workforce.

Human Resources will continue to support consultation with staff and trade unions following Committee approval and during the implementation of the review.

Workforce planning measures will identify a range of opportunities for staff that may be displaced. These will include vacancies arising within Service, retraining or redeployment opportunities. The Council will also seek volunteers from within the relevant staff group who wish to leave the organisation.

Proactive measures will be taken to prepare and support staff during this change, including skills development and training, shadowing, interview skills training and early access to vacant posts.

## 3. **Assessments**

### 3.1 Equality Impact Assessment

Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

The Equality Impact Assessment undertaken in relation to this report can be viewed by clicking <http://www.pkc.gov.uk/EqIA>

This report has been considered under the corporate Equalities Impact assessment process (EqIA) in relation to 7.1, Age, 7.2 Disability and 3.5 Social Inclusion. The proposal is expected to deliver the following after implementation of this proposal:

- Community
- Consumption & Production
- Equality & Diversity
- Health & Well-Being
- Lifelong Learning

### Risk

- 3.2 The report is relevant in relation to Corporate Risk 4; Effectively Managing Changing Financial Circumstances. The proposal will ensure we manage these risks within to ensure our services as sustainable.

Other Assessments  
Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals.

The contents of this report have been considered under the Act; however, no action is required as the Act does not apply to the matters presented in this report.

Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:

- In the way best calculated to delivery of the Act's emissions reduction targets;
- In the way best calculated to deliver any statutory adaptation programmes; and
- In a way that it considers most sustainable.

No steps are required to be taken in this area.

**4. Consultation – Patient/Service User first priority**

4.1 External

Service Users, Carers and Health and Social care Partnership colleagues have been fully involved in the review and have had the opportunity to influence the shape of the option appraisal and recommendation

4.2 Internal

Staff, finance, HR and other support services have been fully involved in the preparation of the Option Appraisal  
Service Users, Carers and Health and Social care Partnership colleagues have been fully involved in the review and have had the opportunity to influence the shape of the option appraisal and recommendation

**5. Legal and Governance**

Legal

- 5.1 There are no direct legal implications resulting from this report.



### Clinical/Care/Professional Governance

- 5.2 There are no direct Clinical/Care/Professional Governance implications resulting from this report.

### Corporate Governance

- 5.3 There are no direct corporate governance implications resulting from this report.

## **6. Communication**

- 6.1 A communication and engagement plan has been developed to support the delivery of the review and will continue to be built upon during Phase 1 and Phase 2 of the transformation

## **7. BACKGROUND PAPERS/REFERENCES**

None

## **8. APPENDICES**

Appendix 1 – Staff and Service User Engagement



## Engagement

### Staff and Service User Engagement

- 1.1 Over the past year staff and people who use services have been providing feedback about current and future services and support. This engagement has included:
- **4** staff group presentations across Older People, Learning Disabilities and Mental Health Day Services teams.
  - **4** informal site visits by Project Manager and Transformation Service Manager.
  - **12** focus and project groups with staff and managers to encourage full discussion around current pressures, future model and new ways of thinking.
  - **9** 1:1 drop-in sessions for staff to discuss concerns, ideas and possible options to shape new model of delivery.
  - **1** staff development day across Older People, Learning Disabilities and Mental Health Day Services teams in the form of World Café event.
  - Attendance at staff meetings by Project Manager and Transformation Service Manager.
  - Informal bulletins.
- 1.2 Service users and their families have also been involved in discussions about current and future models of services and support, including:
- A survey was issued to **217** service users and carers to provide them with the opportunity to advise what is going well, where the current gaps are and what could be changed in the future to support greater choice.
  - Day service staff have provided 1:1 support to **72** service users to encourage completion and return of surveys.
  - **15** small centre-based focus groups have been held by staff with service users and carers to collate ideas and suggestions for input into the options appraisal.
  - Day Centre Managers have used the **5** Learning Disabilities Service Open days as opportunities to meet staff, Service Users and families to discuss vision and feed suggestions into the development of the final options appraisal.



**PERTH AND KINROSS INTEGRATION JOINT BOARD****26 SEPTEMBER 2017****REVIEW OF RESIDENTIAL CARE HOMES****Report by Chief Officer****PURPOSE OF REPORT**

This report asks for approval on the plans to consult with service users, carers and staff on options for the future of Council's residential care homes. This consultation will be carried out with a view to return with a recommendation following a full Options Appraisal and Impact Assessment completed after the consultation period in January 2018.

**1. BACKGROUND / MAIN ISSUES**

- 1.1 On 1 July 2015, the Council's Transformation was approved by Council (Report 15/292). It set out a programme of major projects that would deliver the next phase of organisational transformation, as part of public service reform and embracing change to put the Council in a strong position for the future.
- 1.2 As part of this strategy, a number of transformation reviews were agreed across community care services, including:
  - Review of Older People's Services
  - Communities First Transformation
  - Review of Community Care Packages
- 1.3 The Health and Social Care Partnership (H&SCP) are committed to developing services that enable people to live independently in their own home for as long as practicable. The Integration Joint Board commissions the Council to provide care home services and the Council delivers part of this through its own three residential care homes. To meet this requirement the Health and Social Care Partnership are developing integrated services at locality level to target resources to those who are most in need, to enable them to live at home for as long as possible.
- 1.4 To support the Perth and Kinross Health and Social Care Partnership's Strategic Vision, it has been necessary to review the residential care provision which is directly provided by the H&SC Partnership. There is evidence through the H&SC Partnership annual performance reports, that there is a reducing need for residential care as people remain at home for longer. The data points to a shift towards people requiring more twenty- four hour care in

their own home. There is a reduction in admissions to the Partnership's care homes, reduced occupancy and an increase in the number of people who receive the care at home service. This will only increase as the H&SC Partnership strategic aims are developed and implemented further, enabling people to remain in their community and independent for longer.

- 1.5 The three residential care homes in the Partnership are Parkdale in Auchterarder (South), Beechgrove in Perth (City) and Dalweem in Aberfeldy (North) and are all owned by the Council. The scope of this transformation does not include Dalweem Residential Care Home, as the home is subject to a separate review, examining the options for an integrated health and care resource.
- 1.6 This review of residential care homes is examining current use and options for developing locality based services which support choice and control for people living in their community and enabling them to live at home for longer. The success of this review is dependent on a number of projects and sits alongside the development of integrated care teams, enhanced community support and increased support to carers.

## 2. CURRENT RESIDENTIAL CARE PROVISION

- 2.1 Parkdale Residential Care Home is located in Auchterarder. It has a maximum occupancy of 40 beds and provides residential care and day opportunities. Due to the decrease in long term placements, the unit has also been used to provide short-term support to individuals in their community.
- 2.2 Beechgrove is located in Perth City and has a maximum registered capacity of 32 beds. The building has an upper floor, which is not suitable for residents with mobility issues, and requires modification. A capital budget of approximately £250k has been identified for modifications to ensure compliance with fire regulations.
- 2.3 Both Beechgrove and Parkdale care homes will require further upgrading to varying degrees as they are now over 25 years old. Residents in Beechgrove have no en-suite facilities however Parkdale residents do have en-suite toilet facilities in their rooms.
- 2.4 In the past 12 months both homes have been under occupied, with a current occupancy in terms of permanent residential placements of 64% and 75% respectively. Some of these vacant beds across the care homes are being utilised by people accessing short-term interim or crisis support, the levels of permanent residential placements are summarised below, along with total private care home availability and occupancy levels including residential and nursing placements.

Locality	Care Home	Registered Occupancy	Occupancy Levels	
			2016	2017
Perth	Beechgrove	32	92%	64%
South	Parkdale	40	89%	75%

Information correct as of 30 August 2017

Locality	Care Home	No. private beds in area	Average Occupancy
Perth	Private Sector	444	99%
South	Private Sector	424	92%

Information correct as of 30 August 2017

Current capacity across the private sector, residential and nursing care provision, continues to show availability to accommodate people who require permanent placements however, this fluctuates day to day. This data is taken from information given by care home providers on a weekly basis and shows that at present, the capacity for residential beds is approximately 28 in the private residential sector and 28 in the private nursing sector. It is anticipated that following approval to consult, the commissioning of nursing beds for residential use will be negotiated with care providers. We acknowledge our need to keep capacity within the nursing and residential care sector and we are monitoring this closely.

### **3. THE CASE FOR CHANGE**

- 3.1 The review of the Council's residential care homes has been influenced by a number of key issues which are summarised below.
- 3.2 This change is in line with the strategic aims of the Health and Social Care Partnership, which is committed to shifting the balance of care from bed-based models of care, to community resources with greater investment being put into care at home services and an increase in hours provided to support people to remain at home. It is also in line with what our communities have told us. Extensive consultation has been carried out as part of the preparation of the Health and Social Care Strategic Commissioning Plan 2016-19, including 'Join the Conversation'. During this consultation people told us they want to remain at home for as long as possible with the support needed to do this.

Section 2.4 provides an overview of the current occupancy and provision levels across residential and nursing care across Perth & Kinross. Over the past two years the number of people moving into permanent placements within the Council's care homes has been reducing, and the two homes have a current occupancy of 64% and 75% respectively whilst there remains capacity in the private sector.

- 3.3 The number of people receiving care at home increased from 1,391 in April 2016, to 1,560 in April 2017 and the number of people supported at home with technology enabled care increased from 1,296 in 2015/16, to 1,464 in 2016/17.
- 3.4 Analysis of the reasons why people can end up in residential care has highlighted that this is often due to family carer breakdown. In light of this, a transformation project is in place to radically improve the support we provide to family carers. The aim of this project is to increase the support for family

carers to help them maintain their caring role and thus avoid unnecessary residential placements.

- 3.5 We also have a range of other projects that will reduce our demand for care home beds. Our Discharge to Assess project will reduce the need for interim placements as it will support people from hospital to home while they await care. Our development of an intermediate care model will also reduce our need to use care home beds while people are waiting to return to their homes from hospital. We are also expanding our Technology Enabled Care project which we anticipate will enable more people to remain at home for longer.
- 3.6 People are choosing to access their support in different ways to enable them to stay at home for longer and this is reflected in the increasing number of people choosing to direct their own care through Self Directed Support (SDS) options 1 and 2<sup>1</sup>. (Increased from 11.7% in 2015/16, to 14.4% in 2016/17).
- 3.7 The average age of admission to a care home has been increasing and is currently 83. This indicates that people are being supported longer in their own homes. With more available local community health support people will be able to live at home longer.
- 3.8 When individuals have reached the stage of requiring admittance to a care home, our data suggests that they are more likely to require nursing care rather than residential care due to the complex nature of their health needs. Despite reduced numbers of beds the placement rate for residential care has remained relatively constant, increasing by approx. 2%. Nursing Care however has increased steadily and now has a higher placement rate
- 3.9 In summary, the Health and Social Care Partnership is committed to moving our resources increasingly to supporting people in their own homes, for as long as possible. This is in line with what our communities are telling us they want us to do. There is a clear preference for people to remain in their own homes with care at home support for as long as possible and there is a consistent decline in the use of the Health and Social Care Partnership's residential care homes. Finally, we have a range of other projects in place to support people for longer at home.

#### **4. PROPOSALS AND NEW MODEL OF CARE**

- 4.1 As explained, there is evidence that people are utilising 24 hour residential care later in life. As a result people are remaining at home with increased care and support needs. There is a requirement to shift the balance of care and as a result the reduction of residential care is dependent on other transformation programmes such as integrated locality working, redesign of care at home, community nursing and the review of community hospitals. The success of these transformation projects will see further reduction in occupancy levels in residential care across Perth and Kinross. There are also issues with the current care home buildings which are summarised above.

---

<sup>1</sup> Definition of SDS Option 2 – The individual directs the support to meet their needs, and the Council or another organisation will hold the budget for them.



- 4.2 Approved savings are to be delivered as part of this review and were agreed by the Council in 2015, and at the IJB, namely £696k to be delivered by March 2018.
- 4.3 To consider the current provision and deliver the savings required it will be necessary to undertake a consultation and engagement exercise. As part of an option development process, three options have been explored by the project team, which included taking on suggestions from the residential management team. At present there is only one option that has been explored in consultation with care home management that will deliver the savings in full.
- **Option 1** – Status Quo.
  - **Option 2** – Closure of Beechgrove and Parkdale Residential Care Homes with 50 replacement beds commissioned externally.
  - **Option 3** – Closure of Parkdale and retention of Beechgrove as Residential facility with 30 replacement beds commissioned externally.
  - **Option 4\*** – Closure of Beechgrove and retention of Parkdale as Residential and Intermediate Care facility. This option would keep Parkdale open but use part of its facility free to use as an Intermediate Care unit.

\*The idea behind this is to use Parkdale as a resource to support the reduction in our delayed discharge figures, keeping beds there free to take people from hospital who are medically fit for discharge but who are waiting for care at home support. This model would fit into our strategic priorities and there may be synergies as the review of community hospitals progresses. However, although this has been included at this stage, it would need to be explored further and this would not achieve the savings required.

- 4.4 The members is asked to comment on the period of consultation with service users, carers and staff on each of these options, with a preferred option being presented in January 2018 for final approval to complete the review.
- 4.5 At this stage only Option 2, will achieve the full savings attributed to the transformation however, consultation with stakeholders may provide alternative options for consideration. This is shown in appendix 2.

If following consultation, options 2, 3 or 4 are progressed, we will assess each resident individually. This will include taking into account the views of their families. In this way, we will take into account each person's choice if there is a requirement for them to move. We will also risk assess each person to ensure that if there is to be any change to their residency then it will be carried out appropriately. If following consultation any of the three options apart from the status quo are preferred, we will phase the move to new accommodation for residents over a transitional period of time, rather than make any sudden change.

## **5. BENEFITS**

5.1 The key benefits of the review are:

- A shift in the balance of care by enabling people to live at home for longer.
- Improved levels of occupancy rates for external residential providers.
- Improved delivery of alternative methods of enabling people to stay at home for longer utilising models such as Housing with Additional Support.
- Reinvestment into alternative supports at home and nursing care across the Partnership.
- Greater efficiency in the delivery of integrated services as a result of achieving more services for less cost.

## **6. WORKFORCE IMPLICATIONS**

6.1 There is 79 staff employed between the two care homes, 37 in Beechgrove and 42 in Parkdale.

6.2 The Perth and Kinross Council Framework for Managing Workforce Changes will be applied to ensure consistency, equity of approach and to prepare employees for change. This approach includes seeking opportunities for retraining and utilisation of Job Families to enable deployment of staff to areas where skills are needed. Vacancy management will be applied to vacant posts and options explored for staff to voluntarily leave the organisation. Consultation with all affected staff and the recognised Trade Unions will continue to take place.

6.3 Support will be provided for employees going through organisational change. This will assist them to consider their career options, including their transferrable skills. Proactive measures and support mechanisms will be put in place including, Learning and Development, coaching and mentoring opportunities, developing CV and interview skills and access to resilience training.

## **7. RISKS**

7.1 There is a risk that if there is a delay in consulting with key stakeholders around the future provision of 24-hour residential care, that Council and IJB approved savings of £696k will not be achieved by 31 March 2018.

## **8. CONCLUSION AND RECOMMENDATIONS**

8.1 This report summarises the activities undertaken to review two of the Council's residential care homes for older people.

8.2 Integration Joint Board is asked to:

- (i) Note the Council's agreement in 2015, which was subsequently approved by IJB, to review residential care homes and deliver £696k savings by 31 March 2018.
- (ii) Consider any comments from the Housing and Communities Committee, 20 September 2017.
- (iii) Approve the proposal to consult on the review of residential care services, as outlined in the paper.
- (iv) Request that the Chief Officer report the conclusions and recommendations of the consultation to the IJB

**Author(s)**

<b>Name</b>	<b>Designation</b>	<b>Contact Details</b>
Paul Henderson	Service Manager	PHenderson@pkc.gov.uk
<b>Approval</b>		
Diane Fraser	Head of Adult Social Work & Social Care	<a href="mailto:DFraser@pkc.gov.uk">DFraser@pkc.gov.uk</a>

**NOTE:** No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information), were relied on to any material extent in preparing this report.

## 1. IMPLICATIONS, ASSESSMENTS, CONSULTATION AND COMMUNICATION

<b>Strategic Implications</b>	<b>Yes / None</b>
HSCP Strategic Commissioning Plan	<b>Yes</b>
Transformation Programme	<b>Yes</b>
<b>Resource Implications</b>	
Financial	<b>Yes</b>
Workforce	<b>Yes</b>
<b>Assessments</b>	
Equality Impact Assessment	<b>Yes</b>
Risk	<b>Yes</b>
Other assessments (enter here from para 3.3)	<b>Yes</b>
<b>Consultation</b>	
External	<b>Yes</b>
Internal	<b>Yes</b>
<b>Legal &amp; Governance</b>	
Legal	<b>Yes</b>
Clinical/Care/Professional Governance	<b>None</b>
Corporate Governance	<b>None</b>
<b>Communication</b>	
Communications Plan	<b>Yes</b>

### 1. Strategic Implications

#### Strategic Commissioning Plan

1.1 This report supports the following outcomes of the Community Plan / Single Outcomes Agreement in relation to the following priorities:

- (iv) Supporting people to lead independent, healthy and active lives
- (v) Creating a safe and sustainable place for future generations

#### Transformation Programme

1.2 This report forms part of the Council's Transformation Strategy 2015-2020.

### 2. Resource Implications

2.1 The financial implications of this report are as follows

The financial savings were agreed as part of the budget setting process in February 2016. The report agreed a total of £696k with a delivery date of 31<sup>st</sup> March 2018.

## Workforce

- 2.2 Human Resources will continue to support consultation with staff and trade unions following Committee approval and during consultation of the options.

Workforce planning will identify a range of support measures for staff that are directly affected by the potential changes. These will include non-filling of vacancies arising within the Service, retraining and deployment opportunities arising from the application of Job Families: utilising skills where needed across the Council. The Council will also seek volunteers from within the relevant staff group who wish to leave the organisation.

Proactive measures will be taken to prepare and support staff during this change, including skills development and training, shadowing, interview skills training and early access to vacant posts.

## Asset Management (land, property, IT)

- 2.3 The Director (Environment) will be consulted on this proposal once the consultation on this proposal has been completed.

## **3. Assessments**

### Equality Impact Assessment

- 3.1 Under the Equality Act 2010, the Council is required to eliminate discrimination, advance equality of opportunity, and foster good relations between equality groups. Carrying out Equality Impact Assessments for plans and policies allows the Council to demonstrate that it is meeting these duties.

The Equality Impact Assessment undertaken in relation to this report can be viewed by clicking <http://www.pkc.gov.uk/EqIA>

This report has been considered under the corporate Equalities Impact assessment process (EqIA) in relation to 7.1, Age and 7.2 Disability. The proposal is expected to deliver the following after implementation of this proposal:

- (i) Assessed as **relevant** and the following positive outcomes expected following implementation:
- Consumption and Production
  - Equality and Diversity
  - Health & Wellbeing

### Risk

- 3.2 A risk analysis will be presented following the consultation on the proposals in this report.

Other Assessments  
Strategic Environmental Assessment

- 3.3 The Environmental Assessment (Scotland) Act 2005 places a duty on the Council to identify and assess the environmental consequences of its proposals. However, no action is required as the Act does not apply to the matters presented in this report. This is because the Committee are requested to note the contents of the report only and the Committee are not being requested to approve, adopt or agree to an action or to set the framework for future decisions.

Sustainability

- 3.4 Under the provisions of the Local Government in Scotland Act 2003 the Council has to discharge its duties in a way which contributes to the achievement of sustainable development. Under the Climate Change (Scotland) Act 2009 the Council also has a duty relating to climate change and, in exercising its functions must act:
- In the way best calculated to delivery of the Act's emissions reduction targets;
  - In the way best calculated to deliver any statutory adaptation programmes; and
  - In a way that it considers most sustainable.

No steps are required to be taken in this area.

**4. Consultation**

Internal

- 4.1 Residential care staff have been involved in the development of the options.

External

- 4.2 This report seeks authorisation to consult more widely with residents, families and private sector care homes across Perth and Kinross on the options being proposed.

**5. Legal and Governance**

Legal

- 5.1 The Head of Legal and Governance Services has been consulted in relation to this report. The proposals set out in the report are compatible with the legal framework relating to the provision of community care services.

### Clinical/Care/Professional Governance

- 5.2 There are no direct Clinical/Care/Professional Governance implications resulting from this report.

### Corporate Governance

- 5.3 There are no direct corporate governance implications resulting from this report.

## **6. Communication**

- 6.1 A communication plan has been developed to support engagement to date and future consultation activity.

## **2. BACKGROUND PAPERS**

None.

## **3. APPENDICES**

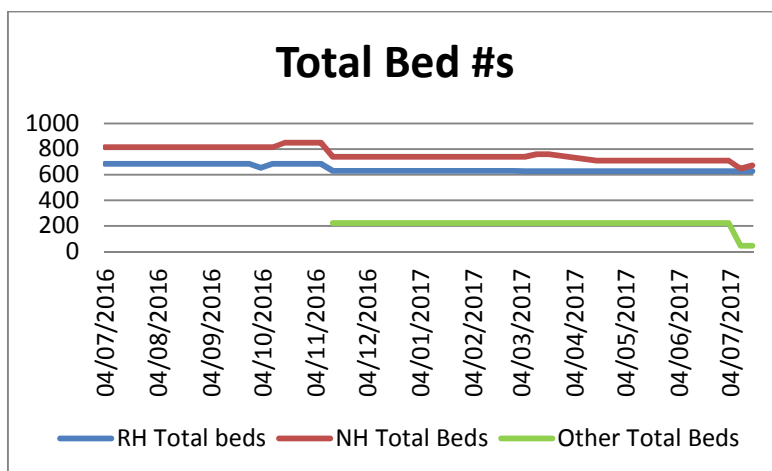
Appendix 1 – Care homes in Perth and Kinross  
Appendix 2 – Savings Achievable - LA Care Home





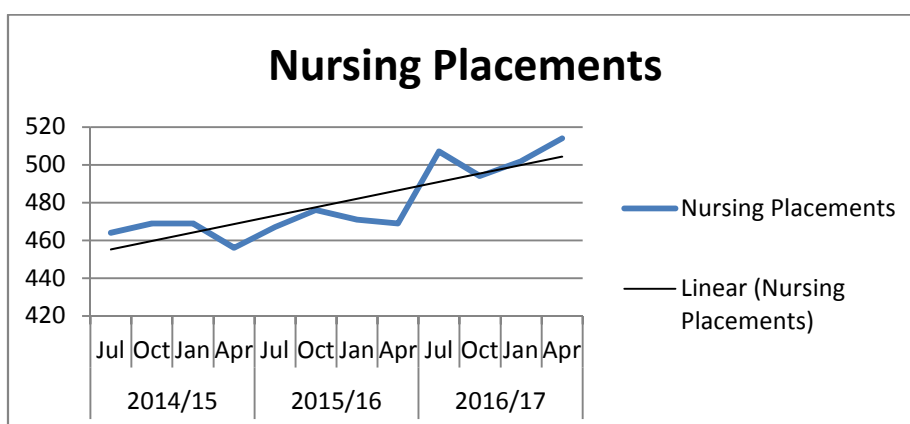
Perth and Kinross Care Homes' Overview

Over the last 12 months there has been a change in trend with regards to Care Home Occupancy in Perth and Kinross.

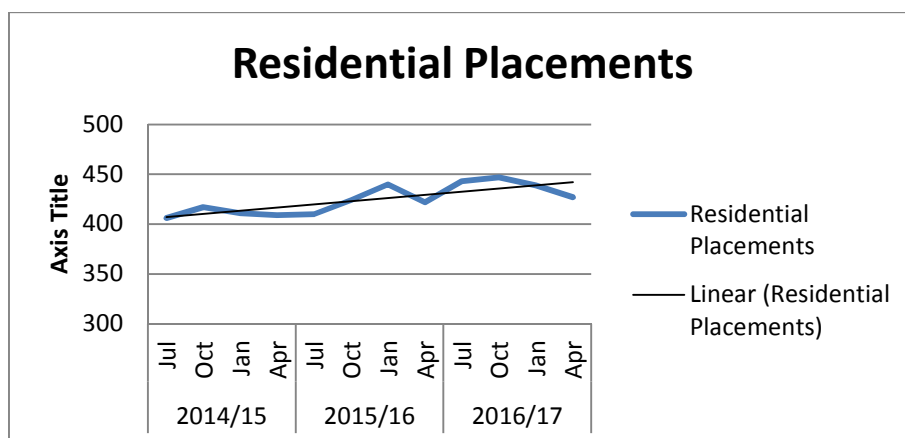


\*Table 1: Total beds in care homes across Perth and Kinross July 2016- July 2017

The table above shows the decline in the total number of beds throughout Perth and Kinross for Residential Care, Nursing Care and Other 24hour care. This would be indicative of a lack of demand for this kind of care, despite an increasing older demographic.



\*Table 2: Nursing Home placements across Perth and Kinross July 2014- April 2017



\*Table 3: Residential placements across Perth and Kinross July 2014- April 2017

The tables above demonstrate the changing needs of the Perth and Kinross population. Despite reduced numbers of beds the placement rate for residential care has remained relatively constant, increasing by approx. 2%. Nursing Care however has increased steadily and now has a higher placement rate.

**Savings Achievable - LA Care Home (Beechgrove & Parkdale)****Based on 2017/18 Budgets**

	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
	<b>Closure of 2 homes</b>	<b>Closure of Parkdale</b>	<b>Closure of Beechgrove</b>
	50 Care	30 care	20 care
	Home Beds	Home Beds	Home Beds
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Beechgrove (Net Budget)	707	0	707
Parkdale (Net Budget)	1,015	1,015	0
	<b>1,722</b>	<b>1,015</b>	<b>707</b>
<i>Less:</i>			
Replacement Care Beds	950	570	380
<b>Available Savings Target</b>	<b>772</b>	<b>445</b>	<b>327</b>

