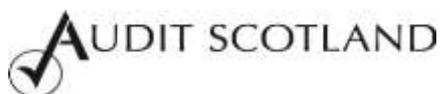




ADDITIONAL GUIDANCE ON ACCOUNTING
FOR THE
INTEGRATION OF HEALTH
AND SOCIAL CARE

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The members of LASAAC are volunteers representing the funding bodies or participating as appointed or co-opted members. LASAAC is primarily concerned with the development and promotion of proper accounting practices for Scottish local authorities. A key task in achieving this is LASAAC's contribution to the development of the 'Code of Practice on Local Authority Accounting in the United Kingdom' ('the Code').

Further information about LASAAC can be obtained at <http://www.cipfascotland.org.uk/technical/lasaac.cfm>

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Integration of Health and Social Care: Background

1. The integration of health and social care services under the terms of the [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) and associated [secondary legislation](#) is a significant undertaking for both Scottish local government and Scottish NHS Boards.
2. The integration of services has mainly been undertaken through the creation of Integration Joint Boards (IJBs). IJBs are specified in legislation as 'section 106' bodies under the terms of the [Local Government \(Scotland\) Act 1973](#)¹. Consequently IJBs are required to prepare their annual accounts in compliance with proper accounting practices as defined by section 12 of the Local Government in Scotland Act 2003 including the Code of Practice on Accounting for Local Authorities in the United Kingdom, mandatory guidance from LASAAC, and statutory guidance from the Scottish Government.

Existing Guidance on Financial Reporting for Integration

3. The [Integrated Resource Advisory Group](#) (IRAG) issued guidance on financial aspects of the integration process in 2015. This includes initial example accounts for an IJB and also jointly developed LASAAC-TAG² Guidance regarding the principles and expectations relating to financial reporting requirements. A copy of the LASAAC-TAG Guidance is also available separately from the LASAAC website since it has been omitted from later versions of the IRAG Guidance.
4. This mandatory guidance from LASAAC should be read in conjunction with, and with reference to, the guidance identified above. The IRAG Guidance, particularly the illustrative annual accounts portion, was prepared prior to, and in preparation for, more detailed guidance. Where this guidance differs from the IRAG guidance it will generally override and supersede the IRAG requirements. In some cases this is specifically stated.
5. This paper is an updated version of LASAAC guidance which was issued for the 2015/16 financial year. It was subsequently revised for 2016/17 to implement additions and clarifications where necessary. Minor amendments were also made for 2017/18. Additional areas of guidance have been added for 2018/19.

Objective of the Guidance

6. A number of stakeholders in Scottish local government financial reporting identified areas where detailed guidance would be of assistance. Consequently this guidance was originally developed in September 2015 to support consistency of treatment, and appropriate financial reporting for integration in both IJB and local authority accounts. LASAAC thanks all those who have contributed to the development of this guidance.
7. This guidance does not address the accounting requirements for the 'lead agency' model of integration.
8. LASAAC anticipates that this guidance will continue to be reviewed and either updated or replaced as integration arrangements develop. This current edition was revised for 2018/19 application following development by a stakeholder working group, LASAAC consideration and a public consultation process.
9. This guidance is issued as mandatory LASAAC guidance. It does not override the requirement for financial statements to provide a 'true and fair view'. Therefore, where

¹ Section 106 of the 1973 Act was amended by section 13 of the Public Bodies (Joint Working) (Scotland) Act 2014

² TAG is the Technical Accounting Group which has oversight of the development of accounting guidance for Scottish NHS Boards.

necessary, departure from this guidance may occur in order to provide a true and fair view. In addition, this guidance includes a number of recommendations. Where an IJB chooses not to follow a particular recommendation, that does not represent non-compliance with the guidance.

Areas Addressed by the Guidance

10. Areas where additional guidance was considered to be beneficial, both for IJB and local authority annual accounts, were identified. This guidance considers:

IJB Running Costs
Remuneration Reports in the IJB and Local Authority Partner
Presentation in the Local Authority Comprehensive Income and Expenditure Statement (CIES)
Management Commentary
IJB Comprehensive Income and Expenditure Statement (CIES)
Related Party Disclosures
Application of Statutory Mitigation
Cash & Cash Equivalents
Local Authority: Offsetting of Debtor and Creditor Balances with the IJB
IJB Balance Sheet and Movement in Reserves Statement (MiRS)
Treatment of over and under spends
Presentation of a 'net liability' (negative reserves) position
Hosted services
Set Aside Arrangements
Earmarked elements of General Fund balances
Critical Judgements
Arrangements for agreeing balances and transactions

IJB Running Costs

11. The IRAG Guidance refers to the 'operational budget', which is interpreted as encompassing the cost of IJB management and governance as well as the actual commissioning expenditure for service delivery. In order to avoid confusion this guidance will draw a distinction between these cost elements by using the following terminology:

- **IJB Running Costs:** the costs of running (or operating) the IJB itself, being distinct from service commissioning expenditure. Typically IJB running costs will include the supply of staff and services by the partners.
 - The [IRAG Guidance](#) (page 53 para 5.2.1) provides examples including: the costs of the IJB Chief Officer and Chief Financial Officer; financial support services (eg ledger, expenses processing); planning services (eg costs of data & analysis), human resources advice (eg re the CO), communication and engagement cost (eg in securing public engagement); and administrative support (eg accommodation, records management etc).
- **IJB Service Commissioning Expenditure:** the funding provided to the partners to deliver services.

12. In relation to IJB running costs the LASAAC-TAG accounting paper included in the IRAG guidance stated "It is anticipated, unless there are grounds for rebuttal, that IJB operating costs will include the cost of services provided by the partners."
13. Costs relating to the overheads required by partners to provide the services commissioned by the IJB are not regarded as IJB running costs. These service delivery overheads may include human resources, payroll, payment of suppliers, financial monitoring, information technology systems and accommodation. Where the partner contributions included allowance for these costs, the IJB service commissioning expenditure for each partner will include an element to cover these overheads. Where these service delivery overheads were not included in the partner contributions the service delivery overheads will be retained by the partners and not routed through the IJB.

Grossing Up of Expenditure and Income

14. Staff and services to support the IJB, for example IJB ledger and financial services or preparation of the Strategic Plan, may be provided by a local authority partner. Where a reduction in the partner contribution is agreed as compensation or consideration for the provision of the services, the authority's partner contribution in the IJB accounts should be grossed up with the cost of the services recognised as IJB running costs to balance this.
15. A similar approach should be adopted in the local authority's accounts, that is, to gross up the authority's contribution and to separately show the consideration received, if the amount is considered material for the authority.

Services Provided as a Non-Exchange Transaction (Services in Kind)

16. The only situation where partner provided services supporting the IJB would not be anticipated to feature in the IJB accounts would be where there is clear evidence that the support or services have been provided free of charge by a partner in a non-exchange transaction³. In a situation where the support is provided as a 'service in kind' there is no requirement for the IJB to recognise the value of services received as expenditure by the IJB⁴.
17. If an authority provides services to the IJB on this basis it is important that evidence to support the treatment as 'free of charge' is retained, for example the minutes of a committee meeting authorising the non-compensated provision of services. Additionally evidence detailing the calculation of the authority's contribution to the IJB should be retained.
18. An assessment of whether a VAT liability will arise for the IJB from a non-exchange transaction will be necessary since irrecoverable VAT borne by the IJB should be treated as expenditure⁵. Practitioners should refer to formal VAT guidance received⁶.

³ The Code of Practice 2018/19 2.7.1.1 requires compliance with IAS 18 Revenue and IPSAS 23 Revenue from Non-Exchange Transactions (Taxes and Transfers). For an explanation of non-exchange transactions see IPSAS 23 paras 8 to 11.

⁴ IPSAS 23 paragraph 98 states in relation to services in kind "An entity may, but is not required to, recognize services in-kind as revenue and as an asset." Paragraphs 99-103 provide more details.

⁵ See the Accounting Code of Practice 2018/19 2.9.2.7

⁶ This includes a letter from HMRC to Ernst and Young LLP dated 28 November 2016. This covered a number of scenarios relating to staff. It also re-stated the view that the IJB Chief Officer is employed under a special legal regime and that this is outside the scope of VAT. A further letter dated 11 May 2017 clarified that, subject to certain criteria, back office support

19. Where services are provided as 'services in kind' and the provision is regarded as material to the IJB, it is recommended that the IJB discloses the arrangement in a narrative note to the annual accounts explaining the nature and extent of the support. Equally, if material to the authority, the authority may also disclose the arrangement.

Remuneration Reports in the IJB and Local Authority Partner

20. Both the IJB and local authority partners are required to comply with the [Local Authority Accounts \(Scotland\) Regulations 2014](#) (SSI 2014/200). The Schedule included in the regulations specifies the contents of the Remuneration Report. The Scottish Government has also issued guidance on the Remuneration Report in [Finance Circular 8/2011](#).

21. The following guidance is intended to assist stakeholders in the interpretation of the requirements however this guidance should not be regarded as a definitive interpretation of the legal requirements.

22. The following specific categories of individuals are considered:

- Voting Board Members
- The IJB Chief Officer
- Other officers (including the IJB Chief Financial Officer)

Voting Board Members

23. [SSI 2014/285](#) relates to the operating arrangements for IJBs.

24. Voting IJB Board members are defined in section 1 (2) and, in summary, constitute councillors nominated as board members by constituent authorities and NHS representatives nominated by the NHS Board.

25. Non-voting IJB Board members include the Chief Officer of the IJB, a chief social work officer (of an authority), the Chief Financial Officer (s95⁷) of the IJB, a registered medical practitioner (primary care), a registered nurse and a registered medical practitioner (non-primary care).

Voting Board Members: Definition of Relevant Person

26. It is considered that voting board members do not meet the definition of a 'relevant person' under the legislation (see Appendix A). In relation to the treatment of joint boards however [Finance Circular 8/2011](#) states that best practice is to regard convenors and vice-convenors as equivalent to Senior Councillors⁸.

27. The Chairperson and the Vice-Chairperson of the IJB should therefore be included in the IJB remuneration report.

functions could "fall outwith the scope of VAT". One of the criteria is that "supply is one of 'back office' type services, not one of staff and not related to the delivery of health or social care."

⁷ As required by [section 95 of the Local Government \(Scotland\) Act 1973](#)

⁸ See para 13 & 14 of [Finance Circular 8/2011](#) which includes "In the interest of transparency and in recognition that these council members act in a senior capacity best practice is to treat any Convenor and any Vice-Convenor as a Senior Councillor for remuneration disclosure purposes."

Voting Board Members: Remuneration

28. It is understood that, in most IJBs, voting IJB Board Members are not normally expected to receive remuneration such as allowances from the IJB (see Appendix A). Expenses may however be paid⁹. Where these are not chargeable against income tax they would not be required to be included in the Remuneration Report.
29. In the event that a voting Board member is remunerated by the IJB it should be noted that the contractual liability for employer pension contributions is considered to rest with the partner organisation, since the IJB is not expected to be a member or scheduled body of a pension scheme. An IJB is not required to recognise a pension liability for voting Board members on its balance sheet, unless the IJB has entered into a formal agreement to accept ongoing pension liabilities for the voting Board members, rather than just fund the current employer's contributions.

Voting Board Members: Suggested Treatment

30. Based on the above it is suggested that the Remuneration Report should include the following:
- The names and partner organisations of the Chairperson and Vice-Chairperson.
 - The report may voluntarily disclose the names and partner organisations of the other voting Board Members.
 - A statement, if applicable, that the IJB does not pay allowances or remuneration to voting board members but that voting board members are remunerated by their relevant IJB partner organisation. This could include reference to whether the IJB pays non-taxable expenses. Quantification would not be considered to be necessary.
 - In the event that the Chair and Vice-Chairperson do receive remuneration as defined by the Remuneration Report regulations (see Appendix A) which includes taxable expenses, disclosure of the remuneration specific to the IJB in the form required by the [Local Authority Accounts \(Scotland\) Regulations 2014](#) (SSI 2014/200) is required.
31. Disclosures required may potentially include related pension remuneration. Quantitative information should be disclosed in the remuneration report. The Remuneration Report should however include, where applicable, an explanation to the effect that the statutory liability for pension contributions rests with the relevant partner organisation. Where applicable the disclosure should note that on this basis there is no pensions liability reflected on the IJB balance sheet for voting Board members.

IJB Chief Officer

32. The appointment of an IJB Chief Officer (CO) is required by section 10 of the [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) which includes the statement "An integration joint board is to appoint, as a member of staff, a chief officer"¹⁰.
33. The IJB however is not empowered to directly employ the Chief Officer. The contract of employment must be with one of the partner organisations¹¹ Scottish Ministers may, by

⁹ Per [SSI 2014/285](#) section 16

¹⁰ Per sub-section 1 of section 10

¹¹ Per sub-sections 3 & 4 of section 10

order¹², allow direct employment by the IJB but, at the present date, this power does not appear to have been exercised.

34. The indirect nature of the IJB Chief Officer employment requires some judgement regarding the application of the Remuneration Report requirements¹³. It is considered that, given the specific legal requirement to appoint a Chief Officer and the special legal regime that applies to the employment contract arrangements, for the purposes of the Remuneration Report the IJB Chief Officer should be regarded as an employee of the IJB.

IJB Chief Officer: Definition of Relevant Person

35. On the basis that the Chief Officer is effectively an employee of the IJB, the Chief Officer is a 'relevant person' (see Appendix B). All IJBs followed that approach in 2016/17.

IJB Chief Officer: Definition of Remuneration

36. The definition of remuneration given in the regulations¹⁴ is noted in Appendix A. The application of this and the resultant disclosures required by the regulations are not anticipated to give rise to specific difficulties except in relation to pensions.

37. The contractual liability for employer pension contributions is considered to rest with the partner organisation which is the contractual employer, unless the IJB has entered into a formal agreement to accept ongoing pension liabilities for the Chief Officer rather than just fund the current employer's contributions. Where the formal responsibility for the Chief Officer's pension liability rests with the contractual employer it is not anticipated that the IJB will show a pension liability for the Chief Officer on the IJB balance sheet.

38. LASAAC considers that the IJB remuneration report should present the remuneration received by the Chief Officer in their role as Chief Officer for the IJB. On this basis:

- In the possible situation where the IJB CO post is not a full time post, only the remuneration related to the IJB post should be included in the remuneration report.
- The full remuneration the Chief Officer receives for their employment as IJB CO should be reflected in the IJB's remuneration report. This is consistent with the 'special legal regime' application accepted by HMRC for VAT purposes¹⁵. This treatment is also consistent with the consideration that the primary responsibility of the IJB CO is to the IJB Board. Any responsibility that the IJB CO has towards the funding partner organisations is ancillary to (i.e. is contingent and dependent upon) their appointment by, and responsibility to, the IJB.
- The pension entitlement related to the IJB role should be disclosed in the IJB remuneration report, even where the IJB has not entered into a formal agreement accepting ongoing responsibility above the funding of current employer contributions. This is on the basis that while the IJB may not be responsible for the liability, the benefits have been earned as a consequence of undertaking the role of the IJB CO.

¹² Per sub-section 5 of section 10

¹³ Per [Local Authority Accounts \(Scotland\) Regulations 2014](#) (SSI 2014/200)

¹⁴ Per [Local Authority Accounts \(Scotland\) Regulations 2014](#) (SSI 2014/200) Schedule section 1

¹⁵ A letter from HMRC to Ernst and Young LLP dated 28 November 2016 re-stated the view that the IJB Chief Officer is employed under a special legal regime and that this is outside the scope of VAT.

- If the contractual employer of the IJB CO is a local authority and, in the possible event that the IJB CO is a 'relevant person' for the authority, the local authority should present the full remuneration (100%) of the person. A note should be provided identifying the fact that a proportion of the total remuneration is funded by the IJB. LASAAC does not anticipate that it will be common for an IJB CO to be a 'relevant person' for a local authority.

39. The IJB Remuneration Report should include an explanation to the effect that

- the Chief Officer is regarded as an employee of the IJB although their contract of employment is with the local authority / NHS Board
- the post is funded by the IJB
- where applicable, the statutory responsibility for employer pension liabilities rests with the employing partner organisation
- where applicable, the remuneration report presents the pension entitlement attributable to the post of the IJB CO but that the IJB has no formal ongoing pension liability. Instead the IJB will be expected to fund employer pension contributions as they become payable during the Chief Officer's period of service. The disclosure should note that on this basis there is no pensions liability reflected on the IJB balance sheet for the IJB CO.

40. It is not anticipated that a VAT liability will arise for the IJB from the arrangements for the appointment of the Chief Officer. This is based on a letter from HMRC to Ernst and Young on 28 November 2016¹⁶. This recognises that the arrangement is a 'special legal regime' and is outside the scope of VAT. In the unexpected situation that an irrecoverable VAT liability does arise, the Code requires this should be treated as expenditure¹⁷.

Other Officers and Staff

41. The appointment of non-voting board members is specified in [SSI 2014/285](#) (see paragraph 25 above for examples).
42. The services of an IJB Chief Financial Officer (CFO) have to be secured under the requirements of [section 95 of the Local Government \(Scotland\) Act 1973](#). Other staff employed by the partner organisations may also provide services to the IJB.
43. Other officers and staff are not regarded as employees of the IJB. The regulations¹⁸ however state (bold emphasis added) that a 'relevant person' includes any "senior employee employed by the local authority **or holding office** with that authority". Therefore direct employment status is not the only consideration to take into account.
44. This will require the IJB to assess the status of IJB post holding officers in relation to whether the definition of 'senior employee'¹⁹ is met. See Appendix C for a copy of the

¹⁶ This covered a number of scenarios relating to staff. It also re-stated the view that the IJB Chief Officer is employed under a special legal regime and that this is outside the scope of VAT.

¹⁷ See the Accounting Code of Practice 2018/19 2.9.2.7

¹⁸ The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) Schedule (definitions section – relevant person)

¹⁹ The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) Schedule (definitions section – senior employee)

criteria which in summary relate to (a) the role of the post; or (b) whether the post is politically restricted; or (c) the level of remuneration.

45. Section 95 officers (IJB CFOs) may meet the criteria. (see Appendix C).
46. On this basis the CFO could meet the definition of a relevant person and be included in the Remuneration Report. 23 IJBs included the CFO as a relevant person in 2016/17. Other officers and staff may also meet the definition.
47. Remuneration for such officers, including that paid by the employing partner for the performance of IJB related tasks, may also feature in the remuneration report of the employing partner. It may however be noted that this would require the definition to be met, independently, for each organisation.
48. An assessment of whether a VAT liability will arise for the IJB from the activities of staff employed by partners will be necessary since irrecoverable VAT borne by the IJB should be treated as expenditure²⁰. Practitioners should refer to formal VAT guidance received²¹.

Pay Band Disclosures

49. The Remuneration Report requirements include²² disclosure of pay band information. Where there are no other staff members than those disclosed as a 'relevant person' the provision of a specific table may be unnecessary. In that event a note should be provided to the effect that "Pay band information is not separately provided as all staff pay information has been disclosed in the information above".

Management Commentary

50. Scottish local government bodies are required, by [The Local Authority Accounts \(Scotland\) Regulations 2014 \(SSI 2014/200\)](#)²³, to provide a Management Commentary. The detailed statutory requirements are detailed in [Finance Circular 5/2015](#) and based on Companies Act legislation and Financial Reporting Council (FRC) guidance. It combines aspects of both a Strategic Report and Directors' Report.
51. Reference to the detailed requirements and associated guidance will be required however the following summarises key elements of the Management Commentary:
 - It should provide users of the accounts with an understanding of the IJB
 - It must contain:
 - A fair review of the IJB's business which is balanced and comprehensive
 - A description of the principal risks and uncertainties facing the IJB
 - Where necessary for an understanding of the IJB's business it must contain:
 - Analysis of financial key performance indicators

²⁰ See the Accounting Code of Practice 2018/19 2.9.2.7

²¹ This includes a letter from HMRC to Ernst and Young LLP dated 28 November 2016. This covered a number of scenarios relating to staff. It also re-stated the view that the IJB Chief Officer is employed under a special legal regime and that this is outside the scope of VAT.

²² See section 6 of the Schedule to SSI 2014/200.

²³ See also [Finance Circular 7/2014](#)

- Analysis of other key performance indicators. LASAAC considers that hyperlinking to another document (i.e. signposting) is not sufficient, in itself, to address this requirement.
- The main trends and factors likely to affect the future of the IJB's business, including:
 - a description of the IJB's strategy²⁴
 - a description of the IJB's business model²⁵
- The inclusion of other items of strategic importance that would be in a Directors' Report, including significant events, future developments and unusual or atypical transactions.

Presentation in the Local Authority Comprehensive Income and Expenditure Statement (CIES)

52. The LASAAC-TAG Guidance concluded that the IJB was acting as principal in its own right. This conclusion led to the guidance that an authority's contribution to IJB funding should be treated as a distinct and separate transaction from the commissioning income received, and the subsequent service expenditure incurred by the authority.
53. The consequence of this is that the local authority's gross expenditure and gross income has increased, although the net expenditure may remain relatively stable (dependent on the net difference between the contribution made and the commissioning income received).
54. The segmental analysis requirements for the CIES are based on the organisation's management reporting and resource allocation arrangements. Consequently the previous specification that applied in 2015/16, for a separate line for the 'Contribution to the IJB' does not apply.

IJB Comprehensive Income and Expenditure Statement (CIES)

55. IJBs, as local government bodies under the terms of the [Local Government \(Scotland\) Act 1973 section 106](#), are required to comply with proper accounting practices²⁶, including the Code of Practice on Local Authority Accounting in the United Kingdom. This includes the provision of a Comprehensive Income and Expenditure Statement (CIES)²⁷.
56. The segmental reporting requirements for the CIES are based on the organisation's management reporting and resource allocation arrangements²⁸. Consequently the

²⁴ The Scottish Government guidance also refers to the FRC's [Guidance on the Strategic Report \(June 2014\)](#).

²⁵ In addition to the Scottish Government guidance reference to [Business model reporting \(FRC, October 2016\)](#) and [Business model reporting; Risk and viability reporting Where are we now?](#) (FRC, October 2018) may be useful

²⁶ Per [Section 12 of the Local Government in Scotland Act 2003](#)

²⁷ This overrides the 'Statement of Income and Expenditure' as shown in the IRAG Guidance illustrative accounts.

²⁸ See the Accounting Code of practice 2018/19 para 3.4.2.38 (a) which includes for the CIES "Authorities shall present the service analysis on the basis of the same segmental structure as the Expenditure and Funding Analysis...", see also the segment reporting requirements (3.4.2.92-3.4.2.97) and the Expenditure and Funding Analysis requirements: (3.4.2.98-3.4.2.102)

service (segment) lines shown in the CIES need to be determined based on each IJB's arrangements.

57. In accordance with the Code of Practice²⁹ where the number of segments in the Expenditure and Funding Analysis, and therefore the CIES, is greater than ten, the IJB should assess whether a practical limit has been reached. Judgements made in determining the number of segments may be required to be disclosed.
58. Unhypothecated funding received by the IJB, which primarily consists of partner funding contributions, should be presented as 'Taxation and Non-specific grant income and expenditure', not as service related income³⁰. This also applies to any 'set aside' element for large hospital services on the basis that the utilisation of the underlying resources is within the remit of the IJB's commissioning decision. An analysis of the items included within Taxation and Non-Specific Grant Income should be provided, either on the face of the CIES or in a disclosure note.
59. Where there is an explicit notification that elements of the income are received in return for the provision of a specific service this should be presented as income on the relevant service line. This may apply to elements of partner contributions where the funding is hypothecated or ring-fenced i.e. to be used for a specific service. Examination of the terms and conditions stated in documentation accompanying and related to partner contributions and other income sources³¹ will be required.

IJB: Annual Performance Report

60. It should be noted that the [Public Bodies \(Joint Working\) \(Content of Performance Reports\) \(Scotland\) Regulations 2014 \(SSI 2014/326\)](#) requires a specific analysis of expenditure incurred by the IJB. IJBs will therefore need to ensure that this analysis can be provided. There is no specific requirement to provide this analysis in the IJB annual accounts, but voluntary disclosure may be considered.

Related Party Disclosures

Local Authority Related Party Disclosures

61. The Accounting Code Of Practice states³² that a related party relationship exists if "one entity is an associate or joint venture of the other entity". On this basis the IJB is a related party of the local authority.
62. The disclosure requirements of the Accounting Code of Practice are amended for some public sector bodies, however this is not regarded as significantly affecting the disclosures required³³.

²⁹ See the Accounting Code of Practice 2018/19 3.4.2.97

³⁰ This supersedes the presentation suggestion shown in the IRAG Guidance illustrative accounts which indicates treatment as service income.

³¹ The recognition of grants and other contributions is specified in the Accounting Code of Practice 2018/19 section 2.3

³² See Accounting Code of Practice 2018/19 3.9.2.7

³³ See Accounting Code of Practice 2018/19 3.9.4.5. which states "The disclosure requirements of paragraph 3.9.4.1 do not apply to related party transactions with central government departments, government agencies, NHS bodies and other local authorities." The Code does however require some disclosures "in sufficient detail to enable users of the

63. Related party disclosures for IJBs, unless immaterial, are therefore anticipated to feature in local authority annual accounts. Related party disclosures normally relate to transactions, such as income received, and the balances at the year end, such as any funding still due to the IJB. The disclosure note could include, where applicable and material:

- the contribution made to the IJB
- the commissioning income received from the IJB
- any creditor balance with the IJB, for example funding still due to the IJB
- any debtor balance with the IJB
- details of support provided for IJB operation, both 'services in kind' and those charged for

IJB – Related Party Disclosures

64. The Accounting Code of Practice requirements also apply to the IJB. The IJB should disclose:

- the contributions received from each partner
- the commissioning expenditure provided to each partner
- other material transactions (e.g. services in kind or expenditure on operating support received)
- amounts incurred by the IJB for the provision of key management personnel³⁴
- any other material disclosures required by the Accounting Code of Practice.

65. In relation to amounts incurred by the IJB for the provision of key management personnel this includes non-voting Board members where the funding partners charge the IJB for the officers' services. This is on the assumption, which may be rebutted, that these officers meet the definition of 'key management personnel'³⁵.

66. Where such a disclosure is required it is recommended that, for confidentiality reasons, the amount of charge from each funding partner is shown in aggregate for all officers meeting the definition³⁶. The officer posts included within the total charge for each partner should be disclosed. This does not require specific names.

Application of Statutory Mitigation

67. The practical application of statutory mitigation to the IJB is extremely limited. In particular IJBs do not generally

- hold property, plant & equipment which is subject to depreciation or impairment
- hold intangible assets which are subject to amortisation

reporting entity's financial statements to understand the effect of related party transactions on its financial statements". Therefore even if 3.9.4.5 applies there may be little difference to the actual disclosures.

³⁴ See Accounting Code of Practice 18/19 para 3.9.4.2, see also 3.9.4.3 which indicates that aggregation is permitted within certain criteria

³⁵ See Accounting Code of Practice 18/19 para 3.9.2.2 which includes the requirement that the person has "authority and responsibility for the planning, directing and controlling of the activities of the authority, including the oversight of these activities."

³⁶ As supported by the Accounting Code of Practice 18/19 para 3.9.4.3

- show a pension liability on the balance sheet (unless the IJB has entered a formal agreement to accept pension liabilities)
- hold complex financial instruments affected by statutory mitigation

68. Where an IJB anticipates that statutory mitigation will be relevant the underlying legislation should be reviewed prior to reliance being placed on its applicability to the IJB. The Accounting Code of Practice Appendix B includes details of statutory mitigation legislation.

69. Potentially the treatment of the Chief Officer as an employee for Remuneration Report purposes may, assuming CO costs are treated as employee costs of the IJB, lead to the need for the calculation of liabilities for short-term paid (compensated) absences, which would be subject to statutory mitigation under [Finance Circular 2/2018](#), which indicates that the mitigation extends to IJBs³⁷.

70. It is not anticipated that the value of accumulated absences for the IJB would be material. Finance Circular 2/2018 allows, but does not require, the statutory mitigation to be applied.

71. Where an IJB has no statutory adjustments, an Expenditure and Funding Analysis will not be required.

Cash & Cash Equivalents

72. IJBs do not normally hold cash or operate bank accounts. Instead each partner utilises its committed funding contribution under the direction of the IJB, for example by making payments to staff and suppliers providing services to or for the IJB.

73. Where the IJB underspends for the financial year, dependent on the Integration Scheme and the risk sharing arrangements in place, it should recognise a debtor rather than a cash balance. The debtor represents the amount of funding contribution retained by each partner that has not yet been used by the IJB.

74. The practical effect is that accounting entries that would normally involve cash (e.g. debit cash, credit income) should instead involve the debtor (e.g. debit debtor, credit income). An underspend (i.e. income exceeding expenditure) would also lead to a balance on the general fund which is matched by the debtor.

75. LASAAC considered that presentation of a 'cash and cash equivalent' in such a situation was unlikely to be appropriate since it is not anticipated that the partners will ring-fence and separately manage the cash balance still available to the IJB.

³⁷ Finance Circular 2/2018 indicates that it applies to "a council constituted under section 2 of the Local Government etc. (Scotland) Act 1994 (c.39). It includes a regional transport partnership and other bodies as set out in section 106 of the Local Government (Scotland) Act 1973".

Section 14 of the Local Government in Scotland Act 2003 states "This Part of this Act applies also to those bodies to which Part VII (finance) of the 1973 Act applies by virtue of section 106(1) of that Act (application to committees, joint committees and joint boards the members of which are appointed by local authorities and to charities etc. the trustees of which are local authorities or their members)."

Section 13 of the [Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#) amends s106 (1) of the 1973 act to include IJBs.

76. The IJB is therefore unlikely to present a cash and cash equivalent figure on its balance sheet. Where there is no Cash and Cash Equivalents figure at any point during the year a Cash Flow Statement is not required.

Local Authority: Offsetting of Debtor and Creditor Balances with the IJB

77. At the end of the financial year the local authority is likely to have accruals relating to services which have been commissioned by the IJB. Debtors relating to service income may exist, as well as creditors for employee costs, payments due to care providers and other items. The authority will reflect these debtors and creditors on its balance sheet.

78. Where the related services were commissioned by the IJB for the financial year, the authority may need to reflect the amount of money due from (or to) the IJB in respect of the accruals made. For example where it has creditors of £1m for commissioned services, the IJB may be obliged as at 31 March to pay for these services.

79. In such a situation consideration may be given as to whether the amount of IJB payment outstanding (eg a debtor on the local authority balance sheet) can be offset against any funding contribution still due to the IJB (a creditor on the local authority balance sheet).

80. The Accounting Code of Practice does not normally permit offsetting of assets and liabilities³⁸. It is however permitted in some circumstances³⁹ summarised as where:

- There is a legal right to offset, and
- The intention is to settle on a net basis (or realise the asset & settle the liability simultaneously)

81. Local authorities may therefore wish to investigate whether there is a legal right of offset. This may potentially be identified in partnership arrangement documents, such as the Integration Scheme. Where a legal right of offset is considered to exist and the council wishes to offset the debtor and creditor balances, this will require evidence that the right and the intention for net settlement both exist as at 31 March. In such a case the local authority would show the net funding due to the IJB, after having deducted any accruals related to commissioned services provided on or before 31 March.

82. It would be consistent with this approach for the IJB presentation of balances to reflect the local authority's treatment. This should be agreed as part of the process for agreeing transactions and balances.

83. The Accounting Code of Practice specifies disclosures relating to offsetting arrangements where they are material⁴⁰. Based on the application of materiality a short statement noting the offsetting treatment is expected to suffice. Quantification is not anticipated unless it is considered material to a true and fair view of the financial position, performance and cash flows of the reporting entity (NB the IJB is not expected to have cash flows, unless it operates a Bank Account or cash holding).

IJB Balance Sheet and Movement in Reserves Statement (MiRS)

84. If there are no values in the IJB's balance sheet or MiRS, for both the current year and comparative year, these statements should not be presented. An explanatory note to this effect should be provided.

Treatment of Over and Under Spends

³⁸ Accounting Code of Practice 2018/19 para 3.4.2.28

³⁹ Accounting Code of practice 2018/19 para 7.3.5.1

⁴⁰ Accounting Code of Practice 2018/19 para 7.3.2.8

85. The treatment of an over or under spend by an IJB should be in accordance with its Integration Scheme. This will influence the governance processes and the accounting treatment.

Governance

86. Any changes to funding contributions must be in accordance with the Integration Scheme, which may require a formal approval process (eg committee paper and consideration or vote) by the IJB, the NHS Board and the Local Authority to be undertaken.

87. Any changes to commissioning expenditure must be accompanied by a direction from the IJB, in line with the required formal approval process or delegated powers for this.

Accounting Treatment

88. Appendix D indicates scenarios that may arise in terms of over / underspends and how these should be treated. Different governance and procedural methods may arise as noted above. For the identified scenarios (A and B) the two different treatments are:

A. Contribution Adjustment

89. Where the following is undertaken in accordance with the terms of the Integration Scheme, the arrangements may result in:

- The funding contribution from one or more partners being formally varied or adjusted at the year end
- The commissioning expenditure provided to one or more partners being varied or adjusted at the year end, via the issue of an additional direction to the partner

Implications Of Using Method A – Contribution Adjustment

90. Potentially the commissioning expenditure in the IJB will reflect the true underlying cost of providing the Integrated Services for the area, if commissioning expenditure is adjusted to equate to partner spending on services.

91. The change in contributions required to address any over or underspends may not be transparent or evident in the IJB annual accounts.

92. The cost pressures or other factors which caused the difference from the original planned contributions may not be fully explained in the IJB accounts

93. The agreement and finalisation of formal funding and commissioning expenditure adjustments may extend the time required to close the accounts.

B. No Contribution Adjustment

94. Where the funding responsibility for an overspend is wholly with the overspending partner, or any underspend is wholly retained by the partner, there may be no adjustments to either the funding contribution or the commissioning expenditure in the IJB accounts

Implications Of Using Method B – No Contribution Adjustment

95. This potentially will not reflect the true underlying cost of providing Integrated Services for the area. To do so would require knowledge of the over and under spends of each partner.
96. The cost pressures or other factors which caused the difference from the original planned expenditure by each partner may not be fully explained in the IJB accounts
97. The finalisation of transactions and balances for the IJB's comprehensive income and expenditure statement and balance sheet is likely to be expedited.

Transparency of Costs and Funding of Integrated Services

98. Integration schemes and local arrangements for addressing over or under spends will differ between integration authorities. The financial statements within the annual accounts of an IJB are required to provide a 'true and fair view' of the position for that IJB, which does not require direct comparability of data for each IJB.
99. There is no accounting requirement in the Accounting Code of Practice to provide specific further analysis. It is recommended that IJBs however give consideration to whether the users of the annual accounts would be assisted by the provision of the following information in the Management Commentary:
 - The initially agreed funding from each partner
 - Changes in the budgeted funding contributions analysed to show:
 - Additional funding, which was not provided by the Scottish Government, to address pressures (eg due to demand and costs)
 - Reductions in funding
 - Additional funding provided to partners by the Scottish Government and passed on to the IJB
 - Other changes to partner funding
 - The final budget for the use of, or contribution to, reserves compared to that originally planned
 - An analysis of variances arising for the IJB from the reported IJB outturn compared to the final budget
 - An analysis of any variances which have been retained by the funding partners (eg where a commissioned service was over or under spent and this has not been absorbed by the IJB).
100. The above would be helpfully accompanied by clear and concise explanatory text for material items.
101. Where material changes or variances have arisen an explanation in the Annual Governance Statement of the governance implications may be appropriate.

Addressing a 'Net Liability' (Negative Reserves) Position

102. Where an accumulated deficit on the general fund (i.e. a negative reserve) arises it is anticipated that an IJB will make every effort to remedy the funding situation in year to prevent this position arising.
103. Where this is not possible, and the general fund presents an accumulated deficit at the year end, the financial statements should include appropriate explanatory information. This may include:
 - Management Commentary: A clear explanation of the causes of the position, the implications for current and future service delivery, and financial recovery plans

- Annual Governance Statement: An indication of any governance implications, including any areas identified for improvement and planned amendments to governance arrangements
- Balance Sheet: A disclosure, or cross reference to the Management commentary, concerning the interpretation and significance of the net liability position.
- Reserves: An explanation of the negative balance, cross referenced to the Management Commentary where appropriate.
- Significant Judgements⁴¹: Explicit commentary on the basis for reliance on the 'going concern' principle.

104. In addition, Audit Scotland has advised external auditors to:

- consider an emphasis of matter paragraph in the independent auditor's report
- discuss with Audit Scotland whether a statutory report should be considered.

105. With reference to the use of reserves to fund expenditure, LASAAC reminds IJBs that direct reserve accounting (i.e. the direct charging of expenditure to the general fund in the MiRS) is prohibited⁴². All operational income and expenditure must be recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.

Hosted Services

106. An IJB which manages services for members of another IJB's population will assess whether it is acting as agent or principal following the requirements of the Accounting Code of Practice⁴³. The assessment should be based upon the practices undertaken during the financial year. The IJB should verify that the practices in place are in accordance with the Integration Scheme.

107. The Code of Practice references *IFRS 15 Revenue from Contracts with Customers* which provides specification on assessing agency or principal status in Appendix B B34-B38. This includes a requirement for an entity to:

- "assess whether it controls (as described in paragraph 33) each specified good or service before that good or service is transferred to the customer."
- For the local government context, the Code refers to 'customer' as a service recipient.

108. A key consideration is therefore whether the entity controls or directs the services being provided. This assessment may be regarded as a significant one, and disclosure of the judgement in a 'significant judgements' note⁴⁴ could be anticipated. An explanation of the implications of the arrangements may also be relevant in the Management Commentary and the Annual Governance Statement.

109. Where the IJB determines that it is acting as principal it will incorporate the expenditure incurred, and any relevant funding partner contributions, in its CIES (and Expenditure and Funding Analysis if it needs one). Separate identification of such amounts, either on the face of the tables or in disclosure notes, should be provided.

⁴¹ See Accounting Code of Practice 2018/19 para 3.4.2.88

⁴² See Accounting Code of Practice 2018/19 para s 2.1.2.28-29 (income and expenses definitions); 3.4.2.9 and 3.4.2.12 (definition of SDPS and OCI); and 3.4.2.387 (a) criteria of Comprehensive Income and Expenditure Statement

⁴³ See Accounting Code of Practice 2018/19 Section 2.6.

⁴⁴ See Accounting Code of Practice 2018/19 para 3.4.2.88

110. Where the IJB determines it is acting as agent the relevant expenditure, and related funding, should be excluded from the CIES.
111. An IJB which manages services for members of another IJB's population should liaise with that IJB in regard to agency or principal determination, to ensure consistency of treatment in both accounts.
112. An IJB where services for its population are managed by another IJB, and that other IJB regards itself as acting as principal for those services, should disclose this fact. Disclosure in a 'significant judgements' note⁴⁵ could be anticipated. An explanation of the implications of the arrangements may also be relevant in the Management Commentary and the Annual Governance Statement.

Set Aside Arrangements

113. Set Aside Arrangements are anticipated to vary, in terms of progress towards full implementation, between IJBs.
114. The Scottish Government may issue specific formal directions regarding arrangements for the end of the financial year. Where these exist IJBs are expected to comply with the requirements.
115. In respect of Set Aside arrangements the annual accounts should provide a clear explanation of the progress to date towards full implementation. This may include reference in the following:
- Management Commentary: A statement of progress achieved in the year to full implementation of the requirements.
 - Annual Governance Statement: An indication of any governance implications, including areas identified for improvement and planned amendments to governance arrangements
 - Comprehensive Income and Expenditure Statement: An explanation of the figures included in the CIES for Set Aside.
 - Significant Judgements⁴⁶ : An explanation of any significant judgements made regarding set aside.
 - Assumptions about the future and other major sources of estimation uncertainty⁴⁷: An explanation of any estimation uncertainty regarding the resources utilised by the IJB population.

Earmarked elements of the General Fund balance (Risk Management Arrangements)

116. The Code of Practice requires a number of disclosures concerning reserves, including an analysis of the movement in each earmarked element of the General Fund balance⁴⁸, subject to appropriate aggregation and materiality consideration.

⁴⁵ See Accounting Code of Practice 2018/19 para 3.4.2.88

⁴⁶ See Accounting Code of Practice 2018/19 para 3.4.2.88

⁴⁷ See Accounting Code of Practice 2018/19 para 3.4.2.90

⁴⁸ See Accounting Code of Practice 2018/19 3.4.2.59

117. IJBs are expected to provide a statement on their reserves policy. This should include an explanation of the policy regarding any contingency element of reserves, the purpose(s) of any earmarked elements, and changes to the policy affecting the current or future years.
118. A review of CIPFA's [LAAP bulletin 99: local authority reserves and balances](#) may be helpful in developing explanatory text.
119. The explanation would appropriately be consistent with, and mutually cross-referenced to, any explanation of the IJBs financial risk management arrangements disclosed in the Management Commentary and/ or Annual Governance Statement.

Significant Judgements Disclosure

120. As noted above a disclosure of significant judgements is required⁴⁹. This disclosure may include, but is not limited to:
- The treatment of Set Aside arrangements
 - The treatment of hosted services managed by the IJB.
 - The treatment of services managed on behalf of the IJB by another IJB

Arrangements for Agreeing Balances and Transactions

121. Co-operation and collaboration between all parties is an important element of the annual accounts and audit process. LASAAC notes that the original LASAAAC-TAG guidance stated:

"It is anticipated that partners will include financial information regarding the IJB in their annual accounts. Local government and Health Boards have different timetable arrangements for the closure and audit of their financial statements. Consequentially, in the interests of collaborative working, it is considered that:

- The necessary financial and non-financial information will be required by a mutually agreed date that allows Health Boards to meet their statutory obligations.
- All the parties involved will need to ensure that arrangements are made to provide and agree this information by the agreed date. This should include the confirmation of inter-party transactions, balances and accounting treatment.
- Undertaking this activity should be regarded as a key responsibility for all the CFOs of the relevant parties.
- It is recommended that arrangements are implemented to review and agree balances and transactions on a regular basis during the financial year, not just at the year end."

⁴⁹ See Accounting Code of Practice 2018/19 para 3.4.2.88

APPENDIX A: REMUNERATION REPORT – VOTING BOARD MEMBERS

Voting Board Members: Definition of Relevant Person

1. In respect of whether voting Board members meet the definition of a 'relevant person'⁵⁰ the regulations refer to:
 - a. Leader of the Council: "means the convener of a local authority elected in terms of section 4(1)(election of convener)(4) of the Local Government etc. (Scotland) Act 1994 or such other councillor as that local authority decides has the title of Leader of the Council for the purposes of payment of remuneration;"⁵¹. By this definition it is considered that it is unlikely that there will be a Leader of the Council for an IJB.
 - b. Civic Head : "means the depute convener of a local authority elected in terms of section 4(2) of the 1994 Act or such other councillor as that local authority decides has the title of Civic Head for the purposes of payment of remuneration;"⁵². By this definition it is considered that it is unlikely that there will be a Civic Head of the IJB.
 - c. Senior Councillor: "means, for the purpose of payment of remuneration, a councillor who is designated as such by the local authority of which that person is an elected member;"⁵³. By this definition it is considered that it is unlikely that there will be a Senior Councillor of the IJB.

Voting Board Members: Definition of Remuneration

2. The Remuneration Report regulations⁵⁴ define remuneration as meaning:

".. salary, fees and bonuses, whether paid to or receivable by a person, by or from a local authority or local authority subsidiary body, and includes sums paid or due by way of expenses allowance (so far as those sums are chargeable to United Kingdom income tax) and the estimated monetary value of any other benefits received by a person otherwise than in cash, and—

 - (a) includes any sum paid as compensation for loss of employment or termination of a contract for provision of services; but
 - (b) excludes any sum that has been paid by the local authority or local authority subsidiary body as a contribution to the person's pension;"

⁵⁰ As defined in SSI 2014/200 Schedule (1)

⁵¹ As defined in section 3 of SSI 2014/200

⁵² as defined in [Local Governance \(Scotland\) Act 2004 \(Remuneration\) Regulations 2007](#) (section 2)

⁵³ as defined in [Local Governance \(Scotland\) Act 2004 \(Remuneration\) Regulations 2007](#) (section 2)

⁵⁴ Per [Local Authority Accounts \(Scotland\) Regulations 2014](#) (SSI 2014/200) Schedule section

APPENDIX B: REMUNERATION REPORT – CHIEF OFFICER

IJB Chief Officer: Definition of Relevant Person

1. In respect of whether the IJB Chief Officer meets the definition of a 'relevant person'⁵⁵ the regulations refer to the following :
 - a. A senior employee (a)⁵⁶ : "responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority..". This is considered to apply to the Chief Officer.
 - b. A senior employee (b)⁵⁷: "...holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989". In summary this relates to the head of the paid service, statutory officers and non-statutory chief officers. This is considered to apply to the Chief Officer.
 - c. A senior employee (c)⁵⁸: whose annual remuneration (on a full time equivalent basis) is £150,000 or more. This criteria will depend on local remuneration arrangements.
 - d. An employee of a local authority subsidiary⁵⁹ (Chief Executive of subsidiary &/or those with annual remuneration > £150,000 (pro rata). This is not considered to apply for the IJB.

⁵⁵ As defined in SSI 2014/200 Schedule (1)

⁵⁶ See SSI 2014/200 Schedule (1) for more details

⁵⁷ See SSI 2014/200 Schedule (1) for more details

⁵⁸ See SSI 2014/200 Schedule (1) for more details

⁵⁹ See SSI 2014/200 Schedule (7) for more details

APPENDIX C: REMUNERATION REPORT – IJB CHIEF FINANCIAL OFFICER

Chief Financial Officer (CFO) Status

1. In relation to the CFO the 1973 Act s95 states “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that the proper officer of the authority has responsibility for the administration of those affairs”.
2. This does not require the officer to be an employee of the body their services are secured for. For example s95 officers for the Police and Fire Joint Boards were not normally employees of the Joint Board.
3. Additionally there is no requirement to ‘appoint’ the CFO to a post, rather the requirement is to ‘make arrangements’ and ‘secure’ the services of an appropriate individual. This is regarded as distinct and different to the need to ‘appoint’ an IJB Chief Officer (CO) to a post.
4. The regulations relating to the Remuneration Report⁶⁰ state that a ‘relevant person’ includes any “senior employee employed by the local authority or holding office with that authority”. Therefore direct employment status is not the only consideration to take into account.
5. This will require the IJB to assess the status and role of the IJB CFO in relation to whether they are a senior employee.
6. The definition in the schedule states a senior employee is one:
 - a) who has responsibility for management of the local authority to the extent that the person has power to direct or control the major activities of the authority (including activities involving the expenditure of money), during the financial year to which the Report relates, whether solely or collectively with other persons;
 - b) who holds a post that is politically restricted by reason of section 2(1)(a), (b) or (c) of the Local Government and Housing Act 1989; or
 - c) whose annual remuneration, including any annual remuneration from a local authority subsidiary body, is £150,000 or more.
7. In relation to criteria (a) the IJB may need to assess whether fulfilling the role of IJB CFO is a full time office, or whether their involvement is less intensive and more restricted in the power to control IJB activities.
8. In relation to criteria (b) The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) Schedule (definitions section) and the underlying legislation⁶¹ should be considered.

⁶⁰ The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) Schedule (definitions section)

⁶¹ Politically restricted posts are specified in the [Local Government and Housing Act 1989 Section 2](#) (see specifically sub-section 6(d) which includes “... or for the purposes of section 95 of the Local Government (Scotland) Act 1973, for the administration of the authority’s financial affairs.”

9. In relation to criteria (c) the definition of 'remuneration' and 'annual remuneration' provided in The Remuneration Report requirements⁶² should be considered.

Section 21 (2) of the 1989 Act relates to the interpretation of Part 1 (i.e. the part cited above) and states: (continued in footnote of next page)

"Any reference in this Part to a local authority is, in relation to Scotland, a reference to a [council constituted under [section 2 of the Local Government etc. \(Scotland\) Act 1994](#)] or a [joint board within the meaning of section 235\(1\) of the Local Government \(Scotland\) Act 1973](#)."

This may therefore not include IJBs which are local government bodies under [section 106 of the Local Government \(Scotland\) 1973 Act](#) (as amended by [section 13 of the Public Bodies \(Joint Working\) \(Scotland\) Act 2014](#))

⁶² Per [Local Authority Accounts \(Scotland\) Regulations 2014](#) (SSI 2014/200) Schedule section 1

APPENDIX D: ACCOUNTING TREATMENT OF OVER AND UNDER SPENDS

Accounting Treatment Scenarios (Impact in IJB Accounts)

	<u>Description</u>	<u>Method A – Contribution Adjustments</u>		<u>Method B – No Contribution Adjustments</u>	
		<u>Funding Contribution(s) (Note 1)</u>	<u>Commissioning Spend (Note 2)</u>	<u>Funding Contribution(s) (Note 1)</u>	<u>Commissioning Spend (Note 2)</u>
<u>A</u>	<u>Underspend retained by partner</u>	<u>Reduced</u>	<u>Reduced</u>	<u>No change</u>	<u>No change</u>
<u>B</u>	<u>Overspend borne by partner</u>	<u>Increased</u>	<u>Increased</u>	<u>No change</u>	<u>No change</u>
<u>The following scenarios are treated identically under Method A or B</u>					
<u>C</u>	<u>Underspend retained by IJB</u>	<u>No change</u>	<u>Reduced</u>	<u>No change</u>	<u>Reduced</u>
<u>D</u>	<u>Overspend borne by IJB</u>	<u>No change</u>	<u>Increased</u>	<u>No change</u>	<u>Increased</u>
<u>E</u>	<u>Overspend by one partner to be borne by both partners (risk sharing / shared funding responsibility)</u>	<u>Increased</u>	<u>Increased (for the overspending partner)</u>	<u>Increased</u>	<u>Increased (for the overspending partner)</u>
<u>F</u>	<u>Underspend by one partner to be shared by both partners (risk sharing / shared funding)</u>	<u>Reduction</u>	<u>Reduced</u>	<u>Reduction</u>	<u>Reduced</u>

NOTES: _____

- 1. Any changes to funding contributions must be in accordance with the Integration Scheme, which may require a formal approval process (eg committee paper & consideration / vote) by the IJB, the NHS Board and the Local Authority to be undertaken.**
- 2. Any changes to commissioning spend must be accompanied by a direction from the IJB, in line with the required formal approval process or delegated powers.**