



Midlothian
Health & Social Care

Midlothian Integration Joint Board (IJB) Audited Annual Accounts 2025/26

The Annual Accounts of Midlothian Integration Joint Board for the period from 1 April 2025 to 31 March 2026, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2025/26.

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Audit Arrangements

Under arrangements approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of Midlothian Integration Joint Board for the period 1 April 2025 to 31 March 2026 is Audit Scotland, 102 West Port, Edinburgh EH3 9DN.

Section 1 – Management Commentary

Section 1.1 – Management Commentary Introduction

The management commentary considers the work and financial performance of Midlothian Integration Joint Board (MIJB) during the financial year 2025/26. It provides an overview of the role, remit, objectives, and the strategy of the Board.

The role and responsibilities of the IJB

The MIJB is an Integration Authority set up under the Public Bodies (Joint Working) (Scotland) Act 2014.

We plan for the delivery of functions that have been delegated to us by Midlothian Council and NHS Lothian. These are:

- Adult Social Care (including Criminal Justice)
- Primary Care (GP Practices, Community Dentists, Community Pharmacies and Community Opticians)
- Mental Health
- Physical and Learning Disabilities
- Community Health
- Community Hospital
- Unscheduled Care (generally delivered from the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital).

We assumed strategic formal responsibility for these functions in April 2016 including managing the budgets to deliver them.

The fourth Strategic Plan for 2025-2035 was approved and published in November 2025.

Our Vision and Objectives

The Scottish Government measures our performance on Health and Wellbeing Outcomes.

National Health & Wellbeing Outcomes

1		Health & Wellbeing People are able to look after and improve their health and wellbeing and live in good health for longer.
2		Living in the Community People are able to live, as much as possible, independently and at home or in a homely setting in their community.
3		Positive Experiences & Dignity People who use health & social care services have positive experiences of those services, and have their dignity respected
4		Quality of Life Health & social care services help to maintain or improve the quality of life of people who use those.
5		Health Inequalities Health & social care services contribute to reducing health inequalities.
6		Support for Carers People who provide unpaid care are supported to look after their health and wellbeing.
7		Safe from Harm People using health & social care services are safe from harm.
8		Workforce Staff are engaged with their work and are supported to continuously improve the information, support, care, and treatment they provide.
9		Use of Resources Resources are used effectively and efficiently.

We also measure our performance against the objectives in our Strategic Plan.

The [Midlothian Integration Joint Board Strategic Plan 2025–2035](#), published in November 2025, sets out the long-term vision and priorities for integrated Health and Social Care across Midlothian. Developed in partnership with Midlothian Council, NHS Lothian and local communities, the Plan provides the overarching strategic framework for how the IJB will plan services, allocate resources and deliver improved health and wellbeing outcomes. Covering the period from November 2025 and subject to formal review every three years, the Strategic Plan underpins the IJB’s financial planning arrangements, including the annual budget setting process, the Medium-Term Financial Strategy, and the issuing of Directions to partner organisations, which translate strategic priorities into operational and financial commitments.

The Strategic Plan is centred on three core strategic aims:

- supporting people to stay well and prevent ill health
- ensuring access to care and support in the community and at home
- promoting people’s rights through person-centred and equitable services

These priorities directly inform decisions on the allocation of the IJB’s integrated budget and the prioritisation of investment across services. The Plan explicitly recognises that available resources are not expected to keep pace with increasing demand driven by population growth, demographic change and complexity of need. As a result, the IJB must make difficult financial choices, including service redesign and reprioritisation, to ensure resources are used to achieve best value and deliver sustainable outcomes.

In this context, the Strategic Plan outlines a programme of transformation focused on prevention, early intervention and shifting the balance of care towards community-based provision. This approach is intended to improve long-term financial sustainability by reducing reliance on more costly acute services and enabling more effective use of limited resources. The Plan also highlights the constraints of annual funding settlements from partner bodies, which create challenges for longer-term financial planning and require ongoing review of priorities and resources. The Strategic Plan therefore also plays a critical role in linking financial planning, service delivery and performance management, ensuring that the IJB’s resources are aligned with its strategic objectives and national outcomes while maintaining financial balance over the medium to long term.

Section 1.2 – Annual Performance Report - Operational Performance

During 2025/26, Midlothian Integration Joint Board worked in a challenging environment where demand for health and social care continued to grow faster than the resources available. More people needed support, and many people had more complex needs than in previous years. This placed pressure on community health services, social care, care at home, care homes, learning disability services, prescribing and hospital pathways.

The story of performance during the year is therefore not a simple one of success or decline. It is a story of a system under pressure, but also one that continued to adapt. The Partnership focused on protecting essential services, supporting people to remain at home where this was safe, reducing avoidable hospital use, improving pathways through care, and beginning the longer-term transformation needed to make services more sustainable.

There were areas of progress. Performance improved in several important indicators, including emergency bed days, care inspection outcomes, adults with intensive care needs supported at home, delayed discharge, and time spent at home or community setting in the last six months of life. These improvements suggest that work to strengthen community-based care, improve flow, and support more people at home is beginning to have an impact.

However, the performance picture also shows where the system remains under strain. Some measures of people's experience of care and support declined or showed limited improvement, particularly for adults supported at home and unpaid carers. This is important because it shows that while operational performance has improved in some areas, people's experience of accessing and receiving support is not yet where the IJB wants it to be.

This mixed picture reflects the reality of delivering health and social care in Midlothian during 2025/26. Progress was made, but it was made in a context of rising demand, workforce constraints, financial pressure and increasing complexity. The IJB recognises that improvement must continue to focus not only on activity and system flow, but also on the quality, consistency and experience of care for people and carers.

The Strategic Plan approved during the year provides a clear framework for this work. Its focus on prevention, early intervention, care closer to home and person-centred support shaped the Partnership's priorities during 2025/26 and will continue to guide improvement and transformation in future years.

What we delivered during the year

The Partnership delivered progress across a number of priority areas. This work was not limited to individual projects; it reflected a wider shift in how services are planned and delivered, with greater emphasis on prevention, improved pathways and better use of data and partnership resources.

Strengthening Community-Based Care and Prevention

- Expansion of home-first and anticipatory care approaches, supporting more people to remain safely at home and avoid unnecessary hospital admission.
- Continued development of multi-disciplinary community teams, improving coordination of care and enabling more timely, person-centred support.
- Increased focus on preventative interventions, including falls prevention, wellbeing support, and early identification of risk, helping to reduce deterioration and crisis presentations.
- Enhanced support to care homes, including clinical input, workforce support, and use of digital tools to improve resident care and reduce avoidable escalation.

These approaches align with wider system evidence demonstrating the benefits of community-first models in reducing hospital demand and improving outcomes.

Service Transformation and Pathway Redesign

- Redesign of key care pathways, improving flow through services and reducing duplication between Health and Social Care provision.
- Implementation of integrated assessment and triage processes, enabling people to access the right support more quickly.
- Development of unscheduled care pathways, supporting more effective management of demand across acute and community settings.
- Progression of primary care improvement initiatives, strengthening the resilience and sustainability of community-facing services.

Improving Quality and Safety

- Targeted quality improvement programmes have strengthened care planning, documentation, and risk assessment, addressing areas of identified variation.
- Enhanced governance and oversight arrangements have supported greater consistency in service delivery and clearer accountability.
- Learning from reviews, complaints, and audits has been embedded into practice, supporting continuous improvement across services.

Digital Innovation and Data

- Increased use of digital consultations and virtual support models, improving access and flexibility for service users and staff.
- Expansion of data sharing and reporting tools, supporting more informed decision-making and improved performance management.
- Use of technology to support care delivery, particularly within care homes and community settings, enabling more proactive and preventative care.

Partnership and System Working

- Continued strengthening of integration across NHS, local authority, and third sector partners, enabling more joined-up services.
- Development of collaborative approaches to service delivery, including joint planning, shared resources, and coordinated responses to system pressures.
- Active participation in regional and national programmes, ensuring alignment with wider system priorities and access to shared learning.

Hosted Services

The Midlothian Partnership continues to play a key role in delivering hosted services on behalf of partner organisations and the wider system.

Over the past year, hosted services have:

- Delivered specialist services at scale, supporting multiple Partnerships and ensuring equitable access to high-quality provision
- Enabled greater consistency in care and practice, through shared standards, expertise, and governance arrangements
- Improved efficiency and reduced duplication, by centralising delivery and coordinating resources across system partners
- Supported key system priorities, including transformation programmes and regional service delivery

Progress has also been made in strengthening:

- Governance and accountability, with clearer reporting arrangements and performance oversight
- Performance management, ensuring hosted services are aligned to local and national expectations
- Integration with local services, improving coordination and patient/service user pathways

Challenges and areas for continued improvement

The progress made during the year must be understood alongside the scale of the challenges facing the Partnership. Demand for care and support continued to increase, and many people required more intensive or specialist support. This placed pressure on budgets, staff capacity and the ability of services to respond quickly. The IJB also continued to operate within a complex partnership environment, where different systems, processes and governance arrangements can make change more difficult to deliver at pace.

- Rising demand and complexity of need - Increasing numbers of individuals requiring support, often with multiple and complex conditions, have placed sustained pressure on services.
- Workforce capacity, recruitment, and wellbeing - Ongoing challenges in recruiting and retaining staff, alongside the need to support workforce wellbeing, have impacted service resilience and sustainability.
- System flow and delayed transitions of care - Continued pressures across hospital and community settings have affected the timely movement of individuals through the system, impacting capacity and performance.
- Variation in service delivery and quality - Ensuring consistent standards across all services remains a key focus, particularly in areas such as documentation, care planning, and risk management.
- Integration and organisational complexity - Differences in systems, processes, and governance across partner organisations continue to create barriers to fully seamless service delivery.
- Digital maturity and data integration - While progress has been made, further work is required to improve data quality, interoperability, and real-time performance reporting.

The Draft Annual Performance Report is published on the [Midlothian Council Website](#) by the end of July, with the full report available in August.

The following national indicators provide further detail on this mixed performance picture. They show where progress has been made, where performance has remained broadly stable, and where further improvement is required. The indicators should be read alongside the wider operational context described above, as they reflect both the impact of improvement activity and the continuing pressures across the health and social care system.

The National Indicators

	National Indicator	Our result	Our Progress
 1	Adults are able to look after their health very well or quite well.	90.0%	
 2	Adults supported at home agreed that they are supported to live as independently as possible.	49.1%	
 3	Adults supported at home agreed they had a say in how their help, care or support was provided.	58.9%	
 4	Adults supported at home agreed that their health and social care services seemed to be well coordinated.	45.9%	
★★★★★ 5	Adults receiving care or support rated it as excellent or good.	71.2%	
 6	Adults had a positive experience of the care provided by their GP practice.	66.0%	
 7	Adults supported at home agreed services and support had an impact on improving or maintaining their quality of life.	55.0%	
 8	Carers feel supported to continue in their caring role.	36.4%	
 9	Adults supported at home agreed they felt safe.	69.6%	

	National Indicator	Our result	Our Progress
 11	Premature Mortality Rate*. (People under 75)	399 per 100,000	☐ ☐ ☒
 12	Emergency Admission Rate.	10,553 per 100,000	☒ ☐ ☐
 13	Emergency Bed Day Rate.	95,380 per 100,000	☐ ☐ ☒
 14	Readmission to hospital within 28 days.	97	☒ ☐ ☐
 15	Proportion of the last 6 months of life spent at home or a community setting.	89.0%	☐ ☐ ☒
 16	Falls Rate (People over 65 who were admitted to hospital).	23.5	☒ ☐ ☐
 17	Care services graded Good or better in Care Inspectorate Inspections.	78.5%	☐ ☐ ☒
 18	Adults with intensive care needs are receiving care at home*.	57.7%	☐ ☒ ☐
 19	The number of days people aged over 75 spend in hospital when they are ready to be discharged.	642 per 1,000	☐ ☐ ☒

	National Indicator	Our result	Our Progress
	Health and Care resource spent on hospital stays where the person was admitted as an emergency.	23%	☐ ☒ ☐

Please note that Indicators 11 and 18 have not been updated at the time of publication. We have therefore included the data from last year's Annual Performance report.

National Records of Scotland have advised that Indicator 11 will be updated in October 2026.

Public Health Scotland have advised that Indicator 18 will be updated by the end of 2026.

Taken together, the performance results and operational challenges show that improvement cannot rely on short-term actions alone. While progress has been made, the scale of demand, financial pressure and complexity means that more fundamental change is required. This is why transformation is central to the IJB's future plans.

Section 1.3 – Future Plans – Bold and Sustained Transformation

The performance story set out in Section 1.2 shows why transformation is now essential. The IJB has made progress in a number of areas, but current models of care are under increasing pressure and cannot fully respond to future demand without change. Transformation is therefore not a separate programme of work; it is the way the Partnership will improve outcomes, manage demand and support financial sustainability.

The refreshed Strategic Plan and Medium-Term Financial Strategy provide the framework for this transformation. The aim is to shift more care and support towards prevention, early intervention and community-based services, while making sure that specialist and hospital services are used for those who need them most. This is central to improving outcomes and supporting financial sustainability.

The 2026/27 Directions set out three priority areas for transformation. The first focuses on bed-based provision, ensuring that people can access the right level of care when their needs change and supporting better flow between hospital, community and care settings. The second focuses on commissioning and the third sector, including a review of commissioning spend and the development of a new partner provider model to support more flexible, community-based support. The third focuses on the Midlothian Single Point of Access, designing and implementing a simpler route for people to make

contact with health and social care services and be directed to the right support more quickly.

Examples of transformation under way

- **Home first and community-based support:** strengthening arrangements that help people remain safely at home, avoid unnecessary hospital admission and return home from hospital as soon as possible.
- **Intermediate care and reablement:** developing short-term support that helps people regain confidence, independence and daily living skills following illness, injury or hospital admission.
- **Single point of access and improved triage:** streamlining routes into services so people are directed to the right support more quickly and duplication across teams is reduced.
- **Care at home and care package governance:** improving oversight of care packages to ensure support is proportionate, person-centred and focused on outcomes, while helping manage growing demand and cost pressures.
- **Learning disability service redesign:** reviewing how support is planned and delivered for people with complex needs, with a focus on quality, safety, independence and sustainable use of resources.
- **Prescribing improvement:** working with primary care and pharmacy colleagues to support safe, effective and value-based prescribing, recognising the continued financial pressure from medicines.
- **Digital and data-enabled care:** expanding the use of data, digital tools and performance reporting to support earlier intervention, better decision-making and more proactive management of risk.
- **Partnership with the third sector and communities:** strengthening local support networks, community-based prevention and support for people whose needs can be met outside statutory services.

The Transformation Programme Board will continue to oversee this work, ensuring that individual projects are aligned to the Strategic Plan, financial recovery actions and the outcomes the IJB wants to achieve for people in Midlothian. Delivery will require strong financial planning, workforce development, engagement with people who use services and unpaid carers, better data and insight, and continued collaboration with NHS Lothian, Midlothian Council and third sector partners.

Transformation will not remove the need for difficult decisions. Some savings depend on changing service models, releasing capacity, managing demand differently and delivering benefits over more than one financial year. This creates both financial and operational risk. The IJB will therefore continue to monitor delivery closely, report progress through its governance arrangements and work with partners to ensure that transformation supports safe, effective and sustainable care.

Section 1.4 – IJB Financial Performance in 2025/26

The overall “in-year” financial position for the IJB was break even in 2025/26. The break-even position was achieved only after additional one-off allocations by both partners. The total amount of additional payments required to support financial balance in year was of £4.379m, representing just over 2% of the overall funding received in 2025/26.

These overspends were supported by both Partners in line with the Integration Scheme and a breakdown of the funding is provided in the table below. This reflects the continued financial pressure across delegated services and highlights the ongoing challenge of delivering financial balance on a recurring basis within the resources available.

Funding Breakdown for the year ending 31 March 2026

	Health £000's	Social Care £000's	MIJB £000's
Funding for Delegated Services			
Income received from Midlothian Council and NHS Lothian in 2025/26	143,570	71,748	215,318
Current-year Additional Payments Required			
One-off income contribution received to ensure the IJB achieved financial balance	1,552	2,827	4,379
Total Funding Including Additional Support	145,122	74,575	219,697
% Value of additional income required	1.08%	3.94%	2.03%

The £0.845m surplus shown in the Comprehensive Income and Expenditure Statement in Section 7 differs from the performance against the approved budget described above because of income and expenditure adjustments against its reserves. This means that, while the IJB ended the year in surplus, the underlying cost of delivering services continued to exceed the recurring funding available.

The overall MIJB reserves grew from £0.948m in 2024/25 to £1.793m in 2025/26. The increase in earmarked reserves reflects elements of Scottish Government funding for Unscheduled Care. This is due to the timing of expenditure against planned delivery rather than an underspend in underlying funding.

The funding has been set aside to support the continued delivery of agreed Unscheduled Care initiatives, where implementation is ongoing and spans financial years. The use of an earmarked reserve ensures that resources remain aligned to their

intended purpose and are available to complete delivery of planned service improvements. The use of reserves remains carefully managed to support agreed priorities while recognising that reserves are not a sustainable solution to underlying financial pressures.

The charges (shown as Outturn in the Table below) made by Midlothian Council to the MIJB reflect the net direct costs of delivering social care services in Midlothian.

The charges from NHS Lothian are based on the Health budget model agreed by the MIJB. For services that are delivered locally by the Midlothian Health and Social Care Partnership (core services), these charges reflect the actual net costs of providing services in Midlothian.

Some services used by Midlothian residents are delivered across Lothian rather than locally. These include hosted services and “set aside” services, which are managed on a pan-Lothian basis. The costs of these services are shared across the four Lothian Integration Joint Boards in line with the agreed budget model.

For 2025/26, Midlothian IJB’s share of these costs is 10% for hosted services and, in general, 10% of the Lothian share of set aside services and non-cash limited budgets. Non-Cash limited spend includes costs for community pharmacies, community dental services and community ophthalmic services.

How the IJB spent its funds in 2025/26

	Revised Budget £000's	Actual Outturn £000's	Outturn Variance £000's
Joint Older People Services	33,793	34,418	625
Joint Mental health Services	7,417	7,550	133
Joint Learning Disability Service	25,259	28,992	3,733
Joint Alcohol and Drugs Service	1,144	1,136	(8)
Physical Disability Service	4,669	4,922	253
Primary Care	36,949	37,603	654
Prescribing	21,166	22,295	1,129
Community Hospitals	7,455	7,542	87
Community Nursing	12,667	12,230	(437)
Other Core Health Services	10,489	9,891	(598)
Other Hosted Services	8,548	8,116	(432)
Non-Cash Limited	14,798	14,798	0
Health Set Aside	21,656	22,611	955
Other Social Care	9,308	7,593	(1,715)
NHSL/MLC Additional Contributions	4,379	0	(4,379)
In-year Delegated Services Outturn	219,697	219,697	0
Reserves adjustments	0	(845)	(845)
Net Surplus per Comprehensive Income and Expenditure Statement	219,697	218,852	(845)

The financial position reflects a combination of demand-led pressures, market factors, and the timing of recovery actions across both Health and Social Care services.

Health:

The key financial pressures within Health services are driven by rising demand, increasing complexity, and cost inflation.

- As in previous years, the biggest pressure on the Health budget comes from the cost of medicines prescribed. Spending on medicines is higher than the budget because prices are rising and more people need prescriptions.

Some medicines are new and cost more when they are first used. At the same time, more prescriptions are being issued because Midlothian's population is growing, and people are living longer. Many people need extra support to stay well, which increases the need for medication.

- In addition to prescribing pressures, increasing clinical complexity and multimorbidity have contributed to higher service demand, placing additional pressure on community and primary care services.
- Health Set Aside services continue to be a pressure for the IJB, mainly driven by Emergency, General Medicine and Medicine of the Elderly services provided across the acute sites in NHS Lothian, as well as growing pressures linked to Diabetes technology.

Social Care:

- In Social Care services, the overspend was primarily driven by rising demand and increasing complexity of care needs. During 2025/26 work commenced to support increased governance around the allocation of spend across care packages. This work will continue in 2026/27 and will be a key action in our Medium-Term Financial Strategy.
- Despite these efforts, significant financial pressures remained, most notably within the Learning Disability service. In this area, the level and intensity of support required to ensure individuals' safety and quality of life continued to grow, placing sustained pressure on resources.

Financial recovery actions continue to be in place across both Health and Social Care, with a focus on service redesign, demand management and cost control. While some actions introduced during 2025/26 did not deliver full year financial benefit due to lead-in times, these remain central to the IJB's ongoing approach to managing financial pressures in partnership with NHS Lothian and Midlothian Council.

These pressures are consistent with those facing Integration Joint Boards across Scotland, reflecting rising demand for Health and Social Care services, workforce pressures and wider cost inflation.

Funding for the IJB

The MIJB is funded by Midlothian Council and NHS Lothian. This funding is used to provide the services the MIJB is responsible for under the Integration Scheme.

Each year, before the start of the financial year, both partners confirm the level of funding they will provide. The MIJB reviews these funding offers and decides whether to accept them. This decision is informed by guidance issued by the Scottish Government as part of the national budget process.

In March 2025, the MIJB accepted the funding offers for 2025/26 from both NHS Lothian and Midlothian Council.

These funding arrangements are an important part of how the IJB works in partnership with NHS Lothian and Midlothian Council to plan and deliver Health and Social Care services locally.

NHS Lothian provides funding for:

- **Health services in Midlothian, including:**
 - Local hospitals
 - Community health services
 - GP (doctor) services
 - Other primary care services, such as dentists, opticians and pharmacies
- **Health services used by Midlothian residents but delivered across Lothian, including:**
 - Inpatient mental health services at the Royal Edinburgh Hospital
 - Specialist services like Dietetics, Podiatry and Hospice and Palliative Care
- **Unplanned hospital care for Midlothian residents, such as emergency and urgent treatment.**
 - This care is provided at the Royal Infirmary of Edinburgh, the Western General Hospital and St John's Hospital. The budget for this care is held by NHS Lothian on behalf of the IJB and is known as "set aside" funding.

Midlothian Council provides funding for:

- **Support at Home and in the Community**
 - Care at Home services, supporting people to live independently in their own homes
 - Day services and other community-based support
- **Housing support services**
 - Residential and Specialist Care
 - Residential and nursing care, including care home placements
 - Support for people with learning disabilities
 - Services for people with physical disabilities and long-term conditions
- **Health and Wellbeing Support**
 - Community mental health services and support
 - Support for unpaid carers
- **Assessment, Care Management and Protection**
 - Assessment and care management, including social work support and care planning
 - Adult protection and safeguarding services

Reserves

In 2024/25 the Midlothian IJB held £0.948m of earmarked reserves but did not hold any general reserves. As a result, no reserves were available to manage unforeseen financial pressures in 2025/26. This limits the IJB's financial resilience and reduces its ability to respond to emerging cost pressures or changes in demand.

In response, the IJB has reviewed its Reserves Policy. The updated policy was approved by the Audit and Risk Committee during 2025/26, with final approval by the Board planned for 2026/27. The policy confirms that reserves should be built up through planned underspends against operational budgets and must be clearly linked to formal Directions issued by the Integration Joint Board, in line with the Integration Scheme. Where an underspend is not linked to a Direction, the funding will be returned to the relevant partner organisation.

The policy also sets out an appropriate level of general reserves, based on the scale and responsibilities of the IJB, at around 2% of net expenditure.

The absence of a general reserve means the IJB remains reliant on partner funding to manage in-year pressures or unexpected costs. This presents both financial and operational risks for the IJB and its partner organisations.

Financial and Risk Outlook

Medium Term Financial Planning

Each year, the IJB updates its financial plan to reflect the most up-to-date information available. The plan combines current financial data with future projections to estimate the likely financial position over the next three to five years. This allows the IJB to understand how changing demand, costs, and funding levels may impact services over time.

This approach ensures we are always looking forward and clearly understand the resources we need to provide the right treatment, care, and support in Midlothian. By planning over several years, the IJB can plan accurately, identify trends, and identify financial risks early. This will ensure we make informed decisions about where to invest, redesign, or disinvest by aligning our financial planning with wider strategic priorities, such as prevention, early intervention, and sustainable models of care.

Budget Setting for 2026/27

At the March 2026 meeting, the MIJB approved the budget offers received from both NHS Lothian and Midlothian Council and was able to set a balanced financial plan for 2026/27. This plan was underpinned by the delivery of £6.8 million in financial recovery actions covering both Health and Social Care functions. It was also agreed that there would be continued engagement with NHS Lothian to address the outstanding financial pressures within Set Aside services.

This financial recovery programme represents a significant one-year plan, designed to provide a foundation of financial stability for us. Given the scale and scope of the required financial recovery actions, the programme carries a degree of financial and operational risk. This includes uncertainty around full deliverability, timing, and the potential impact on service delivery.

Midlothian IJB 2026/27 Financial Plan Position

	Agreed Budget £k	Expected Expenditure £k	Financial Gap £k
Social Care	75,122	79,026	3,904
Health	113,660	116,554	2,894
Total	188,782	195,580	6,798

The Medium-Term Financial Strategy

The MIJB operates in a financial environment that requires planning beyond a single financial year. In response to this, the MIJB maintains a Medium-Term Financial Strategy (MTFS), which provides a forward-looking assessment of the key financial pressures and risks facing the organisation over the next three financial years.

The MTFS reflects the anticipated impact of continued demand growth, demographic change, workforce pressures, inflation, and the cost of existing and new treatments across both Health and Social Care services. It also recognises the ongoing reliance on non-recurring measures and partner support to achieve financial balance, which presents a significant sustainability challenge.

The MTFS will be updated regularly to reflect the most up-to-date assumptions, funding information, and policy direction from both the Scottish Government and partner organisations. It is a key tool used by the IJB to understand the scale of its financial challenge, inform decision-making, and support the prioritisation of financial recovery and service redesign actions.

While the MTFS identifies significant projected funding gaps in future years, it does not represent a fixed plan. Instead, it provides a framework for ongoing engagement with partners and stakeholders on the actions required to deliver financially sustainable Health and Social Care services for the population of Midlothian.

The table below summarises the projected funding gap identified through the current MTFS for the period 2026/27 to 2028/29. These projections are indicative and subject to change as funding assumptions, service demand, policy decisions and financial recovery plans are further developed.

Spend Type	Financial Year: 2026/27 - £'000	Financial Year: 2027/28 - £'000	Financial Year: 2028/29 - £'000
Social Care	(3,904)	(5,704)	(7,504)
Health	(2,894)	(3,343)	(6,176)
Total	(6,798)	(9,047)	(13,680)

Addressing these projected financial pressures will require sustained collaboration with NHS Lothian and Midlothian Council, difficult decisions regarding service delivery, and continued focus on prevention, demand management and transformation. The MIJB will continue to use the MTFS as a core component of its financial governance and oversight arrangements.

Key Financial Risks

The main financial pressures facing the IJB remain consistent with those outlined in the 2024/25 Annual Accounts. These pressures are significant and ongoing, reflecting both national trends and local challenges within Midlothian.

The IJB continues to face a number of financial risks. A key risk is that partner organisations may not be able to provide sufficient additional funding to support increasing demand and cost pressures.

Other Pressures include:

Demographic Pressures

Midlothian has the second fastest growing population in Scotland. While national funding formulas for both Local Authorities and NHS Boards aim to reflect population change, these mechanisms face 2 key limitations:

- The total funding available has increased but not at a level sufficient to fully meet the scale of the pressures.
- Declining populations in other areas do not automatically result in proportionate reductions in service delivery costs, which limits the system's ability to redistribute resources effectively.

In addition, Midlothian's population is not only growing but also ageing. As life expectancy increases, so too does the complexity and intensity of Health and Social Care needs. This demographic trend represents a growing and long-term challenge, both locally and nationally.

Workforce

Both Health and Social Care services continue to experience workforce shortages. The availability of skilled professionals remains a key constraint on the IJB's ability to meet rising demand and deliver the Strategic Plan. A local workforce plan has been developed in collaboration with partners to mitigate this risk as much as possible.

The Wider National Financial Environment

The financial landscape for public services remains extremely challenging. While the Scottish Government has expressed a strong commitment to protecting Health and Social Care budgets, it has also acknowledged the broader fiscal pressures facing all public services. National taxation and policy decisions, such as increases in employer National Insurance contributions, are likely to have an impact on service providers. These pressures may increase the cost of commissioned services and threaten the financial sustainability of providers.

We do not have dedicated funding to offset these pressures. However, we remain actively engaged with providers and partners to manage the implications and support continuity of service delivery wherever possible.

These pressures are not unique to Midlothian and are experienced across Scotland. They include rising costs associated with staff pay and conditions, increasing demand for services, the cost of existing medicines, the introduction of new treatments, and wider inflationary pressures.

These factors are reflected in the MIJB's Medium Term Financial Strategy and will continue to influence future financial planning and decision-making.

Strengthening Financial Oversight

Oversight and mitigation will be supported through established risk management frameworks within the Health and Social Care Partnership and through the governance role provided by our Audit and Risk Committee and our Board.

Throughout 2026/27, we will receive routine financial reporting which will include:

- The overall financial position of the IJB
- Progress against agreed financial recovery actions
- Identification of emerging trends, risks, or cost pressures.

This reporting will support us in adopting a forward looking and responsive approach to financial governance and management. This will enable timely decision-making, ensure we operate within our available resources, and allow for additional financial recovery actions or collaborative solutions with partners if required. Maintaining financial discipline while safeguarding the quality and accessibility of care services will remain a core focus throughout the financial year.

 27 September 2026

Val de Souza, IJB Chair.

 28 September 2026

Morag Barrow, Chief Officer.

 25 September 2026

Eleonora Ho, Interim Chief Finance Officer

Section 2 – Membership and Meetings of the MIJB

The IJB met 8 times in 2025/26 for formal business meetings. We also met for 4 IJB Development sessions and 3 financial briefings.

The members of the IJB as of March 2026 are as follows:

Member	Nominated/Appointed by	Role
Val de Souza	Nominated by NHS Lothian	Voting Member, Chair
Connor McManus	Nominated by Midlothian Council	Voting Member, Vice Chair and Chair of the Audit and Risk Committee
Pauline Winchester	Nominated by Midlothian Council	Voting Member
Derek Milligan	Nominated by Midlothian Council	Voting Member
Kelly Parry	Nominated by Midlothian Council	Voting Member
Dr Amjad Khan	Nominated by NHS Lothian	Voting Member
George Gordon	Nominated by NHS Lothian	Voting Member
Heather Campbell	Nominated by NHS Lothian	Voting Member
Morag Barrow	Appointed by the IJB	Chief Officer
Chris King	Appointed by the IJB	Interim Chief Finance Officer
Nick Clater	Nominated by Midlothian Council	Social Work Representative
Fiona Stratton	Nominated by NHS Lothian	Nursing Representative
Claire Ross	Nominated by NHS Lothian	AHP Representative
Dr Paul Bailey	Nominated by NHS Lothian	Primary Care Representative
Dr Wendy Metcalfe	Nominated by NHS Lothian	Medical Practitioner Representative
Grace Chalmers	Nominated by Midlothian Council	Partnership Representative (MLC)
Jordan Miller	Nominated by NHS Lothian	Partnership Representative (NHS)
Magda Clark	Appointed by the IJB	Third Sector Representative
Sheree Muir	Appointed by the IJB	Lived Experience Representative
Vacant		Volunteer Representative
Vacant		Carer Representative

Notes

Chris King was the IJB's Chief Finance Officer until 26th of March 2026. Eleonora Ho was appointed in April 2026 as Interim Chief Finance Officer until a permanent appointment

can be made. Section 95 responsibilities were covered by the Midlothian Council Director of Finance in the interim period.

Section 3 – Statement of Responsibilities

Responsibilities of the IJB

We are required to:

- Make arrangements for the proper administration of our 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 Finance Officer.
- Manage our affairs to secure economic, efficient, and effective use of resources and safeguard our 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.

The unaudited accounts were issued on the 30 June 2026 and the audited accounts were authorised for issue on 24 September 2026.

Signed on behalf of Midlothian Integration Joint Board.

Val De Souza

Val de Souza, IJB Chair.

27 September 2026

Responsibilities of the Chief Finance Officer

The Chief Finance 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 Finance 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 Finance 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 Midlothian Integration Joint Board on 31 March 2026 and the transactions for the year then ended.

Eleonora Ho

Eleonora Ho, Interim Chief Finance Officer

25 September 2026

Section 4 - 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 is subject to external audit. The other sections of this report will be reviewed by Audit Scotland and any apparent material inconsistencies with the audited financial statements will be considered as part of their audit report.

Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by Midlothian Council and NHS Lothian Board. Nomination of the IJB Chair and Vice Chair post holder 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. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2025/26 (Previous Year: nil). The Chair of the IJB in 2025/26 was Val de Souza who is a non-executive member of the NHS Lothian Board, the Vice Chair was Councillor Connor McManus (who is an elected member of Midlothian Council).

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.

NHS Lothian no longer automatically offers another full day's remuneration for being the Board's Lead Voting Member on an IJB. Instead, non-executive remuneration is based on an individual's overall estimated time commitment, which can include multiple memberships of Board committees and IJBs as well as other responsibilities, not just as committee chairs or lead voting members of the IJBs. No specific remuneration is therefore available for the Chair of the IJB in 2025/26 (Previous Year: nil).

Remuneration: Officers of the IJB

The IJB does not directly employ any staff; 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 must be appointed and the employing partner must 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.

The Chief Officer of the IJB is Morag Barrow, who is also the Director of Health and Social Care for Midlothian Council and the Joint Director of the Midlothian Partnership. It has been agreed that 50% of her total remuneration is to be shown in the accounts of the IJB as her remuneration as the Chief Officer of the IJB.

Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer, the remuneration of the Chief Finance Officer is disclosed.

Chris King was Chief Finance Officer until the 26th of March 2026. He was employed by NHS Lothian and had two roles – Midlothian IJB's Chief Finance Officer and an operational role in the NHS Lothian Finance team as Finance Business Partner. On that basis, 50% of the total remuneration for Chris King between 1 April 2025 and 26 March 2026 is shown below.

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.

Senior Employees: Salary, Fees & Allowances:

Name	2024/25	2025/26	Full Year Equivalent
	£	£	£
Morag Barrow - Chief Officer	59,048	62,700	62,700
Chris King - Chief Finance Officer	11,832	43,217	43,817

The IJB 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 show the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Pension benefits

Name	In Year Pension Contributions for year to:		Accrued Pension benefits		
	31 March 2025	31 March 2026	Type	As at 31 March 2026	Difference from 31 March 2025
	£	£		£k	£k
Morag Barrow - Chief Officer	12,241	14,108	Pension Lump Sum	34 86	4 4
Chris King - Chief Finance Officer	2,662	9,712	Pension Lump Sum	12 0	3 0

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 2024/25	Remuneration Band	Number of Employees in Band 2025/26
0	£50,000 - £54,999	0
1	£55,000 - £59,999	0
0	£60,000 - £64,999	1
0	£65,000 - £69,999	0
0	£70,000 - £74,999	0
0	£75,000 - £79,999	0

Exit Packages

The IJB did not support nor did it direct to be supported by its partners, any exit packages during 2025/26 (2024/25: nil).

Val De Souza

Val de Souza, IJB Chair.

27 September 2026

Morag Barrow

Morag Barrow, Chief Officer.

25 September 2026

Section 5 – Annual Governance Statement 2025/26

Executive summary and overall governance conclusion

The Annual Governance Statement explains the MIJB's governance arrangements and system of internal control. It also reports on how effective those arrangements were during 2025/26 and how they will continue to be strengthened.

The MIJB has reviewed its governance arrangements for 2025/26, including the operation of the Board and Audit and Risk Committee, financial governance, risk management, performance reporting, internal audit, external audit and the wider system of internal control.

Based on the assurance received during the year, including Internal Audit's annual opinion, the MIJB concludes that its core governance arrangements were in place and generally operated effectively during 2025/26. The MIJB considers that these arrangements were fit for purpose in supporting decision-making, accountability, financial oversight, risk management and public reporting.

These arrangements operated in a challenging environment. The MIJB continued to face significant financial pressure, rising demand for health and social care services, increasing complexity of need and the need to deliver service transformation. There were also changes in senior finance leadership during the year, with interim arrangements put in place to maintain continuity of Section 95 responsibilities.

During 2025/26, improvements were made to strengthen governance arrangements. These included clearer links between the Strategic Plan and financial planning, approval of the Strategic Plan 2025–2035, development of the Medium-Term Financial Strategy, approval of the revised Reserves Policy, strengthened financial monitoring and continued development of risk and performance reporting.

The MIJB recognises that further improvement is required in 2026/27. The main areas for continued focus are financial sustainability, delivery and monitoring of transformation, benefits tracking, risk and assurance reporting, complaints handling, and continued strengthening of the Local Code of Corporate Governance.

Overall, the MIJB is satisfied that reasonable assurance can be placed on the adequacy and effectiveness of its governance arrangements and system of internal control for 2025/26. The MIJB is committed to ensuring that its governance arrangements remain fit for purpose and continue to support safe, effective, sustainable and person-centred health and social care services in Midlothian.

Scope of responsibility

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

To meet this responsibility, the MIJB has established governance arrangements which include a system of internal control. This system is intended to manage risk and support the achievement of the MIJB's policies, aims and objectives. The MIJB also places reliance on NHS Lothian and Midlothian Council's systems of internal control, where these support the delivery of delegated functions and compliance with partner policies and procedures.

The system of governance and internal control can only provide reasonable, not absolute, assurance. It is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives.

Governance framework and system of internal control

The Board of the MIJB comprises voting members nominated by NHS Lothian and Midlothian Council, alongside non-voting members including the Chief Officer, Chief Finance Officer and professional and stakeholder representatives.

The MIJB's governance framework is based on its Integration Scheme, Standing Orders, Scheme of Delegation, Financial Regulations, Local Code of Corporate Governance, risk management arrangements, audit arrangements and regular reporting to the Board and Audit and Risk Committee.

The current MIJB Local Code of Corporate Governance was approved by the Board on 8 April 2021. The Local Code sets out the framework and key principles that support effective governance. It is consistent with the CIPFA/SOLACE Framework, Delivering Good Governance in Local Government (2016), and supporting guidance for Scottish authorities.

The Local Code sets out the core governance arrangements that support leadership, decision-making, accountability, financial management, risk management, performance management, internal control, audit and public reporting. These arrangements are publicly available and provide the framework against which the MIJB assesses the effectiveness of its governance arrangements.

The main features of the governance framework and internal control system associated with the seven core principles of good governance defined in the MIJB Local Code in existence during 2025/26 included the following.

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The roles and responsibilities of Board members and statutory officers and the processes to govern the conduct of the Board's business are defined in the Scheme of Integration, which was approved by Midlothian Council and NHS Lothian in June 2022 and serves as the approved constitution.

The Standing Orders were reviewed at the MIJB Audit and Risk Committee in September 2025. No changes were proposed as part of that review and approval by the MIJB Board followed in February 2026.

The Ethical Standards in Public Life (Scotland) Act 2000 provides for Codes of Conduct for local authority councillors and members of relevant public bodies. As a public body listed in schedule 3 of the Act, the MIJB is required to produce a Code of Conduct, which was approved by the Board in April 2022. Continued adherence to this Code of Conduct provides appropriate assurance against this principle.

The MIJB is dependent upon arrangements within the partner organisations for areas such as:

- ensuring legal compliance in the operation of services;
- handling complaints;
- ethical awareness training and whistleblowing policies and procedures;
- staff appointment and appraisal processes that take account of values and ethical behaviour;
- identifying, mitigating and recording conflicts of interest, hospitality and gifts;
- procurement of goods and services which are sustainable, represent value for money and reinforce ethical values.

Other areas where the MIJB places significant reliance on arrangements in place within the partner organisations are set out in the remainder of this statement.

The Chief Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with.

Professional advice on the discharge of duties is provided to the Board by the MIJB Chief Officer, supported by the Chief Finance Officer, Chief Internal Auditor and Board Clerk as appropriate.

B. Ensuring openness and comprehensive stakeholder engagement

Board meetings are held in public unless there are good reasons for not doing so on the grounds of confidentiality. Board papers are available to the public on the Council website.

Unless confidential, decisions made by the Board are documented in the public domain.

Community engagement was encouraged as part of the development of the Scheme of Integration and the Strategic Plan of the Health and Social Care Integration Joint Board was developed following consultation with interested parties, including members of the public.

The Board developed and approved the Midlothian IJB Participation Statement 2025–2028 in October 2025. This was developed following completion of a self-assessment process using the Healthcare Improvement Scotland Quality Framework for Community Engagement. The Participation Statement sets out how the Board will work alongside people and communities to strategically plan and direct delegated health and social care services.

The Midlothian IJB complaints procedure was established in 2017, revised in 2021 and is currently being revised for presentation to the Audit and Risk Committee in 2026. Work is ongoing to revise the complaints process in conjunction with Midlothian Council during 2026.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits

The Midlothian Health and Social Care Integration Joint Board Strategic Plan 2025–2035 was approved in October 2025. It sets out the IJB’s vision, strategic objectives and intended outcomes.

The Plan has been updated to reflect:

- ongoing assessment of need;
- priorities identified through public consultation;
- the economic, social and environmental benefits and challenges expected over the life of the Plan.

Delivery of the Plan is supported by the associated Directions. Progress against these Directions is reported to the Board.

The Board’s Strategic Plan 2025–2035 was shaped by the Midlothian IJB Joint Strategic Needs Assessment and clearly sets out the outcomes the Board aims to achieve.

The Board completes an Equality and Children’s Rights Impact Assessment for all new or revised strategies, plans, policies, provisions or practices where the impact on equality is not already known. All Equality and Children’s Rights Impact Assessments are published on the Midlothian Health and Social Care website.

Implications are considered during the decision-making process within the standard report template, covering policy, equalities, resources, risk and involving people.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

In determining how services and other courses of action should be planned and delivered, the MIJB has a statutory responsibility to involve patients and members of the public.

The MIJB Strategic Plan is based on both routine engagement and statutory consultation to inform its review and update.

The statutory consultation plan for the Midlothian IJB draft Strategic Plan was approved by the MIJB in June 2024. Substantial stakeholder consultation was undertaken in the development of the draft Midlothian IJB Strategic Plan 2025–2035.

The MIJB issued Directions to the partners in March 2025 for 2025/26 service delivery and for service redesign and recommissioning in line with the transformation programme.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

The MIJB Chief Officer is responsible and accountable to the Board for all aspects of management, including promoting sound governance and providing quality information and support to inform decision-making and scrutiny.

Regular meetings are held between the Chief Officer and the Chair and Vice Chair of the MIJB. The MIJB Chief Officer also meets regularly with representatives from the partner organisations.

Members of the MIJB Board are provided with the opportunity to attend development sessions relevant to their role as part of their development programme. The MIJB completed a self-assessment in August 2023 and an improvement plan was approved. Midlothian IJB reviewed this plan in April 2025, with formal approval by the MIJB Board in 2026.

A three-year Integrated Workforce Plan 2025–2028 was approved by the MIJB in February 2025 to allow delivery to the Scottish Government in March 2025. This plan is aligned to the MIJB Medium-Term Financial Strategy and supports delivery of the MIJB Strategic Plan 2025–2035 to improve outcomes for people and communities. Midlothian IJB awaits feedback from the Scottish Government, after which an improvement plan and publication date will be agreed.

F. Managing risks and performance through robust internal control and strong public financial management

The MIJB Chief Officer has overall responsibility for directing and controlling the Partnership to deliver health and social care services. The MIJB Board is responsible for key decision-making.

The MIJB has approved a Risk Management Strategy which includes the reporting structure, types of risks to be reported, risk management framework and process, roles and responsibilities, and arrangements for monitoring risk management activity and performance.

The Strategy was updated and presented to the June 2024 Audit and Risk Committee, with the Risk Management Policy approved by the MIJB Board in October 2024.

The Midlothian IJB Performance Framework 2025–2028 accompanies the Strategic Plan and sets out the outcomes and measures that the IJB uses to track and evaluate its performance. Regular risk reporting is completed to the MIJB Audit and Risk Committee.

The MIJB Chief Finance Officer is responsible for the proper administration of all aspects of the MIJB's financial affairs, including ensuring advice is given to the Board on all financial matters.

The MIJB's system of internal financial control is dependent upon the framework of financial regulations, regular management information, including revenue budget monitoring reports to the Board, administrative procedures, including segregation of duties, management supervision and systems of delegation and accountability within the partner organisations.

The MIJB also relies upon the partners for:

- counter fraud and anti-corruption arrangements;
- management of data in accordance with applicable legislation.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

The shared Chief Internal Auditor of Midlothian Council was the MIJB's Chief Internal Auditor for 2025/26. The role of the Chief Internal Auditor is to provide an independent and objective annual opinion on the effectiveness of the MIJB's internal controls, risk management and governance. This was carried out in conformance with the Global Internal Audit Standards as amended by the UK Public Sector Application Note.

The MIJB responds to the findings and recommendations of Internal Audit, External Audit, scrutiny and inspection bodies. The MIJB Audit and Risk Committee is integral to overseeing assurance and monitoring improvements in internal controls, risk management and governance.

The Audit and Risk Committee updated its terms of reference in June 2024 and has recruited an independent member in line with CIPFA best practice.

Performance reports are regularly presented to the Board for monitoring and control of achievement of improvement goals. An Annual Performance Report for 2024/25 was presented to the IJB Board for review prior to publication in August 2025.

The Annual Accounts for 2025/26 set out the financial position in accordance with relevant accounting regulations.

Review of adequacy and effectiveness

The MIJB is required to conduct an annual review of the effectiveness of its governance framework.

The review was informed by:

- an annual self-assessment carried out by Internal Audit against the MIJB's Local Code of Corporate Governance;
- Internal Audit reports for the MIJB;
- External Audit reports for the MIJB;
- relevant reports by other external scrutiny bodies and inspection agencies;
- relevant partner Internal Audit and External Audit reports from NHS Lothian and Midlothian Council;
- reports to the IJB and Audit and Risk Committee;
- financial monitoring and budget reports;
- risk management reports;
- performance reports;
- management assurances;
- review of progress against previous governance improvement actions.

Based on this assessment, the MIJB concludes that its core governance arrangements were in place and generally operated effectively during 2025/26. The arrangements supported effective oversight of key areas including financial performance, budget setting, risk management, annual accounts preparation, audit activity, strategic planning and statutory reporting.

Internal Audit's Annual Assurance Report was considered as part of this assessment. Internal Audit's opinion was that the MIJB's governance arrangements, risk management and systems of internal control were reasonable. Internal Audit noted that very good progress had been made by management during the year in completing recommendations, with only one internal audit recommendation outstanding.

Internal Audit also concluded that the MIJB operates under good public sector practice governance arrangements through its Board and committee meetings, which support scrutiny and transparency of decisions. The governance arrangements in place were

considered generally sound and being further developed, with improvement mainly required to support the management of increasing financial risks.

Internal Audit concluded that effective risk management processes are in place for the MIJB. This included the approved Risk Management Policy, regular review and reporting of the strategic risk register, scrutiny by the Audit and Risk Committee and reporting to the Board.

The one remaining Internal Audit recommendation relates to developing a more explicit link between the Medium-Term Financial Plan and the MIJB Strategic Plan. Progress has been made through the approval of the Strategic Plan 2025–2035 and the Medium-Term Financial Strategy 2025–2028, but further work will continue during 2026/27 to ensure that financial planning, transformation and strategic priorities are clearly aligned.

Overall, the MIJB is satisfied that the governance framework provided reasonable assurance that arrangements were operating effectively during 2025/26. The MIJB also recognises that the scale of financial and operational challenge requires continued strengthening of governance, particularly in relation to financial sustainability, transformation delivery, risk management and assurance reporting.

Governance improvements during 2025/26

The MIJB made a number of improvements to governance arrangements during 2025/26. These improvements respond to issues identified in previous governance reporting and reflect the need to strengthen oversight in a more challenging operating environment.

Key improvements included:

Strategic planning and Directions

The Midlothian Health and Social Care Integration Joint Board Strategic Plan 2025–2035 was approved in October 2025. The Plan sets out the IJB’s vision, strategic objectives and intended outcomes. It was shaped by the Midlothian Joint Strategic Needs Assessment and through consultation and engagement with partners, stakeholders and communities.

The Strategic Plan is supported by formal Directions to NHS Lothian and Midlothian Council. Directions were issued in March 2025 for 2025/26 service delivery, service redesign and recommissioning in line with the transformation programme.

Participation and engagement

The Board developed and approved the Midlothian IJB Participation Statement 2025–2028 in October 2025. This followed a self-assessment process using the Healthcare Improvement Scotland Quality Framework for Community Engagement. The Participation Statement sets out how the Board will work alongside people and communities to strategically plan and direct delegated health and social care services.

Financial planning and oversight

The Medium-Term Financial Strategy 2025–2028 was approved at the special Board meeting in March 2026. It provides a clearer link to the Strategic Plan 2025–2035 and identifies strategic financial priorities.

Financial monitoring continued to be strengthened to provide clearer reporting on the in-year financial position, financial pressures, recovery actions and the level of partner support required to achieve financial balance.

Financial recovery monitoring

Financial recovery actions continued to be developed and monitored through governance arrangements. Internal Audit confirmed that recommendations from the Recovery Plan Monitoring audit had been implemented, with financial reporting updated to reflect progress from February 2025. Ongoing monitoring by the IJB Board will remain important because delivery of recovery plans continues to be a significant financial risk.

Reserves arrangements

The IJB Reserves Policy was updated and approved by the Audit and Risk Committee in September 2025. This strengthened the governance framework for the purpose, use and monitoring of reserves and supports closer alignment between reserves, Directions and agreed priorities.

Audit and Risk Committee arrangements

The Audit and Risk Committee continued to provide oversight of annual accounts, audit activity, risk management, financial governance and improvement actions. The Committee's terms of reference were updated in June 2024. An independent member was also recruited in line with CIPFA best practice.

Board self-assessment and governance development

The IJB Board completed a self-assessment in August 2023 and refreshed this in May 2025. The improvement plan was reviewed in April 2025, with formal approval by the Board due in 2026.

Risk management

The Risk Management Policy was revised during the year. It was considered by the Audit and Risk Committee in June 2024 and approved by the IJB Board in October 2024. Regular risk reporting continued to be provided to the Audit and Risk Committee and Board.

Performance reporting

The Midlothian IJB Performance Framework 2025–2028 was developed alongside the Strategic Plan. It sets out the outcomes and measures that the IJB will use to track and

evaluate performance. Performance reporting continued through regular Board reports and the Annual Performance Report.

These improvements have strengthened the MIJB's governance arrangements. Further work is required in 2026/27 to ensure that governance continues to support delivery, improvement and financial sustainability.

Governance improvement areas

The MIJB has not identified any governance issue that fundamentally undermined the operation of its governance framework during 2025/26. However, the annual review has identified areas where further improvement is required to enhance governance arrangements and support compliance with the Local Code.

1. Strategic planning supporting documents

The Internal Audit of the IJB strategic planning process identified that IJB management should ensure that the Consultation and Engagement Statement, Housing Contribution Statement and Market Facilitation Plan were finalised as soon as possible. These were finalised and presented to the IJB Board in October 2025.

2. Financial sustainability

The MIJB Medium-Term Financial Strategy 2025–2028, approved at the March 2026 IJB Board, projects a £13.68 million annual overspend by the 2028/29 financial year. Continued focus on transformation and feedback processes is therefore required to ensure financial sustainability of the MIJB.

3. Complaints process

The MIJB review of the complaints process and policy remains to be completed in conjunction with Midlothian Council.

4. Transformation delivery and benefits tracking

Transformation is central to the MIJB's ability to improve outcomes and support financial sustainability. The MIJB will need to ensure that transformation activity is supported by clear governance, agreed objectives, expected benefits, timescales, risks, performance measures and financial impacts.

During 2026/27, the MIJB will strengthen transformation reporting and benefits tracking to provide clearer assurance on whether transformation activity is delivering the intended operational, financial and service outcomes.

5. Links between strategic and financial planning

Internal Audit identified the need to strengthen the explicit link between the Medium-Term Financial Plan and the Strategic Plan. Progress has been made through approval of the Strategic Plan 2025–2035 and Medium-Term Financial Strategy 2025–2028.

Further work is required to ensure that financial planning, transformation priorities and formal Directions are clearly aligned.

6. Risk management and assurance

The MIJB has established risk management arrangements, including an approved Risk Management Policy and strategic risk register. However, the increasing complexity of the operating environment means that risk reporting and assurance need to continue to evolve.

Further development will focus on ensuring that strategic risks are clearly linked to financial sustainability, service performance, transformation delivery, workforce capacity and partnership dependencies.

7. Senior finance leadership and Section 95 arrangements

During the year there were changes in senior finance leadership. Chris King was the Chief Finance Officer until 26 March 2026. Eleonora Ho was appointed in April 2026 as Interim Chief Finance Officer until a permanent appointment can be made.

The MIJB ensured continuity of Section 95 responsibilities through interim arrangements. Maintaining clear financial leadership, capacity and resilience remains a key governance priority.

The implementation of these actions to enhance governance arrangements in 2026/27 will be driven and monitored by the MIJB Chief Officer and Chief Finance Officer to inform the next annual review. Internal Audit work planned in 2026/27 is designed to test improvements and compliance in governance.

Governance outlook for 2026/27

The MIJB's governance arrangements will need to continue to adapt during 2026/27 to respond to financial, operational and strategic challenges. The governance outlook is focused on ensuring that arrangements remain fit for purpose and provide clear oversight of the areas that matter most for sustainability, performance and public accountability.

During 2026/27, the main governance priorities will be:

- the refresh and approval of the MIJB Local Code of Corporate Governance;
- continued delivery and monitoring of the 2026/27 financial plan and recovery actions;
- continued development and use of the Medium-Term Financial Strategy;
- stronger links between the Strategic Plan, Medium-Term Financial Strategy, Directions and transformation programme;

- strengthening transformation governance, including benefits tracking and reporting;
- continued monitoring of the financial sustainability risk;
- further development of risk management and assurance reporting;
- implementation and monitoring of the revised Reserves Policy;
- completion of the complaints process and policy review;
- continued oversight of senior finance leadership and Section 95 arrangements;
- continued scrutiny by the Audit and Risk Committee of audit recommendations and governance improvement actions;
- further development of performance reporting to link activity, outcomes, quality, finance and risk.

The MIJB recognises that the scale of transformation and financial recovery required will involve difficult decisions. Governance arrangements will therefore need to support open discussion, clear evidence, effective scrutiny and transparent reporting.

The MIJB will continue to work closely with NHS Lothian, Midlothian Council, staff, providers, people who use services, unpaid carers and communities to ensure that decisions are informed, lawful, transparent and focused on improving outcomes for people in Midlothian.

Conclusion and opinion on assurance

The MIJB has reviewed its governance arrangements for 2025/26 and concludes that its core governance arrangements were in place and generally operated effectively.

It is our opinion that reasonable assurance can be placed on the adequacy and effectiveness of the MIJB's governance arrangements and system of internal control for 2025/26. The MIJB considers that these arrangements were fit for purpose in supporting decision-making, accountability, financial oversight, risk management and public reporting during the year.

The MIJB also recognises that governance arrangements must continue to strengthen in response to the significant financial, operational and transformation challenges facing health and social care. Further improvement is required to fully demonstrate compliance with the MIJB's Local Code and to support delivery of the MIJB's principal objectives.

Systems are in place to regularly review and improve governance arrangements and the system of internal control. During 2026/27, the MIJB will focus on strengthening financial sustainability, transformation delivery, risk and assurance reporting, performance oversight, complaints handling and implementation of audit recommendations.

These actions will support the continued development of governance arrangements that are proportionate, transparent, effective and fit for purpose in supporting safe, effective and sustainable health and social care services for the people of Midlothian.

Val De Souza

Val de Souza, Chair

27 September 2026

Morag Barrow

Morag Barrow, Chief Officer

25 September 2026

Section 6 – Independent Auditor’s Report

Independent auditor’s report to the members of Midlothian Integration Joint Board and the Accounts Commission

Reporting on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Midlothian Integration Joint Board for the year ended 31 March 2026 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the 2025/26 Code).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of affairs of the Midlothian Integration Joint Board as at 31 March 2026 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2025/26 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of my report. I was appointed by the Accounts Commission on 5 June 2023. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of the Midlothian Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council’s Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Midlothian Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Midlothian Integration Joint Board ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the Midlothian Integration Joint Board current or future financial sustainability. However, I report on the Midlothian Integration Joint Board's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Interim Chief Finance Officer and the Audit and Risk Committee for the financial statements

As explained more fully in the Statement of Responsibilities, the Interim Chief Finance Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Interim Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Interim Chief Finance Officer is responsible for assessing the Midlothian Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the Midlothian Integration Joint Board's operations.

The Audit and Risk Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to

detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the local government sector to identify that the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003 are significant in the context of the Midlothian Integration Joint Board;
- inquiring of the Interim Chief Finance Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the Midlothian Integration Joint Board;
- inquiring of the Interim Chief Finance Officer concerning the Midlothian Integration Joint Board policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the Midlothian Integration Joint Board's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Reporting on other requirements

Opinion prescribed by the Accounts Commission on the audited parts of the Remuneration Report

I have audited the parts of the Remuneration Report described as audited. In my opinion, the audited parts of the Remuneration Report have been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

Other information

The Interim Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the Management Commentary, Annual

Governance Statement, Statement of Responsibilities and the unaudited part of the Remuneration Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Management Commentary and Annual Governance Statement to the extent explicitly stated in the following opinions prescribed by the Accounts Commission.

Opinions prescribed by the Accounts Commission on the Management Commentary and Annual Governance Statement

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice, including those in respect of Best Value, are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to

have responsibilities to members or officers, in their individual capacities, or to third parties.

Claire Gardiner

Claire Gardiner, CPFA

Audit Director,

Audit Scotland,

4th Floor

102 West Port

Edinburgh

EH3 9DN

28 September 2026

Section 7 – Financial Statements

Section 7.1 - Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year in accordance with accepted accounting practices.

IJB Comprehensive Income and Expenditure Statement

2024/25		2025/26
Net		Net
Expenditure		Expenditure
£000's		£000's
135,018	Health Care Services - NHS Lothian	144,277
69,483	Social Care Services - Midlothian Council	74,575
204,501	Cost of Services	218,852
(204,650)	Taxation and Non-Specific Grant Income	(219,697)
(149)	(Surplus)/Deficit on Provision of Services	(845)

The Integration Scheme lays out that the partners will provide corporate and other support to the IJB as required and will not charge for these services. These costs are not, therefore, included.

Section 7.2 - Movement in Reserves Statement

This statement shows the movement in-year of reserves held by the Midlothian Integration Joint Board.

Movement in Reserves	Notes to the Accounts	31/03/2026	31/03/2025
		£000's	£000's
Usable Reserves - brought forward		(948)	(799)
Deficit/(Surplus) on provision of services		(845)	(149)
Closing Balance, carried forward	1.8	(1,793)	(948)

Movement in Reserves	Earmarked Reserves £000's	General Reserves £000's	Total Reserves £000's
Opening Balance - 31/3/2025	(948)	0	(948)
Drawdown of Reserve in year	941	0	941
Additions to Reserve in year	(1,786)	0	(1,786)
Closing Balance - 31/3/2026	(1,793)	0	(1,793)

Section 7.3 - Balance Sheet

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

IJB Balance Sheet

31/03/2025 £000's	Balance Sheet	Notes to the Accounts	31/03/2026 £000's
	Net Current Assets		
948	Debtors	6	1,793
948	Total assets less current liabilities		1,793
	Capital and Reserves		
(948)	Earmarked Reserves	1.8	(1,793)
0	General Reserves	1.8	0
(948)	Total Reserves		(1,793)

The unaudited accounts were issued on the 30 June 2026 and the audited accounts were authorised for issue on 24 September 2026.

Eleonora Ho

Eleonora Ho, Interim Chief Finance Officer

25 September 2026

Section 7.4 - Notes to the Financial Statements

1. Significant Accounting Policies

1.1. General Principles

The Financial Statements summarise the IJB's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026.

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 prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, 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.

1.2. Basis of Preparation

The IJB financial statements for 2025/26 have been prepared on a going concern basis. 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. In accordance with the CIPFA Code of Local Government Accounting (2025/26), the IJB is required to prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or functions to another entity. The accounts are prepared on the assumption that the IJB will continue in operational existence for the foreseeable future.

The IJB's funding from and commissioning of services to partners has been confirmed for 2026/27, and a medium-term financial plan has been prepared through to 2029. Given that the IJB is wholly funded by the partners and the IJB's Integration Scheme commits the partners to funding any overspend within the IJB, I consider that there are no material uncertainties around its going concern status.

1.3. 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 recovered, the balance of debtors is written down

1.4. Funding

The IJB is wholly funded through funding contributions from the statutory funding partners, Midlothian Council and NHS Lothian. Expenditure is incurred in the form of net charges by the partners to the IJB.

1.5. 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’s figure” on the balance sheet.

1.6. Debtors and Creditors

The funding balance due to or from each funding partner as at 31 of March is represented as a debtor or creditor on the IJB’s Balance Sheet. 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.

1.7. Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report.

1.8. 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 of 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 of 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 of 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.

The IJB has none of the above.

1.9. 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 of 31 March shows the extent of resources which the IJB can use in later years to support service provision. As noted above, the IJB has reserves of £1,793,000 as of 31 March 2026.

	31/03/2025	Movement	31/03/2026
	£000's	£000's	£000's
General Fund			
Earmarked Reserves			
Embedding a gender informed effective response to domestic abuse project	(7)	0	(7)
Unscheduled Care	(941)	(845)	(1,786)
General Reserves	0	0	0
Total Usable Reserves	(948)	(845)	(1,793)

1.10. Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and Midlothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. The IJB holds separate indemnity insurance through its membership of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) scheme, the charge for this in 2025/26 was £3,000 (PY £3,000).

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB's 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.

There are no outstanding claims or any indications that any claims are to be made against the IJB.

1.11. Accounting Standards that have been Issued but have not yet been adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet

adopted and could have a material impact on the accounts. This applies to new or amended standards within the 2025/26 Code.

There are no new or amended Accounting Standards issued but not yet adopted that will have a material impact on the 2025/26 Annual Accounts.

1.12. Critical Judgements and Estimation Uncertainty

The critical judgements made in the Financial Statements relating to complex transactions are:

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required, and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none).
- The Annual Accounts contain estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
- There are no items in the IJB's Balance Sheet at 31 March 2026 for which there is a significant risk of material adjustment in the forthcoming financial year.

The IJB has not created any provisions in respect of compensation claims. It is not certain that all claims have been identified or that the historic level of settlement payments is a reliable guide for future settlements.

2. Subsequent Events

In accordance with the requirements of International Accounting Standard 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date that the accounts were certified by the Chief Financial Officer following approval by the Audit and Risk Committee.

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Two types of events can be identified.

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts are adjusted to reflect such events.
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the statements are not adjusted to reflect such events. Where

a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

3. Expenditure and Funding Analysis

The Expenditure and Funding Analysis shows how the funding available to the IJB, in the form of partner contributions, has been used in providing services.

2024/25		2025/26
Net		Net
Expenditure		Expenditure
£000's		£000's
33,280	Joint Older People Services	34,418
7,246	Joint Mental Health Services	7,550
26,080	Joint Learning Disability Service	28,992
1,000	Joint Alcohol and Drugs Service	1,136
4,235	Physical Disability Service	4,922
31,420	Primary Care	36,758
22,325	Prescribing	22,295
7,298	Community Hospitals	7,542
11,948	Community Nursing	12,230
10,568	Other Core Health Services	9,891
7,748	Other Hosted Services	8,116
13,679	Non-Cash Limited	14,798
20,728	Health Set Aside	22,611
6,947	Other Social Care	7,593
204,501	Cost of Services	218,852
(204,650)	Delegated Funding	(219,697)
(149)	(Surplus) or Deficit on Provision of Services	(845)
(799)	Opening General Fund Balance	(948)
(149)	(Surplus) or Deficit in Year	(845)
(948)	Closing General Fund Balance	(1,793)

4. Corporate Service

Included in the above costs are the following corporate services:

Corporate Costs	2024/25	2025/26
	£000's	£000's
Staff (Chief Officer)	59	63
CNORIS	3	3
Audit fee	34	35
Total	96	101

As noted in the Remuneration Report, the Chief Finance Officer is not charged to the IJB.

5. Related Party Transactions

Related parties are organisations the IJB can control or influence or who can control or influence the IJB. As Partners in the joint venture of MIJB, both Midlothian Council and NHS Lothian are related parties and material transactions with those bodies are shown in line with the requirements of IAS 24 Related Party Disclosures.

In the 2025/26 financial year the following transactions were made with NHS Lothian and Midlothian Council relating to integrated Health and Social Care functions.

Income received from the two parties:

	2024/25 £k	2025/26 £k
NHS Lothian	135,578	145,122
Midlothian Council	69,072	74,575
Total	204,650	219,697

Expenditure relating to the two parties:

	2024/25 £k	2025/26 £k
NHS Lothian	135,018	144,277
Midlothian Council	69,483	74,575
Total	204,501	218,852

There are elements of expenditure which are shown against NHS Lothian, but where the resources are used for the Social Care services delivered by Midlothian Council, in particular, these include resource transfers and social care funds. A breakdown of these resources is given in the table below:

	2024/25 £k	2025/26 £k
Social Care Fund	4,816	4,816
Resource Transfers	6,941	6,227
Total	11,757	11,043

In addition, a range of support services are provided to the IJB by each partner organisation. These functions are not formally delegated under the integration scheme and are provided by the Council and the Health Board free of charge as a 'service in kind'. This is consistent with VAT advice and means that support services to the IJB are outside the scope of VAT. However, they remain essential to maintaining the IJB's operational infrastructure. These services include but are not limited to:

- Human Resources
- Internal Audit and Risk Management
- Information Technology
- Building Accommodation
- Property / Facilities Management
- Learning and Development
- Health and Safety
- Committee Services
- Procurement Services
- Financial Services
- Corporate Communications
- Legal Services

6. Short-Term Debtors

Partner	2024/25 £000's	2025/26 £000's
Funding due from NHS Lothian	941	1,786
Funding due from Midlothian Council	7	7
Total	948	1,793

7. VAT

The IJB is not VAT registered. The VAT treatment of expenditure in the IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

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

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