

EAST AYRSHIRE

*Health & Social Care  
Partnership*

# Integration Joint Board Annual Accounts 2017/18

*Working together with all of our  
communities to improve and  
sustain wellbeing, care and  
promote equity*





## TABLE OF CONTENTS

<b>SECTION 1: MANAGEMENT COMMENTARY</b>	<b>2</b>
INTRODUCTION	2
EAST AYRSHIRE IJB	2
OBJECTIVES AND STRATEGY OF THE IJB	3
PERFORMANCE MANAGEMENT AND REPORTING	5
FINANCIAL STATEMENTS 2017/18	7
FINANCIAL PERFORMANCE 2017/18	7
FINANCIAL OUTLOOK, RISKS AND PLANS FOR THE FUTURE	11
CONCLUSION	14
WHERE TO FIND MORE INFORMATION	14
<b>SECTION 2: STATEMENT OF RESPONSIBILITIES</b>	<b>15</b>
RESPONSIBILITIES OF THE IJB	15
RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER	15
<b>SECTION 3: ANNUAL GOVERNANCE STATEMENT</b>	<b>17</b>
SCOPE OF RESPONSIBILITY	17
THE PURPOSE OF THE GOVERNANCE FRAMEWORK	17
THE GOVERNANCE FRAMEWORK AND GOVERNANCE DEVELOPMENTS	17
INTERNAL CONTROL SYSTEM	19
REVIEW OF EFFECTIVENESS	20
ACTION PLAN	20
ASSURANCE	21
<b>SECTION 4 – REMUNERATION REPORT</b>	<b>22</b>
INTRODUCTION	22
REMUNERATION: CHAIR AND VICE CHAIR	22
REMUNERATION: OFFICERS OF THE IJB	22
DISCLOSURE BY PAY BANDS	23
EXIT PACKAGES	24
<b>SECTION 5: THE FINANCIAL STATEMENTS</b>	<b>25</b>
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	25
MOVEMENT IN RESERVES STATEMENT	27
BALANCE SHEET	28
<b>SECTION 6: NOTES TO THE FINANCIAL STATEMENTS</b>	<b>29</b>
NOTE 1: SIGNIFICANT ACCOUNTING POLICIES	29
NOTE 2: ACCOUNTING STANDARDS NOT YET ADOPTED	30
NOTE 3: CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY	30
NOTE 4: EVENTS AFTER THE REPORTING PERIOD	31
NOTE 5: EXPENDITURE AND FUNDING ANALYSIS	31
NOTE 6: EXPENDITURE AND INCOME ANALYSIS BY NATURE	31
NOTE 7: TAXATION AND NON-SPECIFIC GRANT INCOME	31
NOTE 8: DEBTORS	32
NOTE 9: USABLE RESERVE – GENERAL FUND	32
NOTE 10: AGENCY INCOME AND EXPENDITURE	32
NOTE 11: RELATED PARTY TRANSACTIONS	33
NOTE 12: CONTINGENT LIABILITIES	35
NOTE 13: VAT	35
<b>SECTION 7: INDEPENDENT AUDITOR’S REPORT</b>	<b>36</b>
<b>SECTION 8: GLOSSARY OF TERMS</b>	<b>36</b>

## SECTION 1: MANAGEMENT COMMENTARY

### INTRODUCTION

This publication contains the Financial Statements of East Ayrshire Integration Joint Board (IJB) for the year ended 31 March 2018.

The Management Commentary provides an overview of the key messages in relation to the IJB's financial planning and performance for the 2017/18 financial year and how this has supported delivery of the IJB's core objectives. This commentary also looks forward and provides an indication of the challenges and risks which may impact upon the finances of the IJB in the future as we strive to meet the health and social care needs of the people of East Ayrshire.

The Management Commentary has been prepared in accordance with the requirements of the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) and the statutory guidance in Finance Circular 5/2015. It should be noted that the external auditors are required to provide opinions on whether the Management Commentary complies with the statutory requirements and is consistent with the financial statements.

### EAST AYRSHIRE IJB

In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, East Ayrshire Council and NHS Ayrshire and Arran prepared an Integration Scheme for the area of the local authority. The Integration Scheme between the two parent organisations was approved by Scottish Ministers on 3 March 2015, and the Scottish Ministers by order established the East Ayrshire IJB as a body corporate on 1 April 2015 as part of the establishment of the framework for the integration of health and social care in Scotland.

East Ayrshire covers an area of 490 square miles and is home to 122,200 people spread over both urban and rural communities. The population of East Ayrshire equates to 2.3% of the total population of Scotland. The population aged 16 to 29 years accounts for 16.3% of the total which is less than the Scottish average 18.2%. Persons aged 60 and over make up 25.9% of the population which is larger than the 24.4% Scottish average for this age group. Significant inequalities exist within and between our communities. The Scottish Index of Multiple Deprivation highlights that 21.5% (more than 1 in 5) of East Ayrshire residents live in the 0-15% most deprived areas of Scotland and we have the seventh largest proportion of population categorised as most deprived. The integration of health and social care provides an important framework to address health and wellbeing inequalities and supports the 2020 vision for fully integrated health and social care services.

The East Ayrshire Integration Joint Board membership was confirmed including voting and non-voting members and stakeholder members in April 2015. The IJB accepted the Integration Scheme and agreed to exercise the decision making functions of the Council in relation to Council services and NHS Ayrshire and Arran services (through the Local Scheme of Delegation) delegated to the Board and agreed to provide assurance to the relevant Council and NHS Committees on effective operational arrangements in relation to professional and care governance, corporate governance and employee relations.

The parent organisations of the IJB (East Ayrshire Council and NHS Ayrshire and Arran) each nominated four voting members to the Board – four elected members from East Ayrshire Council, with two Executive Directors and two non Executive Directors from NHS Ayrshire and Arran. In addition there is employee and trade union representation, as well as representatives of carers and people who use our services, the third and independent sectors, medical, clinical and social work professionals. Following the Scottish Local Government elections on 4 May 2017, the IJB at its meeting on 14 June 2017 approved the appointment of Councillor Douglas Reid as IJB Chair in

succession to Iain Welsh OBE. The IJB also approved the appointment of Ian Welsh OBE as a NHS non Executive Director as Vice Chair. The Director of Health and Social Care, Eddie Fraser is the lead professional advisor to the IJB in his role as Chief Officer. The operational structure is divided into three services: Community Health and Care Services, Children’s Health, Care and Justice Services and Primary Care and Out of Hours Community Response Services.

East Ayrshire Health and Social Care Partnership is operating within a challenging financial environment as a result of real terms reductions in funding, increased demographic pressures and the cost of implementing new legislation and policies. The Partnership Management Team with the support of the Integration Joint Board has worked throughout 2017/18 to manage and monitor the budget and service implications through tight financial governance.

**OBJECTIVES AND STRATEGY OF THE IJB**

The main purpose of integration is to improve the wellbeing of families, our communities and of people who use health and social care services; particularly those whose needs are complex and involve support from health and social care at the same time. In addition, the IJB provides specific health care services across Ayrshire.

The partnership will deliver positive outcomes for our residents by ensuring that children and young people get the best start in life, that people live healthier, longer lives and are supported to be independent and have choice and control no matter who they are or where they live. In East Ayrshire integration is also intended to support the Community Planning Partnership as strategic lead for delivering on the wellbeing theme of the Community Plan 2015/30.

The Strategic Plan must have regard for national health and wellbeing outcomes and with the full scope of the delegated functions also include the National Outcomes for children, young people and justice.

The Integration Scheme is intended to achieve National Health and Wellbeing Outcomes prescribed by Scottish Ministers in Regulations under section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014. NHS Ayrshire & Arran and East Ayrshire Council agreed that Children’s and Family Health, Social Work and Justice services should be included within functions and services to be delegated to the IJB, therefore specific National Outcomes for Children and Criminal Justice are included:

<b>National Outcomes for Children</b>	
Outcome 1	Our children have the best start in life.
Outcome 2	Our young people are successful learners, confident individuals, effective contributors and responsible citizens.
Outcome 3	We have improved the life chances for children, young people and families at risk.
<b>Health and Wellbeing Outcomes</b>	
Outcome 4	People are able to look after and improve their own health and wellbeing and live in good health for longer.
Outcome 5	People, including those with disabilities, long term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community.

Outcome 6	People who use health and social care services have positive experiences of those services, and have their dignity respected.
Outcome 7	Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.
Outcome 8	Health and social care services contribute to reducing health inequalities.
Outcome 9	People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and wellbeing.
Outcome 10	People who use health and social care services are safe from harm.
Outcome 11	People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.
Outcome 12	Resources are used effectively and efficiently in the provision of health and social care services.
<b>National Outcomes Justice</b>	
Outcome 13	Community safety and public protection.
Outcome 14	The reduction of reoffending.
Outcome 15	Social inclusion to support desistance from offending.

The vision for the integration of health and social care is to produce better outcomes for people through services that are planned and delivered seamlessly from the perspective of the patient, service user or carer. Prior to its formal establishment, a vision was developed for how the East Ayrshire IJB would operate in consultation with stakeholders. This vision has driven activity over the last three years and will continue to do so:

***Working together with all of our communities to improve and sustain wellbeing, care and to promote equity.***

Through the Strategic Plan Annual Review process, the IJB has been able to recognise the increasingly challenging operational context and has developed the Strategic Plan during 2017/18 to ensure a stronger focus on strategic commissioning for sustainable outcomes within a constrained resource envelope and further strengthen partnership working in Localities to deliver on priorities. The Strategic Plan 2018-21 centres on the 'triple aim' of better care, better health and better value and as such focuses on a smaller number of core themes:

- Scaling up work on prevention and early intervention across all ages;
- Supporting new models of care;
- Building capacity in Primary and Community Care, and;
- Transformation and sustainability.

The Workforce Plan 2018-21 has been developed in light of our ambitious plans, aims and objectives which all centre on improving and sustaining wellbeing within our community and supporting people to live the healthiest lives possible.

The Workforce Plan recognises the significant challenges that face health and social care, including drivers for change such as population change, the demographics of our workforce, and financial uncertainty. The Plan identifies a need to look at new ways of working where prevention and enablement are at the forefront of our work. It is also located within the context of a need to transform service delivery.

To achieve this transformation, the Workforce Plan clearly prioritises investment in our single, most valuable resource, our workforce. The Plan aims to support and develop a dynamic workforce which is experienced, skilled, motivated and adaptive and is confident to challenge traditional boundaries to look at innovative ways of delivering our services, ensuring that we have the right people with the right skills in the right place at the right time. The Plan reflects the national policy context, specifically the three-part 'Framework for Improving Workforce Planning' across the NHS, Social Care and Primary Care. The Plan aspires to East Ayrshire being seen as an employer of choice, to ensure we can continue to attract and recruit the workforce of the future.

The importance of partners, including independent and third sector partners in delivering positive health and social care outcomes is fundamental to the Workforce Plan. The Plan is clear that health and social care integration encapsulates all partners and the wider workforce of the Third and Independent Sector, independent contractors and providers all of whom have a vital contribution to make to the wellbeing of East Ayrshire residents.

The Property and Asset Management Plan complements the Strategic Plan and the Workforce Plan and aims to support these through making best use of the estate that health and social care services use, to enhance provision of health and social care in local communities and to rationalise the estate for reinvestment in frontline services.

A set of Principles is contained in the Property and Asset Management Plan covering people-centred design, transparent allocation of resources, strategic fit with the vision of supporting people at home where possible, and managing assets in line with best value and the transformation programmes of partners.

## **PERFORMANCE MANAGEMENT AND REPORTING**

The IJB has embedded a performance management culture throughout the Partnership. It has created a wide range of performance information to manage services and target improvements for the people of East Ayrshire. This has been supported by our performance management systems which analyse data, track progress and identify actions. Regular and robust performance information is provided to our Audit and Performance Committee, IJB Members, operational managers and is publically reported. Benchmarking is used to compare our performance with other organisations to support change and improvement.

The Annual Performance Report for 2016/17 was presented to a joint meeting of East Ayrshire Council and the Community Planning Partnership on 21 September 2017 and to Ayrshire & Arran NHS Board on 9 October 2017. An accessible summary version of this report was distributed across public access points. The Annual Performance Report for 2017/18 will be considered by the IJB Audit and Performance Committee on 14 August 2018 and by the IJB on 29 August 2018 and the full report is available here:

<https://www.east-ayrshire.gov.uk/SocialCareAndHealth/East-Ayrshire-Health-and-Social-Care-Partnership/Governance-Documents.aspx>

The IJB embraces scrutiny including external inspection and self assessment. In relation to performance targets, the Partnership continues to progress towards a core set of indicators that relate to services from publically accountable national indicators and targets which the Health Board and Council currently report against. Improvement measures will be a combination of existing and new measures that will allow assessment at local level. The performance targets and improvement measures will be linked to local outcomes. The IJB's performance is scrutinised by a dedicated Audit and Performance Committee with a wide ranging remit, but with a particular focus on performance management and improvement.

The following table provides information on performance against national benchmarks and highlights a positive picture in a number of key areas:

	<b>Outcome indicators</b>	<b>East Ayrshire</b>	<b>Scotland</b>
N1	Percentage of adults able to look after their health very well or quite well (%).	92% (2017/18)	93% (2017/18)
N2	Percentage of adults supported at home who agree that they are supported to live as independently as possible (%).	80% (2017/18)	81% (2017/18)
N3	Percentage of adults supported at home who agree that they had a say in how their help, care or support was provided (%).	74% (2017/18)	76% (2017/18)
N4	Percentage of adults supported at home who agree that their health and care services seemed to be well co-ordinated (%).	74% (2017/18)	74% (2017/18)
N5	Percentage of adults receiving any care or support who rate it as excellent or good (%).	81% (2017/18)	80% (2017/18)
N6	Percentage of people with positive experience of care at their GP practice (%).	76% (2017/18)	83% (2017/18)
N7	Percentage of adults supported at home who agree that their services and support had an impact in improving or maintaining their quality of life (%).	77% (2017/18)	80% (2017/18)
N8	Percentage of carers who feel supported to continue in their caring role (%).	36% (2017/18)	37% (2017/18)
N9	Percentage of adults supported at home who agree they felt safe (%).	77% (2017/18)	83% (2017/18)
	<b>Data indicators</b>	<b>East Ayrshire</b>	<b>Scotland</b>
N11	Premature mortality rate under 75 (per 100,000).	490 (2016/17)	440 (2016/17)
N12	Rate of emergency admissions for adults (per 100,000).	16,037 (2017/18)	11,959 (2017/18)
N13	Rate of emergency bed days for adults (per 100,000).	121,764 (2017/18)	115,518 (2017/18)
N14	Readmissions to hospital within 28 days of discharge (per 1,000).	114 (2017/18)	97 (2017/18)
N15	Proportion of last 6 months of life spent at home or in community setting (%).	89% (2017/18)	88% (2017/18)
N16	Falls rate per 1,000 population in over 65s.	22 (2017/18)	22 (2017/18)
N17	Proportion of care services graded 'good' (4) or better in Care Inspectorate Inspections (%).	81% (2017/18)	85% (2017/18)
N18	Percentage of adults with long-term care needs receiving care at home (%).	68% (2016/17)	61% (2016/17)
N19	Number of days people aged 75+ spend in hospital when they are ready to be discharged.	338 (2017/18)	772 (2017/18)



N20	Percentage of total health and care spend on hospital stays where the patient was admitted in an emergency.	25% (2017/18)	23% (2017/18)
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Note: Data above extracted from 'Source' for most recent period where national benchmarks are available. A detailed performance assessment is available through the Annual Performance Report available at Governance webpage:

<https://www.east-ayrshire.gov.uk/SocialCareAndHealth/East-Ayrshire-Health-and-Social-Care-Partnership/Governance-Documents.aspx>

The number of people who remain in hospital when assessed as fit to be more appropriately supported in another setting (known as 'delayed discharges') for over 2 weeks has been maintained at zero throughout 2017/18. In 2017/18 we have seen a significant reduction in the total number of bed days occupied as a result of 'delayed discharge' compared with the previous year. This continues the improving trend over the last three years. Bed days occupied for all delays over the year stood at 4,730 while 'Code 9' complex discharges reduced to 1,664 for 2017/18. Overall, 'delayed discharge' performance has improved in 2017/18 by 19.8 percent compared to the previous reporting year on occupied bed days and by 40.1 per cent on the pre-integration baseline in 2014/15. During 2017/18 a new 'front door' approach was implemented in Community Health and Care Services and this is showing considerable positive impact in reducing demand for formal services while ensuring people get the right support, in the right place at the right time. The 'front door service' was recognised in the iESE awards in 2017/18.

## FINANCIAL STATEMENTS 2017/18

The Financial Statements for 2017/18 are set out at Section 5 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*). The Statement of Significant Accounting Policies at Section 6 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Financial Statements to ensure that they present a 'true and fair view' of the IJB's financial performance.

## FINANCIAL PERFORMANCE 2017/18

Financial information is part of the performance management framework with regular reporting of financial performance to the IJB and the IJB Audit and Performance Committee. This section provides a summary of the main elements of our financial performance for 2017/18.

### (a) Partnership Revenue Expenditure 2017/18

Partnership services include the full range of community-based health and care services delegated by the partner organisations under the terms of the Integration Scheme. East Ayrshire Health and Social Care Partnership has the lead partnership role in Ayrshire for Primary Care and Out of Hours Community Response including:

- Primary Care (General Medical Services, General Dental Services, General Ophthalmic Services, Community Pharmacy)
- Public Dental Services
- Ayrshire Urgent Care Services (AUCS)
- Prison Service and Police Custody Services
- Out of Hours Social Work Services

Following approval of the budgets delegated by East Ayrshire Council and NHS Ayrshire & Arran (the Parties) on 23 February 2017 and 28 March 2017 respectively, the IJB at its meeting on 19 April 2017 formally approved the £223.693m initial annual budget for 2017/18 and Directed the Parties to deliver services on behalf of the IJB within the delegated resource. This initial budget included the IJB's initial estimated share of the Scottish Government Integration Fund / Social Care

funding £8.868m and delegated functions £1.765m. The Scottish Government funding was subsequently confirmed as £8.845m.

The Approved Budget 2017/18 report outlined risks going forward into the financial year, particularly around service areas which will be impacted by demographic changes, as well as external factors such as increasing costs of medicines. Flat cash budget allocations were delegated to the IJB by East Ayrshire Council and NHS Ayrshire & Arran and the consequential requirement to deliver additional cash releasing efficiency savings represented a significant financial risk against the backdrop of price and volume increases.

Over the course of the 2017/18 financial year the Partnership mitigated these risks through ongoing monitoring and review to ensure the impact on resources in respect of increased demand and other unplanned activity changes were outlined in Financial Management Reports to the IJB and the Audit and Performance Committee. This included reporting of progress against approved cash releasing efficiency savings.

Partnership services saw continued demand growth in 2017/18. This increased demand coupled with the requirement to deliver cash releasing efficiency savings represented a significant budget pressure for the Partnership over the course of the financial year. Work has been undertaken to mitigate the impact of these budget pressures through ongoing review of care and support packages and models of care to maximise efficiency, whilst ensuring that health and social care service users' needs continue to be met.

Financial pressures, including non-achieved cash releasing efficiency savings have been largely mitigated through non-recurring savings and balances totalling £2.129m in 2017/18. The one exception to this is Council commissioned children's outwith authority placements totalling £2.205m. Work has been undertaken through the Strategic Commissioning for Sustainable Outcomes Programme Board to agree proposals for recurring savings to achieve financial balance for 2018/19 and going forward, as part of the Medium Term Financial Plan for the IJB.

The Integration Scheme sets out that overspends require to be carried-forward and repaid in future financial years, however East Ayrshire Council has agreed to provide additional funding of £2.205m on a non-recurring basis to ensure financial balance on Council commissioned services is achieved for 2017/18. As part of its 2018/19 budget, East Ayrshire Council approved the proposal that repayment of the £2.205m sum related to children's outwith placements be negotiated. For planning purposes the Council has assumed a repayment of £0.250m in 2018/19. It is important to note that the Council's contribution to the IJB has been increased due to this additional funding having been advanced in 2017/18 which will result in reduced contributions to the IJB in future years.

The Integration Scheme also sets out that whilst the Primary Care prescribing budget will be delegated to the IJB, prescribing will be managed by NHS Ayrshire & Arran across the three Ayrshire Partnerships. The Health Board has allocated additional funding £1.269m to the IJB to bring the Primary Care prescribing budget into balance in 2017/18.

After taking account of this £2.205m non-recurring allocation of additional funding from East Ayrshire Council, as well as the additional prescribing funding from NHS Ayrshire & Arran, expenditure for the 2017/18 financial year is £0.501m less than the budget delegated to the IJB. Commitments have been identified largely against expenditure on client equipment and adaptations £0.471m with a £0.030m net underspend on Council commissioned services resulting in an overall balanced position for 2017/18.

The following table highlights financial performance by IJB Service Division on directly managed services for 2017/18:

Annual Estimate 2016/17 £m	Actual to 31/3/17 £m	Variance (Favourable) / Adverse £m	Service Division	Annual Estimate 2017/18 £m	Actual to 31/3/18 £m	Variance (Favourable) / Adverse £m
			<b>Core Services</b>			
18.076	18.327	0.251	Learning Disabilities	18.349	18.524	0.175
5.473	5.415	(0.058)	Mental Health	5.581	5.728	0.147
1.867	1.839	(0.028)	Addiction	2.033	1.967	(0.066)
0.375	0.375	0.000	Adult Support & Protection	0.186	0.186	0.000
37.477	38.113	0.636	Older People	36.807	37.419	0.612
2.400	1.943	(0.457)	Physical Disabilities	2.446	1.926	(0.520)
0.179	0.163	(0.016)	Sensory	0.180	0.172	(0.008)
6.011	5.855	(0.156)	Service Strategy	7.247	6.917	(0.330)
0.457	0.457	0.000	Transport	0.462	0.462	0.000
0.222	0.222	0.000	Health Improvement	0.275	0.264	(0.011)
3.811	4.016	0.205	Community Nursing	3.697	4.187	0.490
26.185	26.185	0.000	Prescribing	26.947	26.947	0.000
15.440	15.115	(0.325)	General Medical Services	15.481	15.362	(0.119)
2.470	2.470	0.000	Integrated Care Fund	2.470	2.470	0.000
<b>120.443</b>	<b>120.495</b>	<b>0.052</b>		<b>122.161</b>	<b>122.531</b>	<b>0.370</b>
			<b>Non District General Hospitals</b>			
2.889	2.898	0.009	East Ayrshire Community Hospital	2.960	2.933	(0.027)
1.189	1.194	0.005	Kirklandside Hospital	1.002	0.889	(0.113)
<b>4.078</b>	<b>4.092</b>	<b>0.014</b>		<b>3.962</b>	<b>3.822</b>	<b>(0.140)</b>
			<b>Lead Partnership Services</b>			
0.243	0.243	0.000	Standby Services	0.236	0.236	0.000
65.054	65.054	0.000	Primary Care (incl. Dental)	67.975	67.873	(0.102)
2.827	2.806	(0.021)	Prison & Police Healthcare	3.007	2.953	(0.054)
1.224	1.225	0.001	War Pensioner	1.224	1.224	0.000
0.071	0.091	0.020	Other Lead Services	0.088	0.063	(0.025)
<b>69.419</b>	<b>69.419</b>	<b>0.000</b>		<b>72.530</b>	<b>72.349</b>	<b>(0.181)</b>
			<b>Children's Services</b>			
18.447	17.829	(0.618)	Children & Families / Women's Services	18.281	17.563	(0.718)
4.120	4.957	0.837	Secure Accommodation / Outwith Placements	4.041	6.232	2.191
2.018	2.105	0.087	Justice Services	2.060	2.084	0.024
2.182	2.271	0.089	Health Visiting	2.752	2.910	0.158
<b>26.767</b>	<b>27.162</b>	<b>0.395</b>		<b>27.134</b>	<b>28.789</b>	<b>1.655</b>
			<b>Funded Elements</b>			
(2.292)	(2.413)	(0.121)	Justice Services Grant	0.000	0.000	0.000
<b>(2.292)</b>	<b>(2.413)</b>	<b>(0.121)</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
			<b>Additional Funding</b>			

0.658	0.000	(0.658)	Non-recurring allocation of funds – EAC	2.205	0.000	(2.205)
<b>0.658</b>	<b>0.000</b>	<b>(0.658)</b>		<b>2.205</b>	<b>0.000</b>	<b>(2.205)</b>
<b>219.073</b>	<b>218.755</b>	<b>(0.318)</b>	<b>NET EXPENDITURE</b>	<b>227.992</b>	<b>227.491</b>	<b>(0.501)</b>
0.000	0.318	0.318	Underspend relating to EAC – retained by IJB	0.000	0.501	0.501
<b>219.073</b>	<b>219.073</b>	<b>0.000</b>	<b>TOTAL</b>	<b>227.992</b>	<b>227.992</b>	<b>0.000</b>

A number of services experienced budget pressures over the course of the 2017/18 financial year and have been offset through both recurring and non-recurring savings and additional delegated funding from East Ayrshire Council and NHS Ayrshire & Arran:

### Adult Care Services

The additional expenditure on Learning Disabilities Services and Mental Health Services largely relates to additional care package costs, partially offset by reduced respite costs and greater than anticipated charging for services. The underspend on Physical Disabilities services largely relates to savings from vacant posts and less than anticipated care package costs and is before taking account of IJB Reserve adjustments £0.389m in relation to client equipment and adaptations.

### Older People's Services

The additional cost primarily relates to increased demand for externally commissioned care at home services, as well as additional Community Alarms Service staffing costs to cover sickness and maternity leave. The internally provided care at homes services budget has overspent due to under-achievement of savings targets. These additional costs are partially offset by reduced residential and nursing care costs and greater than anticipated income from charging for services.

### Service Strategy

The underspend for the year largely relates to staff turnover, including maternity leave, as well as less than anticipated costs relating to disregard of charges against war veterans pensions and a reduced provision for doubtful debts requirement. This provision forms part of the budget delegated by East Ayrshire Council to the IJB. Debtor invoices are raised by the Council on behalf of the IJB, with income credited to the IJB, however outstanding balances are accounted for within the Council balance sheet.

### Community Nursing

The overspend is primarily due to unachieved Community Health and Care Services efficiency savings £0.849m being allocated against this budget pending final agreement on the source of the saving. Work has been undertaken to agree recurring savings proposals as part of the 2018/19 budget approval process. The unachieved savings balance is partially offset by non-recurring savings, as well as a saving from the new continence contract.

### General Medical Services

The underspend wholly relates to the non-recurring benefit from the completion of the Quality Outcomes Framework (QOF) to core standards transfer.

### Primary Care and Out of Hours Services

On behalf of all IJBs within the NHS Ayrshire & Arran area, the IJB acts as the lead partner for Primary Care and Out of Hours services. It commissions services on behalf of the three Ayrshire IJBs and reclaims the costs involved. This arrangement is treated as an agency arrangement. The overall underspend on this Lead Partnership service in 2017/18 is after taking account of unallocated efficiency savings £0.615m for which recurring savings proposals have been identified

as part of the 2018/19 budget approval process. These unallocated savings have been absorbed in 2017/18 from non-recurring staffing savings in Dental, as well as non-recurring slippage in the Primary Care Transformation Fund and general staff turnover. These savings have been partially offset by additional costs from managing GP practices in difficulty and additional Ayrshire Urgent Care Service GP sessional rates in the final quarter.

### **Children and Families / Women's Services**

The underspend largely relates to staff turnover, as well as savings on internal foster care, throughcare and transport costs. These savings are partially offset by additional expenditure on kinship care, internal adoption costs and externally commissioned foster care.

### **Secure Accommodation / Outwith Placements**

The overspend primarily relates to additional outwith authority children's placement costs £2.205m for which the Council has provided additional delegated funding in 2017/18. These additional costs relate to increased demand with placements approved by the multi-disciplinary Outwith Placements Screening Group. Additional funding has been allocated as part of the 2018/19 budget approval process to partially offset the funding gap with demand to be managed within delegated resources. This continues to represent a key financial risk for the IJB going forward. The overspend reduces to £2.191m due to a small underspend on secure accommodation placements.

### **Health Visiting**

The overspend is primarily due to unachieved efficiency savings £0.195m. Recurring savings proposals have been identified as part of the 2018/19 budget approval process however it should be noted that the budget largely comprises direct staffing costs with savings contrary to Scottish Government aspirations to increase Health Visitor numbers.

### **Lead Partnership Services**

The approved Integration Scheme sets out that in the event of a lead partnership overspending, a recovery plan requires agreement of the three Ayrshire IJBs. Failure to reach agreement will require interim additional funding contributions in proportion to service usage, pending final agreement of the recovery plan. Each of the three Ayrshire IJBs reported a balanced position on their lead/hosted service. This position was achieved by a range of actions including vacancy management, additional funding from NHS Ayrshire & Arran, application of non-recurring funding and consideration of how cost reduction targets would be met. The approach in each partnership was agreed by the relevant IJB. The non-recurring nature of the additional funding and savings represent a financial risk for the IJB going forward.

### **(b) The Balance Sheet**

The Balance Sheet presented at Section 5 summarises the IJB's assets and liabilities as at 31 March 2018.

## **FINANCIAL OUTLOOK, RISKS AND PLANS FOR THE FUTURE**

The East Ayrshire Health and Social Care Partnership, like all others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook.

The UK government has signalled its intention to pursue continuous reductions in public sector expenditure over the medium term. Funding available to the Scottish Government will reduce in real terms and consequently funding available the Councils and Health Boards will also reduce. At the same time demand for health and social care services, legislative changes and user expectations of service access, quality and performance continue to increase.

The Strategic Commissioning for Sustainable Outcomes Programme Board has delegated responsibility to oversee the implementation of a financial recovery plan on behalf of the IJB Audit and Performance Committee and through this to the IJB itself. The key priority is to ensure that the IJB is best prepared to meet key priorities set out in the Strategic Plan 2018-21 and going forward, within delegated resources.

The IJB's External Auditor Deloitte LLP presented its ISA260 Report on the 2016/17 audit to the IJB on 31 August 2017. The issue of financial sustainability was highlighted within the key messages within the report, with financial sustainability noted as being reliant on the continued commitment of East Ayrshire Council and NHS Ayrshire & Arran to the IJB and willingness to provide additional funding if required. This was highlighted as being of particular importance due to the absence of a formally approved medium or long term financial plan for the IJB. Deloitte recognised work being undertaken through the Strategic Commissioning for Sustainable Outcomes Programme Board and recommended that as part of the process, the IJB review demand drivers and the impact on future costs to identify relevant mitigating actions to ensure financial sustainability going forward.

The Medium Term Financial Plan 2017/18 – 2021/22 was formally approved by the IJB on 30 November 2017. Based on analysis, projections and underlying assumptions around future funding and cost and volume pressures, an indicative funding gap for the Partnership of £37.881m is identified over the lifetime of the plan.

A draft Financial Plan for 2018/19 was approved by the IJB on 26 April 2018 to direct East Ayrshire Council and NHS Ayrshire & Arran to deliver services on behalf of the IJB within this delegated resource. This takes account of the approved sum delegated for 2018/19 by East Ayrshire Council on 22 February 2018. The NHS Ayrshire & Arran revenue plan for 2018/19 was approved in draft on 26 March 2018 with 2017/18 rollover budgets delegated to the three Ayrshire IJBs at that stage. The final delegated sum will be notified and tabled for formal approval at a forthcoming meeting of the IJB. The draft Financial Plan includes proposed actions to deliver cash releasing efficiency savings £5.017m to ensure that the IJB operates within the resource available by proactively addressing the funding challenges presented while at the same time delivering effective services to the residents of East Ayrshire. To meet this challenge East Ayrshire Health and Social Care Partnership needs to think and work differently within the resources delegated by the partner organisations.

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

- Socio-economic and health inequalities prevalent in East Ayrshire;
- Increased demand for services alongside reducing resources;
- The impact of Welfare Reform on the residents of East Ayrshire;
- The wider financial environment which continues to be challenging; and
- Political uncertainty including the impact of the EU withdrawal, as well as the financial powers arising from the Scotland Act 2012 and recommendations arising from the Smith Commission.

During such periods of challenge and uncertainty, East Ayrshire Health and Social Care Partnership requires to be clear about its role, what services are needed and valued by local people and communities, whilst seeking opportunities for new and innovative service delivery models maximising the collective resources of all partners. Partnership working is core to being able to deliver effective services within delegated resources. Transparent conversations with community planning partners including the third sector, independent and business sectors have increased understanding and this has harnessed collective thinking in respect of early intervention, prevention and creative modelling of service provision. Within East Ayrshire, there has been sustained effort in maximising all opportunities to make savings which minimise impact for front line service delivery

and staff. Looking forward, it becomes more difficult to identify savings without any impact on either service delivery or staffing levels.

As highlighted previously, the Partnership has established a Strategic Commissioning for Sustainable Outcomes Board. During 2018/19 this Board will continue to drive the delivery of transformational change at the required scale and pace and set the direction for the Strategic Plan 2018/21. Transformational change proposals will be taken forward through the Board and these proposals will require to include the following with an agreed timescale for implementation:

- Fundamental reconfiguration of services to ensure sustainable service delivery within delegated budgets.
- Match resources to activity.
- Phased implementation of priorities.

Overview is provided by the IJB Audit and Performance Committee and the Strategic Planning Group will have a key role in engaging in and influencing the Strategic Commissioning for Sustainable Outcomes programme. The vision, values and strategic priorities were reaffirmed as part of the annual review of the Strategic Plan 2015/18 and during the next year the Plan will be developed to reflect the strategic commissioning for sustainable outcomes agenda.

The approach to prioritisation will draw on good practice such as cost benefit analysis, social return on investment and programme budgeting / marginal analysis. This work will inform investment and disinvestment decisions. National advice states that this approach will apply to the totality of delegated resources within Partnerships including 'set aside' hospital resources where the IJB has a key planning role.

The Partnership has a responsibility, with our local hospital services at University Hospital Crosshouse and University Hospital Ayr, for planning services that are mostly used in an unscheduled way. The aim is to ensure that we work across the health and care system to deliver the best, most effective care and support. Service areas most commonly associated with unplanned use are included in the 'set side' budget. 'Set aside' budgets relate to the strategic planning role of the Partnership. Key areas within this budget are:

- Accident and emergency
- Inpatient services for general medicine
- Geriatric medicine
- Rehabilitation
- Respiratory
- Learning disability, psychiatry and palliative care services provided in hospital

Acute Services within NHS Ayrshire & Arran continue to face particular budget pressures around the costs of covering a high level of medical vacancies and the increasing needs of patients requiring nursing support above funded levels. There are a high number of unfunded beds in use to meet demands and this pressure has been managed in-year by NHS Ayrshire & Arran in line with the Integration Scheme. The ability to plan with the overall resource for defined populations and user groups and to use budgets flexibly is one of the hallmarks of integrated care however the continuing pressures in Acute Services have impacted in 2017/18. A national Finance Development Group has been established to support implementation of the financial aspects of health and social care integration legislation and associated guidance. It is recognised that there is a need to understand the progress that is being made towards planning across the full pathway of care, including the acute hospital component and the way in which the statutory guidance on the use of delegated hospital budgets is being applied in practice.

Further opportunities will be pursued for taking forward the Strategic Plan related to the potential offered by multi-disciplinary and cross-sector working at a locality level together with wider

participation and engagement at a locality level. The rich data available from community and voluntary partners will inform the transformational change programme, the Strategic Plan 2018/21 and future commissioning intentions.

Partnership working extends beyond delegated community health and care services and services managed under Ayrshire lead partnership arrangements. Partnership working includes working with East Ayrshire Council's Education, Vibrant Communities and Leisure services, as well as the third and independent sectors. The latter often support the delivery of innovative responses to need within our localities.

## CONCLUSION

Prudent financial management and medium term financial planning has allowed the IJB to mitigate budget pressures and successfully deliver outcomes and manage its financial affairs in conjunction with parent organisations in a significantly challenging financial and operational environment. The Partnership has successfully overseen the delivery of all core services and initiated a significant change programme designed to provide more person centred models of care, deliver on early intervention and prevention priorities and achieve cash releasing efficiencies. The IJB's financial position at 31 March 2018 highlights a small underspend on the total delegated budget for the year. This reflects the collective efforts of service managers, directorate management teams and Corporate Finance staff in maintaining sound financial management processes throughout the year against a backdrop of increasing demand for services, constrained financial resources and the requirement to deliver significant cash releasing efficiency savings.


We would like to acknowledge the significant effort of all the staff across the Health and Social Care Partnership who have contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the financial position at 31 March 2018.

## WHERE TO FIND MORE INFORMATION

If you would like more information, the East Ayrshire Health and Social Care Partnership's webpage holds information on the IJBs strategies, plans and policies and on performance and spending. These can be found at:

<https://www.east-ayrshire.gov.uk/SocialCareAndHealth/East-Ayrshire-Health-and-Social-Care-Partnership/Governance-Documents.aspx>

Signed on behalf of East Ayrshire Integration Joint Board.



**Eddie Fraser**  
Chief Officer



**Douglas Reid**  
Chair of the IJB



**Craig McArthur CPFA**  
Chief Finance Officer



## SECTION 2: STATEMENT OF RESPONSIBILITIES

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

### RESPONSIBILITIES OF THE IJB

The IJB is required to:

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

I can confirm that these Annual Accounts have been approved for signature by the Integration Joint Board at its meeting on 29 August 2018.

Signed on behalf of East Ayrshire Integration Joint Board.



**Douglas Reid**  
**Chair of the IJB**

### RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

The Chief Finance Officer, as S95 Officer, is responsible for the preparation of the IJB's Annual Accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (*The Accounting Code*), are required to present a true and fair view of the financial position of the IJB at the accounting date and its transactions for the year.

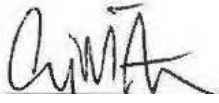
In preparing these Annual Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date, and;
- 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 East Ayrshire IJB as at 31 March 2018 and the transactions for the year then ended.



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**Craig McArthur CPFA**  
**Chief Finance Officer**  
**29 August 2018**

## SECTION 3: ANNUAL GOVERNANCE STATEMENT

The Annual Governance Statement explains how East Ayrshire IJB complies with the Code of Corporate Governance and meets the requirements of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016' and the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control. The Annual Governance Statement sets out the framework within which the IJB has put in place proper financial arrangements for the governance of the IJB's affairs thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal control are in place.

### SCOPE OF RESPONSIBILITY

East Ayrshire IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. The IJB also has a duty under the Local Government in Scotland Act 2003 to make arrangements to secure Best Value, through continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, effectiveness, the need to meet the equal opportunity requirements and contributing to the achievement of sustainable development.

The IJB is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes a system of internal controls. This is designed to manage risk to support the IJB's policies, aims and objectives but cannot eliminate the risk of failure to achieve policies and deliver on aims and objectives. The arrangements for governance can therefore only provide reasonable and not absolute assurance of effectiveness. Reliance is also placed on the East Ayrshire Council and NHS Ayrshire & Arran systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

The Integration Scheme sets out financial contributions by partners to IJBs. This includes the Health Board and Council each considering funding their pay cost pressures and contractual inflation with shared responsibility for demographic cost pressures.

### THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the Partnership is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the IJB to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, objectives and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the IJB's policies, objectives and outcomes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

### THE GOVERNANCE FRAMEWORK AND GOVERNANCE DEVELOPMENTS

The main features of the governance framework that was in place during 2017/18 are outlined below:

- Strategic decision making is governed by the IJB's key constitutional documents including the

Integration Scheme, standing orders, scheme of delegation, code of conduct for IJB Members and financial regulations. The Chief Governance Officer of East Ayrshire Council was appointed as the IJB's Standards Officer. The IJB is responsible for the operational oversight of the integrated services and through the Chief Officer will be responsible for the operational management of the integrated services. The detailed Scheme of Delegation for the Partnership was formally approved by the IJB on 19 April 2017.

- The IJB's purpose and vision is outlined in the IJB Strategic Plan 2015/18 which links closely to the East Ayrshire Community Plan and the Local Outcome Improvement Plan and is underpinned by an annual action plan and performance indicators. The initial Strategic Plan was approved by the IJB at its inaugural meeting on 2 April 2015. The Strategic Plan included a supporting Action Plan which linked with the Wellbeing Delivery Plan of the Community Plan 2015/30 and takes full cognisance of integrated delivery principles and national health and wellbeing outcomes as required by the Public Bodies (Joint Working) (Scotland) Act 2014. The Strategic Plan is subject to an annual review with the second Strategic Plan 2018/21 alongside the Workforce Development Plan, Property and Asset Management Strategy and three Service Improvement Plans being presented to the NHS Board and Council in April / May 2018.
- The Strategic Plan is supported by annual Service Improvement Plans. These annual Service Improvement Plans are a key mechanism for setting out service level contributions to the delivery of the corporate objectives of the Partnership's parent bodies in line with the Community Plan 2015/30. The Service Improvement Plans cover the following service areas:
  - Children's Health, Care and Justice
  - Community Health and Care Services
  - Primary Care and Out of Hours Community Response
- The IJB, comprising all IJB Board Members was the key decision making body. The IJB established an Audit and Performance Committee to consider all matters in relation to internal and external audit, financial management, risk management and performance. The Audit and Performance Committee met five times during 2017/18.
- The IJB delegates responsibility to the following sub committees and groups as detailed in the governance structures and terms of reference:
  - Strategic Planning Group
  - Locality Groups reporting through Strategic Planning Group
  - Audit and Performance Committee
  - Strategic Commissioning for Sustainable outcomes Board reporting to Audit and Performance Committee
  - Health and Care Governance Group
  - Adverse Events / Significant Occurrence Group
  - Partnership Forum ( sub group Health Safety and Wellbeing Group)
  - Risk Management Committee
  - Resilience and Civil Contingencies

The IJB governance and decision making arrangements are set out in Appendix 1.

Senior management arrangements to deliver safe operation and progressive / innovative development for the Partnership are firmly established. In addition to the Chief Officer, the structure includes the Chief Social Work Officer who has responsibility for professional leadership of social work services and provides advice and guidance to East Ayrshire Council and Health and Social Care Partnership. The Chief Finance Officer is a member of the IJB and is responsible for ensuring that appropriate financial services are available to the IJB and Chief Officer. The Partnership management structure is set out in Appendix 2.

The Partnership Management Team meets on a regular basis and ensures implementation of the appropriate financial governance structures, staff governance structures and clinical governance structures.

Support in relation to corporate functions including Human Resources, Property and Information

Technology are delivered through existing NHS and Council structures.

## INTERNAL CONTROL SYSTEM

The governance framework described operates on the foundation of internal controls. The IJB's system of internal controls is based on a framework of regular management information, financial regulations, accounting policy bulletins, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. Development and maintenance of these systems is undertaken by the Health Board and Council as part of the operational delivery of the Health and Social Care Partnership. In particular these systems include:

- Management information systems and process, including service performance and financial information;
- Financial Regulations and codes of financial practice;
- Scheme of Delegation (formally approved by the IJB 19 April 2017);
- Comprehensive budgeting systems;
- Measurement of financial and other performance against target;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets;
- Internal audit functions, and;
- Formal project management disciplines, as appropriate.

The systems of internal control can only ever provide reasonable and not absolute assurances that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud or breaches of laws or regulations. Accordingly, the IJB is continually seeking to improve the effectiveness of its system of internal controls.

The main objectives of the IJB's internal control systems are:

- To ensure adherence to management policies and directives in order to achieve the organisation's objectives;
- To ensure relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory regulations.

The systems of financial control are reviewed to ensure continued effectiveness by the work of managers in the IJB and by the work of internal and external audit in their annual and other reports.

The IJB financial management arrangements comply with the requirements of 'The Role of the Chief Financial Officer in Local Government (CIPFA 2016)'. The IJB's Chief Finance Officer (Section 95 Officer) has overall responsibility for the IJB's financial arrangements, and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff.

With regard to the entities incorporated into the Annual Accounts, the IJB has taken assurance from the existing scrutiny arrangements within the parent bodies.

The IJB internal audit function is responsible for the independent appraisal of the IJB's internal systems of control with resources drawn from the parent bodies. The function complies with the requirements of the 'Public Sector Internal Audit Standards (PSIAS 2013, 2016 and 2017)' and the 'Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (CIPFA 2013). The IJB Chief Internal Auditor complies with 'The Role of the Head of Internal Audit in Public Organisations (CIPFA 2010)'.

The Audit and Performance Committee (APC) acts as the IJB's audit committee and operates in accordance with 'Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013)'.

The risk based annual programme of IJB internal audit work is approved by the IJB APC. The annual programme of work for 2017/18 was approved by the IJB APC on 8 June 2017. The IJB Internal Audit Annual Report 2017/18 will be presented to the IJB APC on 14 August 2018.

IJB Internal Audit plans and reports are shared with the relevant committees of the partner organisations.

## **REVIEW OF EFFECTIVENESS**

East Ayrshire IJB has responsibility for conducting at least annually, a review of effectiveness of its governance framework including the system of internal control. The review of effectiveness of the governance framework including the system of internal control is informed by the work of the Senior Management Team within the IJB who have responsibility for the development and maintenance of the governance environment, the annual report by the Chief Internal Auditor, and also by reports / comments made by external audit and other review agencies and inspectorates.

Based on work carried out during the year, the Chief Internal Auditor prepares an annual report to the Audit and Performance Committee in line with PSIAS obligations. This report includes the internal audit annual opinion regarding the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The assurance expressed in the annual opinion can never be absolute. The most that Internal Audit can provide in the annual opinion is reasonable assurance.

On the basis of internal audit work completed in 2017/18, East Ayrshire IJB's established internal control procedures were generally found to operate as intended to meet management's requirements for the individual systems reviewed by Internal Audit. Areas for improvement, system weaknesses and / or non-compliance with expected controls have been highlighted to management and action plans have been or are in the process of being put in place to ensure the necessary improvements are going to be achieved. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. Internal Audit has arrangements in place to test the implementation of recommendations.

Internal Audit's overall opinion, based on the work carried out, continues to be that reasonable assurance can be placed upon the adequacy and effectiveness of East Ayrshire IJB internal control systems in the year to 31 March 2018. This overall opinion takes into consideration both the age of the East Ayrshire IJB and the complexity of governance arrangements, to include the two parent bodies and, at times, other Integration Joint Boards operating in the same National Health Service area.

## **ACTION PLAN**

In 2017/18 the IJB extended the governance and reporting arrangements to include the newly established Locality Groups reporting to the Strategic Planning Group, the Strategic Commissioning for Sustainable Outcomes Programme Board reporting to the Audit and Performance Committee and Adverse Events / Significant Occurrence Group reporting to the Health and Social Care Governance Group.

There were two separate action plan recommendations in the 2016/17 external audit report (ISA 260) from Deloitte LLP:

- The IJB should prepare a medium to long term financial plan.
- Timeliness of reporting process should be reviewed.

The Medium Term Financial Plan 2017/18 to 2021/22 was formally approved by the IJB on 30 November 2017. The differing number of accounting periods between East Ayrshire Council and NHS Ayrshire & Arran continues to represent a challenge however reporting and review processes are

conducted in a timeline which seeks to ensure reporting deadlines are met with minimal delay.

## **ASSURANCE**

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

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2017/18 provides reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Signed on behalf of East Ayrshire Integration Joint Board.



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**Eddie Fraser**  
**Chief Officer**



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**Douglas Reid**  
**Chair of the IJB**

## SECTION 4 – REMUNERATION REPORT

### INTRODUCTION

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

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

### REMUNERATION: CHAIR AND VICE CHAIR

The voting members of the Integration Joint Board are appointed through nomination by NHS Ayrshire & Arran and East Ayrshire Council. The previous Chair had been appointed for the first two years of the IJB (until the Local Government Elections May 2017) and was succeeded by the current Chair at the IJB meeting on 14 June 2017. Subsequently nomination of the IJB Chair and Vice Chair post holders will alternate every three years between a Health Board and a Council 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 member costs borne by the partner. The details of the Chair and Vice Chair appointments and any taxable expenses paid by the IJB are shown below.

Total Taxable IJB Related Expenses 2016/17 £	Voting Board Members	Total Taxable IJB Related Expenses 2017/18 £
0.000	Councillor Douglas Reid - East Ayrshire Council - Chair of the IJB: 14 June 2017 – 31 March 2018 - Vice Chair of the IJB: 1 April 2017 – 13 June 2018	0.000
0.000	Ian Welsh OBE - NHS Ayrshire and Arran - Vice Chair of the IJB: 14 June 2017 – 31 March 2018 - Chair of the IJB: 1 April 2017 – 13 June 2018	0.000
<b>0.000</b>	<b>Total</b>	<b>0.000</b>

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

### REMUNERATION: OFFICERS OF THE IJB

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

#### Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. In effect the Chief Officer is the only employee of the IJB, however the employment contract for the



Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

### Other Officers

No other staff are appointed by the IJB under a special legal regime. The Chief Finance Officer, Chief Internal Auditor and IJB Standards Officer are not included in the Remuneration Report as these roles are additional to their substantive roles within East Ayrshire Council at no additional cost to the IJB. The Chief Finance Officer (Craig McArthur) has no direct input into the strategic planning process other than the legislative requirement to ensure that its outcomes are delivered within delegated resources. No other non-voting board members meet the criteria for disclosure.

Total Remuneration 2016/17 £m	Name and Post Title	Salary, Fees and Allowances £m	Taxable Expenses £m	Total Remuneration 2017/18 £m
0.109	Eddie Fraser - Chief Officer	0.111	0.000	0.111

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

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

Name and Post Title	In-year Pension Contributions to 31 March 2017 £m	In-year Pension Contributions to 31 March 2018 £m	Accrued Pension Benefits as at 31 March 2017 £m	Difference from 31 March 2017 £m	Accrued Pension Benefits as at 31 March 2018 £m
Eddie Fraser - Chief Officer	0.021	0.021	Pension 0.044 Lump Sum 0.087	Pension 0.003 Lump Sum 0.001	Pension 0.047 Lump Sum 0.088

### 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 2016/17 £m	Remuneration Band	Number of Employees in Band 2017/18 £m
1	£105,000 - £109,999	0
0	£110,000 - £114,999	1

## EXIT PACKAGES

There were no exit packages during 2017/18.

Signed on behalf of East Ayrshire Integration Joint Board.



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**Eddie Fraser**  
Chief Officer



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**Douglas Reid**  
Chair of the IJB

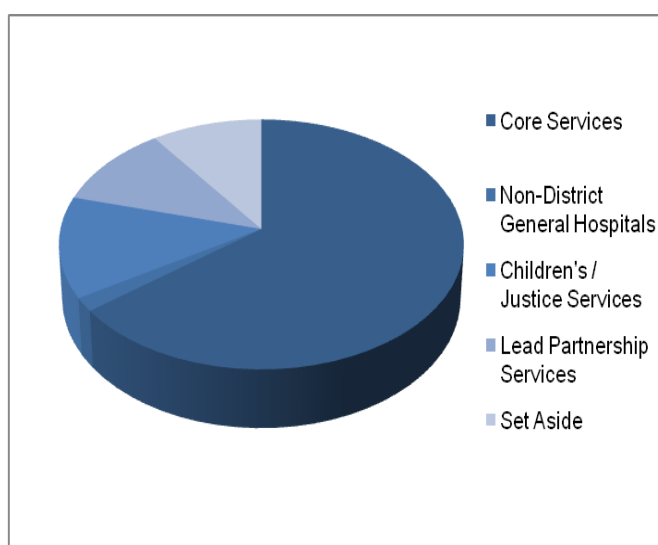
## SECTION 5: THE FINANCIAL STATEMENTS

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

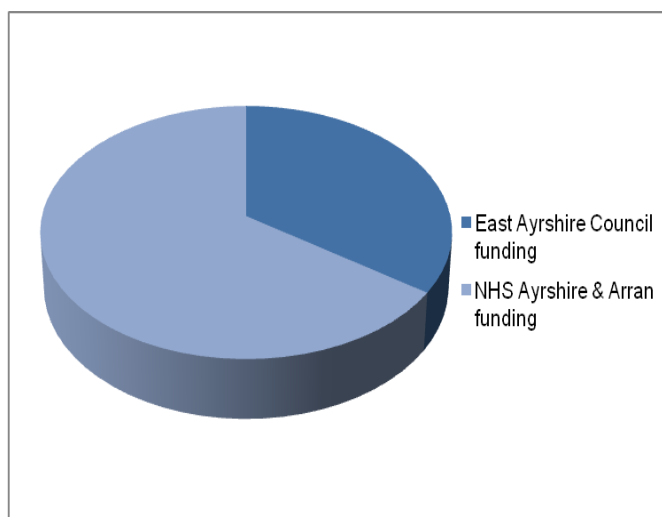
This statement shows the cost of providing services for the year according to accepted accounting practices:

Gross Expenditure 2016/17 £m	Gross Income 2016/17 £m	Net Expenditure 2016/17 £m		Gross Expenditure 2017/18 £m	Gross Income 2017/18 £m	Net Expenditure 2017/18 £m
142.274	(1.994)	140.280	Core Services	144.624	(2.023)	142.601
4.092	0.000	4.092	Non District General Hospitals	3.822	0.000	3.822
24.754	(0.006)	24.748	Children's / Justice Services	28.794	(0.005)	28.789
22.379	0.000	22.379	Lead Partnership Services	23.937	0.000	23.937
19.266	0.000	19.266	Set Aside (note 7)	21.890	0.000	21.890
<b>212.765</b>	<b>(2.000)</b>	<b>210.765</b>	<b>Cost of Services</b>	<b>223.067</b>	<b>(2.028)</b>	<b>221.039</b>
0.000	(74.605)	(74.605)	East Ayrshire Council funding (notes 6,7 and 11)	0.000	(76.458)	(76.458)
0.000	(136.323)	(136.323)	NHS Ayrshire & Arran funding (notes 6,7 and 11)	0.000	(144.764)	(144.764)
<b>0.000</b>	<b>(210.928)</b>	<b>(210.928)</b>	<b>Taxation and Non-Specific Grant Income</b>	<b>0.000</b>	<b>(221.222)</b>	<b>(221.222)</b>
<b>212.765</b>	<b>(212.928)</b>	<b>(0.163)</b>	<b>(Surplus) / Deficit on provision of services</b>	<b>223.067</b>	<b>(223.250)</b>	<b>(0.183)</b>

The following chart provides an illustration of the £221.039m net cost of provision services across the main reporting headings:



The following chart provides an illustration of the £221.222m funding delegated by the parent organisations to the IJB:



The table presented within the Financial Performance section of the Management Commentary at Section 1 of the Annual Accounts provides a more detailed analysis of expenditure relating to directly managed services which is consistent with Financial Management Reports to the IJB over the course of 2017/18. The net expenditure of £227.491m highlighted is greater than the £221.039m net cost of provision of services outlined in the Comprehensive Income and Expenditure Statement. The following table highlights the variance between these figures and is represented by the following:

- Lead Partnership income from North and South Ayrshire IJBs for their shares of Primary Care.
- Lead Partnership contributions to North and South Ayrshire IJBs for East Ayrshire's share of specialist mental health services and allied health professional services costs respectively; and
- Large Hospital Set Aside expenditure attributable to East Ayrshire IJB. This is managed within the overall NHS Acute Services budget.

	<b>Net Expenditure 2017/18 £m</b>
Annual Accounts: net cost of provision of services	221.039
Management Accounts: actual expenditure	227.491
<b>Variance</b>	<b>(6.452)</b>
<b>Represented by:</b>	
Lead Partnership income	(48.412)
Lead Partnership contributions	20.070
Large Hospital Set Aside	21.890
	<b>(6.452)</b>

The Financial Performance section of the Management Commentary at Section 1 highlights that expenditure for the 2017/18 financial year is £0.501m less than the budget delegated to the IJB. Taking account of £0.318m funding delegated to the IJB and accounted for in the 2016/17 financial year, this results a reduced surplus on provision of services pertaining to 2017/18 of £0.183m.

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

The IJB Chief Finance Officer has received written confirmation from the Chief Finance Officers of East Ayrshire Council and NHS Ayrshire and Arran that, the charges for services commissioned by East Ayrshire IJB reflect income and expenditure recorded in the respective ledgers of the partner organisations; confirmation that the allocation of income and expenditure to the IJB reflects the appropriate charges; and where estimates have been used the best available data has been applied to give a true and fair view.

### MOVEMENT IN RESERVES STATEMENT

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

<b>Movement in Reserves During 2017/18</b>	<b>General Fund Balance £m</b>	<b>General Fund Earmarked Balance £m</b>	<b>Total Reserves £m</b>
<b>Opening Balance at 1 April 2017</b> (notes 8, 9 and 11)	<b>(0.287)</b>	<b>(0.318)</b>	<b>(0.605)</b>
Total Comprehensive Income and Expenditure (note 6)	(0.030)	(0.153)	(0.183)
Adjustments between accounting basis and funding basis under regulations	0.000	0.000	0.000
Increase or (Decrease) in 2017/18	<b>(0.030)</b>	<b>(0.153)</b>	<b>(0.183)</b>
<b>Closing Balance at 31 March 2018</b> (notes 8, 9 and 11)	<b>(0.317)</b>	<b>(0.471)</b>	<b>(0.788)</b>

<b>Movement in Reserves During 2016/17</b>	<b>General Fund Balance £m</b>	<b>General Fund Earmarked Balance £m</b>	<b>Total Reserves £m</b>
<b>Opening Balance at 1 April 2016</b> (notes 8, 9 and 11)	<b>(0.287)</b>	<b>(0.155)</b>	<b>(0.442)</b>
Total Comprehensive Income and Expenditure (note 6)	0.000	(0.163)	(0.163)
Adjustments between accounting basis and funding basis under regulations	0.000	0.000	0.000
Increase or (Decrease) in 2016/17	<b>0.000</b>	<b>(0.163)</b>	<b>(0.163)</b>
<b>Closing Balance at 31 March 2017</b> (notes 8, 9 and 11)	<b>(0.287)</b>	<b>(0.318)</b>	<b>(0.605)</b>

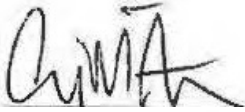
## BALANCE SHEET

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

31 March 2017 £m		Notes	31 March 2018 £m
0.605	Short term debtors	8	0.788
<b>0.605</b>	<b>Net Assets</b>		<b>0.788</b>
0.287	Usable Reserve: General Fund	9	0.317
0.318	Earmarked Reserve: General Fund	9	0.471
<b>0.605</b>	<b>Total Reserves</b>		<b>0.788</b>

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2018 and its income and expenditure for the year then ended.

The unaudited Financial Statements were issued on 13 June 2018 and the audited Financial Statements will be authorised for issue on 29 August 2018.



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**Craig McArthur CPFA**  
**Chief Finance Officer**  
**29 August 2018**

## SECTION 6: NOTES TO THE FINANCIAL STATEMENTS

### NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

#### General principles

The Financial Statements summarise East Ayrshire IJB's transactions for the 2017/18 financial year and its position at 31 March 2018.

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

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18, 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.

#### Accruals of expenditure and income

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

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

#### Funding

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

#### Cash and Cash Equivalents

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

#### Employee Benefits

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

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

## **Provisions, Contingent Liabilities and Contingent Assets**

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

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

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

## **Reserves**

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

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

## **Indemnity Insurance**

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. East Ayrshire Council and NHS Ayrshire & Arran have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

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

Known claims are assessed as to the value and probability of settlement. Where it is material the 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.

## **NOTE 2: ACCOUNTING STANDARDS NOT YET ADOPTED**

The Code requires the disclosure of information about accounting changes that will be required by new accounting standards that are not yet due to be adopted. There are none which are relevant to the IJB Financial Statements.

## **NOTE 3: CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY**

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

- On behalf of all IJBs within the NHS Ayrshire & Arran area, the IJB acts as the lead partner for Primary Care and Out of Hours services. It commissions services on behalf of the three Ayrshire IJBs and reclaims the costs involved. This arrangement is treated as an agency arrangement. The approved Integration Scheme sets out that in the event of lead partnership overspending, a recovery plan requires agreement of the three Ayrshire Integration Joint Boards. Failure to reach agreement will require interim additional funding contributions in proportion to service usage, pending final agreement of the recovery plan.



- There are no material estimation uncertainties included within the Financial Statements.

#### NOTE 4: EVENTS AFTER THE REPORTING PERIOD

The audited Annual Accounts will be authorised for issue by the Chief Finance Officer on 29 August 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in these accounts.

#### NOTE 5: EXPENDITURE AND FUNDING ANALYSIS

The Expenditure and Funding Analysis shows how the funding available to the IJB in the form of funding partner contributions has been used in providing services. This is compared to the cost of services on an accounting basis. There are no statutory or presentation adjustments which affect the IJBs application of the funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently an Expenditure and Funding Analysis is not shown in these Financial Statements.

#### NOTE 6: EXPENDITURE AND INCOME ANALYSIS BY NATURE

2016/17 £m		2017/18 £m
92.734	Services commissioned from East Ayrshire Council	96.987
118.009	Services commissioned from NHS Ayrshire & Arran	124.028
0.022	Auditor Fee: External Audit Work	0.024
(210.928)	Partners Funding Contributions and Non-Specific Grant Income	(221.222)
<b>(0.163)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(0.183)</b>

#### NOTE 7: TAXATION AND NON-SPECIFIC GRANT INCOME

2016/17 £m		2017/18 £m
(74.605)	Funding Contribution from East Ayrshire Council	(76.458)
(136.323)	Funding Contribution from NHS Ayrshire & Arran	(144.764)
<b>(210.928)</b>	<b>Taxation and Non-specific Grant Income</b>	<b>(221.222)</b>

The funding contribution from the NHS Board shown above includes £21.890m in respect of 'set aside' resources relating to acute hospital and other resources. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

There were no other non-ring-fenced grants or contributions.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for

the provision of specific services.

#### NOTE 8: DEBTORS

2016/17 £m		2017/18 £m
0.605	Funding East Ayrshire Council	0.788
0.000	Funding NHS Ayrshire & Arran	0.000
<b>0.605</b>	<b>Debtors</b>	<b>0.788</b>

#### NOTE 9: USABLE RESERVE – GENERAL FUND

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

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

The following table shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a general contingency.

Balance as at 1 April 2016 £m	Transfers Out 2016/17 £m	Transfers In 2016/17 £m	Balance as at 31 March 2017 £m		Transfers Out 2017/18 £m	Transfers In 2017/18 £m	Balance as at 31 March 2018 £m
				<b>Earmarked:</b>			
(0.155)	0.155	(0.318)	(0.318)	Client equipment and adaptations	0.318	(0.389)	(0.389)
0.000	0.000	0.000	0.000	Care Commission standards	0.000	(0.037)	(0.037)
0.000	0.000	0.000	0.000	Legal fees	0.000	(0.025)	(0.025)
				Additions / Health Improvement delegated functions			
0.000	0.000	0.000	0.000		0.000	(0.020)	(0.020)
<b>(0.155)</b>	<b>0.155</b>	<b>(0.318)</b>	<b>(0.318)</b>	<b>Total Earmarked</b>	<b>0.318</b>	<b>(0.471)</b>	<b>(0.471)</b>
<b>(0.287)</b>	<b>0.000</b>	<b>0.000</b>	<b>(0.287)</b>	<b>Uncommitted</b>	<b>0.000</b>	<b>(0.030)</b>	<b>(0.317)</b>
<b>(0.442)</b>	<b>0.155</b>	<b>(0.318)</b>	<b>(0.605)</b>	<b>General Fund</b>	<b>0.318</b>	<b>(0.501)</b>	<b>(0.788)</b>

#### NOTE 10: AGENCY INCOME AND EXPENDITURE

On behalf of all IJBs within the NHS Ayrshire and Arran area, the East Ayrshire IJB acts as the lead manager for Primary Care and Out of Hours Community Response services. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs (£48.412m), and the consequential reimbursement (£48.412m), are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in

these transactions.

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

2016/17 £m		2017/18 £m
47.040	Expenditure on Agency Services	48.412
(47.040)	Reimbursement for Agency Services	(48.412)
<b>0.000</b>	<b>Net Agency Expenditure Excluded from the CIES</b>	<b>0.000</b>

#### NOTE 11: RELATED PARTY TRANSACTIONS

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

##### Transactions with East Ayrshire Council

2016/17 £m		2017/18 £m
<b>(74.605)</b>	Funding contributions received from the Council	<b>(76.458)</b>
(2.000)	Service income received from the Council	(2.028)
94.690	Expenditure on services provided by the Council	98.971
0.163	Surplus on provision of services retained by IJB	0.183
0.055	Key management personnel: non-voting Board Members	0.056
0.000	Support Services	0.000
<b>92.908</b>	Net expenditure on services provided by the Council	<b>97.182</b>
<b>18.303</b>	<b>Net Transactions with the Council</b>	<b>20.724</b>

##### Transactions with NHS Ayrshire & Arran

2016/17 £m		2017/18 £m
<b>(136.323)</b>	Funding contributions received from the NHS Board	<b>(144.764)</b>
0.000	Service income received from the NHS Board	0.000
117.966	Expenditure on services provided by the NHS Board	123.985
0.054	Key management personnel: non-voting Board Members	0.055
0.000	Support Services	0.000
<b>118.020</b>	Net expenditure on services provided by the NHS Board	<b>124.040</b>
<b>(18.303)</b>	<b>Net Transactions with the NHS Board</b>	<b>(20.724)</b>

Key Management Personnel: The non-voting Board members employed by the Council and NHS Board include the Chief Officer; the Chief Finance Officer; representatives of primary care, nursing and non-

primary services; and a staff representative. As outlined in the Remuneration Report at section 4 of the Annual Accounts, the Chief Officer is the only employee of the IJB with the shared cost of this post included in the preceding Related Party Transactions Tables and within the Remuneration Report.

Support services were not delegated to the Integration Joint Board through the Integration Scheme and are instead provided by the Council and Health Board free of charge as a 'service in kind'. The support services provided are mainly comprised of the provision of Chief Finance Officer, IJB Standards Officer, financial management, democratic services, human resources, legal, ICT, payroll, internal audit and the provision of the Chief Internal Auditor.

The tables above highlight reduced expenditure on delivery of integrated functions on services commissioned by the IJB from NHS Ayrshire & Arran and additional expenditure services commissioned by East Ayrshire Council.

The following two tables highlight that this is due to accounting adjustments to reflect expenditure incurred in respect of funds which transfer between the partner organisations. The £21.195m which transfers from NHS Ayrshire and Arran to East Ayrshire Council includes Resource Transfer funding which offsets community based services funded from savings attributable to permanent NHS bed closures. In addition, Scottish Government Integration Funding for social care services £8.845m is included within this sum as are other earmarked funding transfers including Alcohol and Drugs Partnership funding and the Integrated Care Fund relating to Council-managed projects. The £0.471m payment from the Council to the Health Board largely relates to Delayed Discharge funding which offsets the cost of NHS community-based services.

2016/17 £m	East Ayrshire Council - reconciliation	2017/18 £m
<b>74.605</b>	Payments for delegated functions	<b>76.458</b>
18.546	Funding transfers from NHS Ayrshire & Arran	21.195
(0.243)	Funding transfers to NHS Ayrshire & Arran	(0.471)
18.303	Net transactions with NHS Ayrshire & Arran	20.724
<b>92.908</b>	Payments for delivery of integrated functions	<b>97.182</b>

2016/17 £m	NHS Ayrshire & Arran - reconciliation	2017/18 £m
<b>136.323</b>	Payments for delegated functions	<b>144.754</b>
(18.546)	Funding transfers to East Ayrshire Council	(21.195)
0.243	Funding transfers from East Ayrshire Council	0.471
(18.303)	Net Transactions with East Ayrshire Council	(20.724)
<b>118.020</b>	Payments for delivery of integrated functions	<b>124.040</b>

#### Balances with East Ayrshire Council

2016/17 £m		2017/18 £m
0.605	Debtor balances: amounts due from the Council	0.788
0.000	Creditor balances: amounts due to the Council	0.000
<b>0.605</b>	<b>Net Balance with the Council</b>	<b>0.788</b>

## Balances with NHS Ayrshire and Arran

2016/17 £m		2017/18 £m
0.000	Debtor balances: amounts due from the NHS Board	0.000
0.000	Creditor balances: amounts due to the NHS Board	0.000
<b>0.000</b>	<b>Net Balance with the NHS Board</b>	<b>0.000</b>

### NOTE 12: CONTINGENT LIABILITIES

A review of potential contingent liabilities has been undertaken for the IJB and none have been identified at 31 March 2018.

### NOTE 13: VAT

VAT payable is included as an expense only to the extent that it is not recoverable from HM. Revenue and Customs. VAT receivable is excluded from income.

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

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

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

## SECTION 7: INDEPENDENT AUDITOR'S REPORT

### **Independent auditor's report to the members of East Ayrshire IJB and the Accounts Commission.**

#### **Report on the audit of the financial statements**

##### **Opinion on financial statements**

We certify that we have audited the financial statements in the annual accounts of East Ayrshire Integration Joint Board for the year ended 31 March 2018 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the 2017/18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the East Ayrshire Integration Joint Board as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 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**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the East Ayrshire Integration Joint Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern basis of accounting**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about East Ayrshire Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## **Responsibilities of the Chief Finance Officer and East Ayrshire Integration Joint Board for the financial statements**

As explained more fully in the Statement of Responsibilities, the 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 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 Chief Finance Officer is responsible for assessing the East Ayrshire Integration Joint Board ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The East Ayrshire Integration Joint Board is responsible for overseeing the financial reporting process.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to achieve 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 our 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 economic decisions of users taken on the basis of these financial statements.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Other information in the annual accounts**

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Report on other requirements**

### **Opinions on matters prescribed by the Accounts Commission**

In our opinion, the audited part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In our 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 we are required to report by exception**

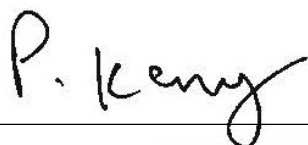
We are required by the Accounts Commission to report to you if, in our opinion:

- 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
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.

### **Use of our 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 120 of the Code of Audit Practice approved by the Accounts Commission, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



**Pat Kenny, CPFA (for and on behalf of Deloitte LLP)**  
**110 Queen Street,**  
**Glasgow,**  
**G1 3BX,**  
**United Kingdom**

**29 August 2018**



## SECTION 8: GLOSSARY OF TERMS

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

### **Accounting Period**

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

### **Accruals**

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

### **Asset**

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

### **Audit of Accounts**

An independent examination of the IJB's financial affairs.

### **Balance Sheet**

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

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Consistency**

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

### **Creditor**

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

### **Debtor**

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

### **Entity**

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

### **Post Balance Sheet Events**

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

**Government Grants**

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

**IFRS**

International Financial Reporting Standards.

**ISA**

International Standard on Auditing

**LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

**Liability**

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

**Provisions**

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

**PSIAS**

Public Sector Internal Audit Standards.

**Related Parties**

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

**Remuneration**

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

**Reserves**

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

**Revenue Expenditure**

The day-to-day expenses of providing services.

**Significant Interest**

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

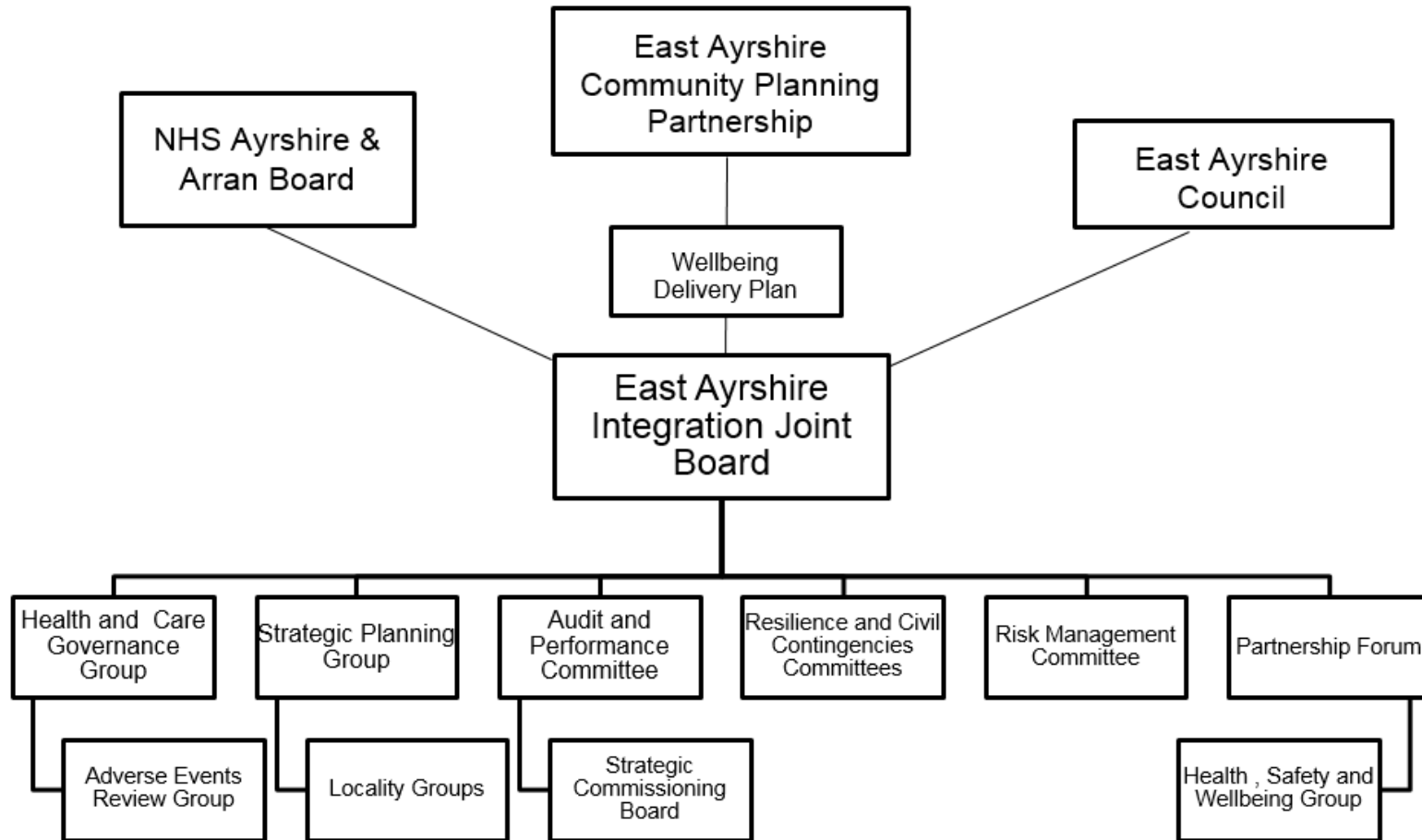
**SOLACE**

Society of Local Authority Chief Executives.

**The Code**

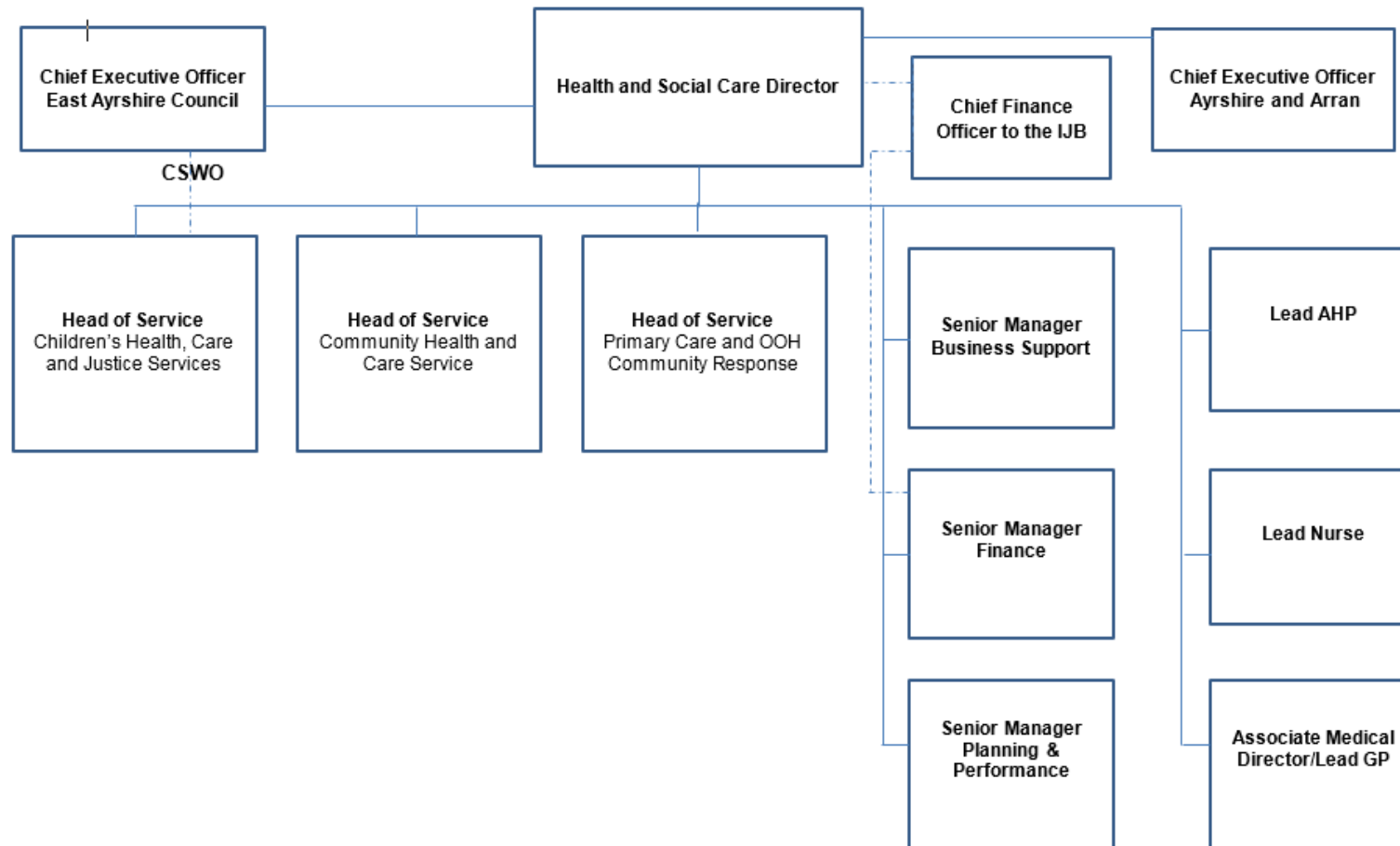
The Code of Practice on Local Authority Accounting in the United Kingdom.

## Appendix 1: Governance and Decision Making Arrangements



## Appendix 2: Partnership Management Structure

East Ayrshire Health and Social Care Partnership Management Structure



This information can be made available, on request, in braille, large print or audio formats and can be translated into a range of languages. Contact details are provided below.

درخواست کرنے پر یہ معلومات نابینا افراد کے لئے اُبھرے حروف، بڑے حروف یا آڈیو میں مہیا کی جاسکتی ہے اور اسکا مختلف زبانوں میں ترجمہ بھی کیا جاسکتا ہے۔ رابطہ کی تفصیلات نیچے فراہم کی گئی ہیں۔

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ਇਹ ਜਾਣਕਾਰੀ ਮੰਗ ਕੇ ਬੋਲ, ਵੱਡੇ ਅੱਖਰਾਂ ਅਤੇ ਸਣਨ ਵਾਲੇ ਰਪ ਵਿਚ ਵੀ ਲਈ ਜਾ ਸਕਦੀ ਹੈ, ਅਤੇ ਇਹਦਾ ਤਰਜਮਾ ਹੋਰ ਬੋਲੀਆਂ ਵਿਚ ਵੀ ਕਰਵਾਇਆ ਜਾ ਸਕਦਾ ਹੈ। ਸੰਪਰਕ ਕਰਨ ਲਈ ਜਾਣਕਾਰੀ ਹੇਠਾਂ ਦਿੱਤੀ ਗਈ ਹੈ।

Niniejsze informacje mogą zostać udostępnione na życzenie, w alfabecie Braille'a, w druku powiększonym lub w formacie audio oraz mogą zostać przetłumaczone na wiele języków obcych. Dane kontaktowe znajdują się poniżej.

Faodar am fiosrachadh seo fhaighinn, le iarrtas, ann am braille, clò mòr no clàr fuaim agus tha e comasach eadar-theangachadh gu grunn chànanan. Tha fiosrachadh gu h-ìosal mu bhith a' cur fios a-steach.



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