

EAST AYRSHIRE

# Health & Social Care Partnership

## Integration Joint Board Annual Accounts 2016/17

*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>	
INTRODUCTION	2
EAST AYRSHIRE IJB	2
OBJECTIVES AND STRATEGY OF THE IJB	3
PERFORMANCE MANAGEMENT AND REPORTING	5
ANNUAL ACCOUNTS 2016/17	5
FINANCIAL PERFORMANCE 2016/17	5
FINANCIAL OUTLOOK, RISKS AND PLANS FOR THE FUTURE	10
CONCLUSION	14
WHERE TO FIND MORE INFORMATION	14
<b>SECTION 2: STATEMENT OF RESPONSIBILITIES</b>	
RESPONSIBILITIES OF THE IJB	15
RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER	16
<b>SECTION 3: ANNUAL GOVERNANCE STATEMENT</b>	
SCOPE OF RESPONSIBILITY	17
THE PURPOSE OF THE GOVERNANCE FRAMEWORK	17
THE GOVERNANCE FRAMEWORK AND GOVERNANCE DEVELOPMENTS	18
INTERNAL CONTROL SYSTEM	21
REVIEW OF EFFECTIVENESS	23
ACTION PLAN	24
ASSURANCE	24
<b>SECTION 4 – REMUNERATION REPORT</b>	
INTRODUCTION	25
REMUNERATION: CHAIR AND VICE CHAIR	25
REMUNERATION: OFFICERS OF THE IJB	25
DISCLOSURE BY PAY BANDS	26
EXIT PACKAGES	27
<b>SECTION 5: THE FINANCIAL STATEMENTS</b>	
COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT	28
MOVEMENT IN RESERVES STATEMENT	29
BALANCE SHEET	30
<b>SECTION 6: NOTES TO THE FINANCIAL STATEMENTS</b>	
NOTE 1: SIGNIFICANT ACCOUNTING POLICIES	32
NOTE 2: ACCOUNTING STANDARDS ISSUED NOT ADOPTED	34
NOTE 3: CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY	34
NOTE 4: EVENTS AFTER THE REPORTING PERIOD	34
NOTE 5: EXPENDITURE AND FUNDING ANALYSIS	34
NOTE 6: EXPENDITURE AND INCOME ANALYSIS BY NATURE	35
NOTE 7: TAXATION AND NON-SPECIFIC GRANT INCOME	35
NOTE 8: DEBTORS	35
NOTE 9: USABLE RESERVE – GENERAL FUND	36
NOTE 10: UNUSABLE RESERVE – EMPLOYEE STATUTORY ADJUSTMENT ACCOUNT	36
NOTE 11: AGENCY INCOME AND EXPENDITURE	36
NOTE 12: RELATED PARTY TRANSACTIONS	37
NOTE 13: VAT	39
<b>SECTION 7: INDEPENDENT AUDITOR’S REPORT</b>	
<b>SECTION 8: GLOSSARY OF TERMS</b>	

## SECTION 1: MANAGEMENT COMMENTARY

### INTRODUCTION

This publication contains the financial statements for the second year of East Ayrshire Integration Joint Board (IJB) for the year ended 31 March 2017.

The Management Commentary provides an overview of the key messages in relation to the IJB's financial planning and performance for the 2016/17 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 for 2016/17 Annual Accounts external auditors are required to provide opinions on whether the Management Commentary complies with the statutory requirements and is consistent with the financial statements. For 2015/16 Annual Accounts, external auditors only provided an opinion on consistency with the financial statements.

### EAST AYRSHIRE IJB

In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, East Ayrshire Council and NHS Ayrshire & 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. The purpose of integration is to improve the wellbeing of families, our communities and of people who use health and social care services within East Ayrshire. In addition, the IJB provides specific health care services across Ayrshire. The inaugural meeting of the East Ayrshire IJB took place on 2 April 2015.

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.

On 2 April 2015 the East Ayrshire Integration Joint Board membership was confirmed including voting and non-voting members and stakeholder members. 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 & 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 & 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 & 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. Over the entire course of the 2016/17 reporting period, the Chair of the IJB is Ian Welsh OBE, who is an NHS Non Executive Director, with Councillor Douglas Reid 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 and Health 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 2016/17 to manage and monitor the budget and service implications through tight financial governance.

The first Annual Review of the IJB Strategic Plan 2015-18, covering the 2016/17 period outlines the vision for the East Ayrshire Health and Social Care Partnership as well as the core objectives and services.

## **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 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 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.

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 namely:

1. People are able to look after and improve their own health and wellbeing and live in good health for longer;
2. People, including those with disabilities or long term conditions or who are frail are able to live as far as reasonably practicable, independently and at home or in a homely setting in their community;
3. People who use health and social care services have positive experiences of those services and have their dignity respected;
4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use the services;
5. Health and social care services contribute to reducing health inequalities;
6. People who provide unpaid care are supported to look after their own health and wellbeing, including to reduce any negative impact of their caring role on their own health and wellbeing;
7. People using health and social care services are safe from harm;
8. People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide;
9. Resources are used effectively and efficiently in the provision of health and social care services.

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 also included.

National Outcomes for Children are:

- Our children have the best start in life and are ready to succeed;
- Our young people are successful learners, confident individuals, effective contributors and responsible citizens; and
- We have improved the life chances for children, young people and families at risk.

National Outcomes and Standards for Social Work services in the Criminal Justice system are:

- Community safety and public protection;
- The reduction of re-offending; and
- 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. This is supported by the Integration Planning and Delivery Principles detailed in section 4 and section 31 of the Public Bodies (Joint Working) (Scotland) Act 2014 which sets out how services should be planned and delivered to achieve the National Outcomes. These outcomes must be at the heart of planning for the population and embed a person centred approach, alongside anticipatory and preventative care planning. In this context, the vision for the East Ayrshire Health and Social Care Partnership is:

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

## **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 communities, IJB Members and operational managers. Benchmarking is used to compare our performance with other organisations to support change and improvement.

The Annual Performance Report for 2015/16 was presented for initial consideration by the IJB on 18 August 2016 and was formally approved by the IJB Audit and Performance Committee on 13 September 2016. An accessible summary version of this report was distributed across public access points. The production of a similar Annual Performance Report for 2016/17 is planned for summer 2017.

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.

## **ANNUAL ACCOUNTS 2016/17**

The Annual Accounts for 2016/17 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 Annual Accounts, to ensure that they present a 'true and fair view' of the IJB's financial performance.

## **FINANCIAL PERFORMANCE 2016/17**

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 2016/17.

### **(a) Partnership Revenue Expenditure 2016/17**

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
- NHS Ayrshire Doctors on Call (ADOC)
- Area Wide Evening Service (Nursing)
- 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 on 10 March 2016 and 21 June 2016 respectively, the IJB at its meeting on 19 August 2016 formally approved the £216.818m initial annual budget for 2016/17. This budget includes the IJB's share of the £250m Scottish Government Integration Fund £6.210m and delegated functions £1.922m.

The Approved Budget 2016/17 report outlined risks going forward into the 2016/17 financial year, particularly around the achievement of cash releasing efficiency savings against a backdrop of increasing demand for services. Demands highlighted in the report included demographic pressures and external factors such as increasing costs of medicines, as well as potential additional cost pressures from the introduction of the National Living Wage in respect of private and Third Sector service provision.

Over the course of the 2016/17 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 2016/17. 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.

The Integration Scheme sets out that overspends are required to be carried-forward and repaid in future financial years, however East Ayrshire Council has agreed to provide additional funding of £0.658m on a non-recurring basis to ensure financial balance on Council managed services is achieved for 2016/17.

After taking account of this £0.658m non-recurring allocation of funding, expenditure for the 2016/17 financial year is £0.318m less than the budget delegated to the IJB. Commitments have been identified against expenditure on client equipment and adaptations of £0.318m resulting in an overall balanced position for 2016/17. Of the £0.318m committed balance, £0.155m relates to funding delegated to the IJB and accounted for in the 2015/16 financial year. This results in a reduced surplus on provision of services pertaining to 2016/17 of £0.163m which is included in the Financial Statements at section 5 and within the Notes to the Financial Statements at section 6.

A financial recovery plan was approved by the Integration Joint Board on 24 November 2016. This recovery plan was required to mitigate the mid-year month 6 projected overspend of £2.643m and is a key requirement in terms of financial arrangements approved as part of the Integration Scheme. This £2.643m projected overspend comprised £0.880m on NHS managed services and £1.763m on Council managed services. The IJB approved that the £1.763m pressure on Council managed services was to be largely mitigated by recurring part-year Community Health and Care services savings £1.060m and non-recurring savings £0.205m. The IJB also approved that non-recurring slippage on the Primary Care Transformation Fund was to be used to mitigate NHS pressures. This approval is predicated upon the reinstatement of this transformation funding by NHS Ayrshire & Arran in 2018/19 to complete the two year test of change programme.

Work has been undertaken since the recovery plan was approved to minimise expenditure as far as possible. East Ayrshire Council approved additional non-recurring funding to offset any deficit on Council managed services up to £1.400m as part of its 2017/18 budget approved on 23 February 2017. The reduced final outturn variance on Council managed services £0.658m reflects work undertaken in the final quarter of the financial year recognising the impact of budget pressures. The overall balanced position for NHS managed services takes account of a reduced level of non-recurring slippage on the Primary Care Transformation Fund £0.576m and savings in other areas including General Medical Services and Dental Services.

The following table highlights financial performance by IJB Service Division for 2016/17:

Annual Estimate 2015/16 £m	Actual to 31/3/16 £m	Variance (Favourable) / Adverse £m	Service Division	Annual Estimate 2016/17 £m	Actual to 31/3/17 £m	Variance (Favourable) / Adverse £m
			<b>Core Services</b>			
15.813	16.396	0.583	Learning Disabilities	18.076	18.327	0.251
5.331	5.609	0.278	Mental Health	5.473	5.415	(0.058)
2.074	1.971	(0.103)	Addiction	1.867	1.839	(0.028)
0.406	0.406	0.000	Adult Support & Protection	0.375	0.375	0.000
36.040	36.151	0.111	Older People	37.477	38.113	0.636
2.380	2.324	(0.056)	Physical Disabilities	2.400	1.943	(0.457)
0.170	0.178	0.008	Sensory	0.179	0.163	(0.016)
4.846	4.959	0.113	Service Strategy	6.011	5.855	(0.156)
0.442	0.442	0.000	Transport	0.457	0.457	0.000
0.156	0.116	(0.040)	Health Improvement	0.222	0.222	0.000
4.072	4.161	0.089	Community Nursing	3.811	4.016	0.205
24.579	24.579	0.000	Prescribing	26.185	26.185	0.000
15.262	15.262	0.000	General Medical Services	15.440	15.115	(0.325)
2.470	2.470	0.000	Integrated Care Fund	2.470	2.470	0.000
<b>114.041</b>	<b>115.024</b>	<b>0.983</b>		<b>120.443</b>	<b>120.495</b>	<b>0.052</b>
			<b>Non District General Hospitals</b>			

2.832	2.935	0.103	East Ayrshire Community Hospital	2.889	2.898	0.009
1.152	1.344	0.192	Kirklandside Hospital	1.189	1.194	0.005
<b>3.984</b>	<b>4.279</b>	<b>0.295</b>		<b>4.078</b>	<b>4.092</b>	<b>0.014</b>
			<b>Lead Partnership Services</b>			
0.256	0.256	0.000	Standby Services	0.243	0.243	0.000
64.406	64.223	(0.183)	Primary Care (incl. Dental)	65.054	65.054	0.000
2.986	2.930	(0.056)	Prison & Police Healthcare	2.827	2.806	(0.021)
1.224	1.224	0.000	War Pensioner	1.224	1.226	0.001
0.143	0.113	(0.030)	Other Lead Services	0.071	0.091	0.020
<b>69.015</b>	<b>68.746</b>	<b>(0.269)</b>		<b>69.419</b>	<b>69.419</b>	<b>0.000</b>
			<b>Children's Services</b>			
17.166	16.578	(0.588)	Children & Families / Women's Services	18.447	17.829	(0.618)
4.934	4.112	(0.822)	Secure Accommodation / Outwith Placements	4.120	4.957	0.837
1.748	1.755	0.007	Justice Services	2.018	2.105	0.087
2.150	2.080	(0.070)	Health Visiting	2.182	2.271	0.089
<b>25.998</b>	<b>24.525</b>	<b>(1.473)</b>		<b>26.767</b>	<b>27.162</b>	<b>0.395</b>
			<b>Funded Elements</b>			
(2.009)	(2.003)	0.006	Justice Services Grant	(2.292)	(2.413)	(0.121)
<b>(2.009)</b>	<b>(2.003)</b>	<b>0.006</b>		<b>(2.292)</b>	<b>(2.413)</b>	<b>(0.121)</b>
			<b>Additional Funding</b>			
0.000	0.000	0.000	Non-recurring allocation of funds – EAC	0.658	0.000	(0.658)
<b>0.000</b>	<b>0.000</b>	<b>0.000</b>		<b>0.658</b>	<b>0.000</b>	<b>(0.658)</b>
<b>211.029</b>	<b>210.571</b>	<b>(0.458)</b>	<b>NET EXPENDITURE</b>	<b>219.073</b>	<b>218.755</b>	<b>(0.318)</b>
0.000	0.442	0.442	Underspend relating to EAC – retained by IJB	0.000	0.318	0.318
0.000	0.016	0.016	Underspend returned to NHS A & A	0.000	0.000	0.000
<b>211.029</b>	<b>211.029</b>	<b>0.000</b>	<b>TOTAL</b>	<b>219.073</b>	<b>219.073</b>	<b>0.000</b>

The net cost of provision of services highlighted in the Comprehensive Income and Expenditure within the Financial Statements at Section 5 is £210.765m for the year. The preceding table highlights net expenditure of £218.755m for the year. The following table highlights that the £7.990m variance is represented by the following:

- Lead Partnership managed services income from North and South Ayrshire IJBs relating to their respective shares of Primary Care costs;

- Lead Partnership managed services 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.

	<b>Net Expenditure 2016/17 £m</b>
Annual Accounts: net cost of provision of services	210.765
Management Accounts: actual expenditure	218.755
<b>Variance</b>	<b>(7.990)</b>
<b>Represented by:</b>	
Lead Partnership income	(47.040)
Lead Partnership contributions	19.784
Large Hospital Set Aside	19.266
	<b>(7.990)</b>

A number of services experienced budget pressures over the course of the 2016/17 financial year:

### **Learning Disabilities Services**

The additional costs primarily relate to net additional care package costs, as well as efficiency savings over the course of the financial year. The additional care package costs are partially offset by savings from vacant posts, reduced overtime costs and non-recurring slippage approved as part of the Financial Recovery Plan for 2016/17.

### **Older People's Services**

The additional cost primarily relates to increased demand for internally provided care at home services. The additional cost of care at home services is partially offset by less than anticipated costs within the elderly residential and nursing care budget. This budget was based upon an average 732 full time equivalent placements over the course of 2016/17 however the actual average number of placements was 727.

### **Community Nursing**

The additional cost for the year primarily relates to unachieved cash releasing efficiency target for Community Health and Care Services which has been allocated against Community Nursing, as well as additional costs of community rehabilitation and enablement services. Cash releasing efficiencies have been offset by non-recurring savings in other budgets.

### **Children and Families Services**

The underspend for the year primarily relates to savings from staff turnover and vacancies associated with maternity leave and reflects the difficulty in appointing Social Workers on a temporary basis. In addition, there are less than budgeted internal foster care placement costs. These reduced costs are partially offset by external foster care placement costs. As at 31 March 2017, the number of external foster care placements was thirty nine against a budget which allows for thirty two placements, resulting in an overspend of £0.230m.

## **Outwith Placements**

The additional cost of outwith authority children's placements is due to additional demand as approved through the multi-disciplinary Outwith Placements Screening Group.

## **Secure Accommodation**

The budget for secure accommodation allowed for one full time equivalent placement over the course of 2016/17. As at 31 March 2017, three young people had been accommodated with one placement continuing into 2017/18. This equates to 1.43 full time equivalent placements during the financial year, resulting in an overspend of £0.125m.

## **Health Visiting**

The additional costs reflect a non-recurring in-year reclaim of budget £0.206m by NHS Ayrshire & Arran on the basis that budgets had not been evenly distributed across the three Ayrshire Health and Social Care Partnerships. Work is ongoing to agree a recurring solution to this issue. It is anticipated that this will be finalised during 2017/18 with East Ayrshire Health Visiting being in a balanced position at the conclusion of this exercise.

## **NHS Cash Releasing Efficiency Savings**

Unachieved cash releasing efficiency targets £1.514m have been offset non-recurringly in 2016/17 from underspends across services, including General Medical Services and Dental Services, as well as slippage on the Primary Care Transformation Fund. The majority of these underspends will not be available in 2017/18 and alternative recurring savings will be required.

The budget pressures highlighted have been offset by savings realised from staff turnover within Physical Disabilities services and Service Strategy, and reduced care package costs within Mental Health services.

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.

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

The Balance Sheet presented at Section 5 summarises the IJB's assets and liabilities as at 31 March 2017.

## **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, real term reductions in funding, increasing demand for services and the cost of implementing new legislation and policies.

A financial plan has been developed for Council managed services for 2017/18. This includes proposed actions 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.

Additional funding of £107m was announced for Health and Social Care Partnerships by the Scottish Government for 2017/18 to address social care pressures, as well as to offset the full year costs of the national Living Wage/Scottish Living Wage for care workers, war pension disregards and pre implementation work for the Carers (Scotland) Act 2016. The Partnership's share of this funding is £2.658m and is additional to its £6.210m share of the £250m allocated to Health and Social Care Partnerships for 2016/17.

This additional funding is welcomed, however pressure continues on health and social care budgets and wider public sector expenditure at a UK and Scottish level with further reductions in government funding predicted over the lifetime of the next UK Parliament to 2021/22. No additional funding has been approved by either East Ayrshire Council or NHS Ayrshire & Arran for 2017/18. The consequence of this budget-setting methodology is additional cash releasing efficiencies requirements to offset inflationary and demand pressures, including Primary Care Prescribing and payroll.

The Approved Budget 2017/18 report to the IJB on 19 April 2017 outlined that the financial position for 2017/18 is extremely challenging. There are unprecedented levels of cash releasing efficiency savings required, and demographic change continues to drive increasing demand. Public services seek to continuously improve but resourcing and budget constraints make this increasingly difficult. 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 June 2016 EU referendum, the May 2017 local elections and June 2017 general election, 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.

The IJB Strategic Plan 2015-18 second annual review was presented to the IJB on 19 April 2017 and outlined that during 2016/17, a considerable amount of work has been taken forward to deliver on the themes in the Strategic Plan 2015-18. The Strategic Plan sets out the Partnership's ambitions and priorities for the next three years, including how it will engage with local communities and partners to deliver successful outcomes with particular emphasis on:

- Tackling inequality
- Children and young people
- Preventing illness
- Supporting people with long-term conditions
- Care for older people
- Alcohol and drug misuse
- End of life care
- Community justice services
- Community engagement
- Redesign of services
- Care close to home
- Technology enabled care
- Choice and control
- Workforce

During 2016/17, East Ayrshire Health and Social Care Partnership continued to develop its understanding of strategic priorities. The significance of social isolation on local communities has been recognised, and this new strategic priority has been added to the Strategic Plan and will be central to activities in 2017/18 and beyond. The work undertaken, alongside the learning from the wider engagement programme has shown that five subjects; technology enabled care, choice and control, community engagement, redesign of services and workforce would be better termed as "enablers" of the Partnership's values and aims.

The Strategic Plan states that delivering positive outcomes linked to the vision of the Partnership will not be possible without transforming how we work. Increasing demand, constrained financial resources and the need to make efficiency savings mean that the Partnership needs to think and work differently. There is much that can be seen as good practice in the initial Strategic Plan. It represents sound vision and direction, and demonstrates extensive engagement. It is accessible and personal outcomes demonstrate the case for change. The second annual review of the Strategic Plan 2015-18 recognises the need to embed new models of care and prioritisation processes more robustly to ensure that resource allocation meets strategic outcomes and directs strategic commissioning and decision making.

In 2016/17 considerable progress has been made in taking forward the pan-Ayrshire portfolio of transformational change. This programme reflects integrated services between Health and Social Care Partnerships and the NHS Ayrshire & Arran Acute Directorate and has been established in response to pressures on service configuration and delivery. The overall portfolio includes:

- Older people and those with complex needs
- Mental health
- Unscheduled care
- Primary care – Ambitious for Ayrshire; and
- Planned care – Improving Access DoIT.

The Partnership has established a Strategic Commissioning for Sustainable Outcomes Board. During 2017/18 this Board will 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 aside' 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

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.

The second annual review of the Strategic Plan preserves stability in the plan and does not require a replacement plan. In the Strategic Plan 2015-18 the Partnership set its vision as 'Working together with all our communities to improve and sustain wellbeing, care and promote equity'. This vision remains and continues to motivate actions across all delegated health and social care services. The review updates and refreshes the policy drivers for the plan. The National Health and Social Care Delivery Plan was published in December 2016, and will frame the work of the Partnership over the coming years, becoming embedded in strategic and operational activity during 2017/18.

## CONCLUSION

Prudent financial management and medium term financial planning has allowed the IJB to 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 2017 highlights a marginal final outturn variance 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 2017.

## 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/EastAyrshireHealthandSocialCarePartnership.aspx>

Signed on behalf of East Ayrshire Integration Joint Board.



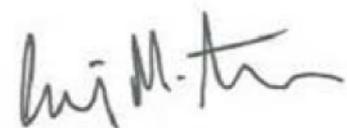
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**Eddie Fraser**  
Chief Officer



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**Ian Welsh OBE**  
Chair of the IJB



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**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 31 August 2017.

Signed on behalf of East Ayrshire Integration Joint Board.



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**Ian Welsh OBE**  
**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 2017 and the transactions for the year then ended.



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**Craig McArthur CPFA**  
**Chief Finance Officer**  
**31 August 2017**

## 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 contracted inflation with shared responsibility for demographic cost pressures. In 2016/17, the Scottish Government funded £250 million of social care cost pressures through Health Boards.

### 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 2016/17 are outlined as follows:

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 Single Outcome Agreement and is underpinned by an annual action plan and performance indicators. The initial Strategic Plan was developed during the course of the 2014/15 shadow year with the full engagement of stakeholders through the Strategic Planning group and 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. Progress reports on the delivery of the Strategic Plan were provided to the IJB and the Audit and Performance Committee of the IJB. The first annual review of the Strategic Plan was approved by the IJB on 24 March 2016 and presented to NHS Ayrshire & Arran Board on 23 May 2016 and to East Ayrshire Council on 26 May 2016. The second annual review of the Strategic Plan was approved by the IJB on 19 April 2017 and it is anticipated that this will be presented, alongside the Service Improvement Plans to the NHS Board and Council in June 2017.

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 on 14 May 2015 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 2016/17.

The IJB has delegated authority from the NHS Board and the Council and during 2016/17 considered relevant reports in relation to:

- Operational delivery
- Financial performance
- Staff governance
- Clinical and Care Governance issues
- Policy issues

Senior management arrangements to deliver safe operation and progressive / innovative development for the Partnership are firmly established in terms of:

- Leadership and management of the service
- Planning, Development and Business / Resource Support
- Professional and clinical governance of the service

In addition to the Chief Officer and Chief Finance Officer, there are nine leadership posts:

**Three Heads of Service:**

- Head of Community Health and Care Services
- Head of Children's Health Care and Justice Services
- Head of Primary Care and Out of Hours Community Response Services

**Three Senior Partnership Support Officers:**

- Senior Manager Business Support
- Senior Manager Finance
- Senior Manager Planning and Performance

**Three Professional Leads:**

- Clinical Director
- Lead Nurse
- Lead Allied Health Professional

Support in relation to corporate functions including Human Resources, Property and Information Technology are delivered through existing NHS and Council structures.

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.

Sub-committee structures of the IJB have been established including the arrangements required by legislation for:

- Strategic Planning Group
- Audit and Performance Committee
- Health and Care Governance Committee

The Partnership Business Support Team have taken a lead role with NHS and Council Corporate Services for establishing and achieving IJB approval for:

- Employee Partnership Forum
- Health, Safety and Wellbeing Group
- Risk Management Committee
- Resilience (Civil Contingencies and Business Continuity) Group
- Capital Planning Group

Enhancement of Partnership Governance arrangements for 2016/17 has been to develop clear recording of Directions to the Chief Officer in the capacity as Director of the Health and Social Care Partnership.

Staff governance arrangements have been progressed during 2016/17 to ensure standards are achieved and employees are engaged in the development of Partnership working arrangements and the transformational change programme. There is a fully developed formal Joint Staff Partnership Forum which is jointly chaired by management and employee representatives and the arrangements have been reviewed during the year to ensure effective operation.

In line with the agreed Integration Scheme the Partnership's Health and Care Governance Group Chaired by the Clinical Director reports to the IJB.

Primary Care Clinical Leads have supported continuity of structures and governance within the remit of the Head of Primary Care and Out of Hours Community Response services. There is consistent attendance at professional committees and this has supported the development of locality partnership arrangements and the progression of Ambitious for Ayrshire.

The Partnership Clinical Governance arrangements report through Healthcare Governance Committee to the NHS Board. Arrangements for Clinical Governance have been a continual area for development in 2016/17.

The Performance Management Strategy focuses firmly on facilitating a performance management culture throughout the IJB. Regular reporting to Board Members is a key component of performance management. Quarterly Partnership Performance Monitoring Reports have been presented to the IJB Audit and Performance Committee during 2016/17. This is in accordance with the Integration Scheme which specifies that the IJB must establish arrangements to provide assurance about the quality of services commissioned through both direct service provision and also procurement. The quality of service delivery is measured through performance measures, improvement action and reporting arrangements designed to address organisational and individual care risks, promote continuous improvement and ensure that all professional and clinical standards, legislation and guidance are met. Guidance for Health and Social Care Partnership Performance Reports was published by the Scottish Government in March 2016. The guidance sets out the minimum requirements for Partnerships to consider when developing their annual performance reports which aim to provide an assessment of performance in planning and carrying out integrated functions linked to National Health and Wellbeing Outcomes prescribed by Scottish Ministers in Regulations under section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB has adopted a Code of Conduct for all of its Board Members and employees.

The initial IJB Partnership Risk Register was reviewed by the Partnership's Risk Management Committee on 3 September 2015. The updated Partnership Risk Register was published as part of the Strategic Plan in April 2016. A risk workshop for members of the IJB was held on 16 June 2016 to enable members and officers to discuss risk strategy and risk appetite. Feedback from members was positive and it was agreed that the next steps will include the development of the three service Risk Registers which will align to the overarching Partnership Risk Register.

The purpose of risk management is to establish programmes and processes that support the IJBs objectives while protecting its assets, employees, income and reputation from loss or harm. The IJBs approach to risk management is well embedded with a Health and Social Care Partnership Risk Register. The Partnership Management Team meets as the Risk Management Committee on a quarterly basis. The NHS Ayrshire & Arran Head of Occupational Health and Safety and East Ayrshire Council's Risk Manager attend these meetings.

A pan-Ayrshire Risk Management Strategy document is being developed and being taken forward through the Strategic Planning and Operational Group.

The IJB has in place a development programme for Board Members including three IJB Development days over the course of 2016/17. Development programmes are in place for the Partnership Management Team and managers across the Partnership. A performance and professional development scheme is in place for all employees, the aim of which is to focus employees on their performance and development to effectively contribute towards achieving service and strategic objectives.

Internal Audit recommended that a formal Scheme of Delegation was approved for the Health and Social Care Partnership. Work was undertaken to finalise the Scheme of Delegation during 2016/17 and the Scheme was formally approved by the IJB on 19 April 2017.

The introduction of national contract provider frameworks has brought about consistency of financial standards across purchased supplies and services. These contract provider frameworks increase confidence about specialist resources evidencing Best Value as well as promoting best practice and ensuring compliance with national legislation and policy.

In line with the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014, Locality Planning arrangements are in place which are multi-disciplinary and multi-sectoral and allow for different local needs to be taken into account in strategic planning. Multi-member wards are the focus of localities for planning purposes within the Health and Social Care Partnership and these are aggregated up to the three localities. Locality arrangements allow sufficient flexibility to enable stakeholder, locality and communities of interest participation in the strategic planning process in accordance with the 'Community Empowerment (Scotland) Act 2015'. The Community Planning Partnership has prioritised Locality Planning and that IJB arrangements and community planning priorities fully align in recognition of community planning partners shared ownership of delivering on the wellbeing theme of the Community Plan.

The Strategic Commissioning for Sustainable Outcomes Board was established towards the end of the 2016/17 financial year. During 2017/18 this Board will drive the delivery of transformational change at the required scale and pace and set the direction for the Strategic Plan 2018-21

## **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 Internal Audit function of East Ayrshire IJB is responsible for the independent appraisal of the IJB's internal systems of control. IJB internal audit resources are drawn from the parent bodies internal audit services. The IJB Internal Audit function complies with the requirements of the 'Public Sector Internal Audit Standards (PSIAS)' and the 'Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (CIPFA 2013)'. The PSIAS were first introduced in April 2013 and then updated in 2016. A further update has been introduced since April 2017.

The IJB Chief Internal Auditor complies with 'The Role of the Head of Internal Audit in Public Organisations (CIPFA 2010)' and has the responsibility for the IJB's Internal Audit function. The IJB's Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the IJB's Internal Audit staff.

The Internal Audit function is subject to an annual review by the external auditors to ensure it operates according to good practice and relevant standards. The review of both East Ayrshire Council Internal Audit and NHS Ayrshire & Arran Internal Audit will be reflected in the external auditors, Deloitte LLP, annual report.

Members and officers of the IJB are committed to the concept of good governance and the effective delivery of IJB services. The Audit and Performance Committee which acts as the IJB's Audit Committee operates in accordance with 'Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA 2013)'. During 2016/17 the Audit and Performance Committee was chaired by a voting member of the IJB. The Committee will review the Annual Governance Statement prior to approval by the IJB.

The Audit and Performance Committee performs a scrutiny role in relation to the application of the PSIAS and regularly monitors the performance of the IJB's Internal Audit service.

The IJB's Chief Internal Auditor has responsibility to review independently and report to the Audit and Performance Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the Public Sector Internal Audit Standards (PSIAS).

The annual programme of internal audit work is based upon a strategic risk assessment and is approved by the IJB Audit and Performance Committee. The annual programme of work for 2016/17 was approved by the IJB Audit and Performance Committee on 10 May 2016.

It is anticipated that the Internal Audit Annual Report 2016/17 will be presented to the IJB Audit and Performance Committee on 15 August 2017.

The IJB Internal Audit Annual Report is to be 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.

The Chief Internal Auditor reports directly to the IJB Audit and Performance Committee on all audit matters with the right of access to the Chief Officer, Chief Finance Officer and the Chair of the Audit and Performance Committee. In accordance with the principles of the code of corporate governance, regular reports were made to the IJB Audit and Performance Committee during 2016/17.

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

Internal Audit aims to give reasonable assurance on the East Ayrshire IJB systems of internal control using a risk-based programme of work. On the basis of internal audit work completed in 2016/17, 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. Internal Audit opinions for individual planned assignments ranged from medium risk and reasonable assurance to limited assurance in the area of organisational performance culture and quarterly reporting of relevant measures and targets. 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 is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. The follow-up of prior year audit on governance highlighted that progress had been made to implement all of the high priority recommendations.

Internal Audit's overall opinion, based on the work carried out, is that reasonable assurance can be placed upon the adequacy and effectiveness of East Ayrshire IJB internal control systems in the year to 31 March 2017. The objectives of internal control have been substantially met. This overall opinion also takes into consideration both the relatively recent set-up of East Ayrshire Integration Joint Board 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.

The IJB Chief Finance Officer has received written confirmation from the Chief Finance Officers of East Ayrshire Council and NHS Ayrshire & 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.

### **ACTION PLAN**

The IJB has identified the following actions for 2017/18 that will assist with the further strengthening of corporate governance arrangements:

- The Strategic Commissioning for Sustainable Outcomes Board will drive the delivery of transformational change at the required scale and pace and set the direction for the Strategic Plan 2018-21.
- Embedding of locality planning arrangements to align with the requirements of the Community Empowerment (Scotland) Act 2015.

### **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 2016/17 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 continually 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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**Ian Welsh OBE**  
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 following tables 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 current Chair has been appointed for the first two years of the IJB (until the Local Government Elections May 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 in the following table.

<b>Total Taxable IJB Related Expenses 2015/16 £</b>	<b>Voting Board Members</b>	<b>Total Taxable IJB Related Expenses 2016/17 £</b>
0.000	Ian Welsh OBE - NHS Ayrshire and Arran - Chair of the IJB	0.000
0.000	Councillor Douglas Reid - East Ayrshire Council - Vice Chair of the IJB	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 is not included in the Remuneration Report as this role is additional to his substantive role as East Ayrshire Council Head of Finance and ICT at no additional cost to the IJB. The Chief Finance Officer 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 2015/16 £m	Name and Post Title	Salary, Fees and Allowances £m	Taxable Expenses £m	Total Remuneration 2016/17 £m
0.108	Eddie Fraser - Chief Officer	0.109	0.000	0.109

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 2016 £m	In-year Pension Contributions to 31 March 2017 £m	Accrued Pension Benefits as at 31 March 2016 £m	Difference from 31 March 2016 £m	Accrued Pension Benefits as at 31 March 2017 £m
Eddie Fraser - Chief Officer	0.021	0.021	Pension 0.042 Lump Sum 0.086	Pension 0.002 Lump Sum 0.001	Pension 0.044 Lump Sum 0.087

## DISCLOSURE BY PAY BANDS

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

Number of Employees in Band 2015/16 £m	Remuneration Band	Number of Employees in Band 2016/17 £m
1	£105,000 - £109,999	1

## EXIT PACKAGES

There were no exit packages during 2016/17.

Signed on behalf of East Ayrshire Integration Joint Board.



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**Eddie Fraser**  
Chief Officer



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**Ian Welsh OBE**  
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.

The 2015/16 Comprehensive Income and Expenditure figures have been restated to reflect the IJB's operational structure, as required for the 2016/17 financial statements.

Gross Expenditure 2015/16 £m	Gross Income 2015/16 £m	Net Expenditure 2015/16 £m		Gross Expenditure 2016/17 £m	Gross Income 2016/17 £m	Net Expenditure 2016/17 £m
136.501	(2.026)	134.475	Core Services	142.274	(1.994)	140.280
4.280	0.000	4.280	Non District General Hospitals	4.092	0.000	4.092
22.528	(0.006)	22.522	Children's / Justice Services	24.754	(0.006)	24.748
22.171	0.000	22.171	Lead Partnership Services	22.379	0.000	22.379
19.359	0.000	19.359	Set Aside	19.266	0.000	19.266
<b>204.839</b>	<b>(2.032)</b>	<b>202.807</b>	<b>Cost of Services</b>	<b>212.765</b>	<b>(2.000)</b>	<b>210.765</b>
0.000	(75.257)	(75.257)	East Ayrshire Council funding *	0.000	(74.605)	(74.605)
0.000	(127.992)	(127.992)	NHS Ayrshire & Arran funding *	0.000	(136.323)	(136.323)
<b>0.000</b>	<b>(203.249)</b>	<b>(203.249)</b>	<b>Total Income</b>	<b>0.000</b>	<b>(210.928)</b>	<b>(210.928)</b>
<b>204.839</b>	<b>(205.281)</b>	<b>(0.442)</b>	<b>(Surplus) / Deficit on provision of services</b>	<b>212.765</b>	<b>(212.928)</b>	<b>(0.163)</b>

\* See Note 7: Taxation and Non-Specific Grant Income

The East Ayrshire IJB was formally established as a body corporate on 1 April 2015 with integrated delivery of health and care services commencing on that date. Consequently the 2015/16 figures represent full year costs and are directly comparable with 2016/17 figures.

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 which is consistent with Financial Management Reports to the IJB over the course of 2016/17. The net expenditure highlighted £218.755m is greater than the £210.765m net cost of provision of services outlined in the Comprehensive Income and Expenditure Statement above. 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 2016/17 £m</b>
Annual Accounts: net cost of provision of services	210.765
Management Accounts: actual expenditure	218.755
<b>Variance</b>	<b>(7.990)</b>
<b>Represented by:</b>	
Lead Partnership income	(47.040)
Lead Partnership contributions	19.784
Large Hospital Set Aside	19.266
	<b>(7.990)</b>

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.

#### **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 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 31 March 2016</b>	<b>(0.287)</b>	<b>(0.155)</b>	<b>(0.442)</b>
Total Comprehensive Income and Expenditure	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>	<b>(0.287)</b>	<b>(0.318)</b>	<b>(0.605)</b>

<b>Movement in Reserves During 2015/16</b>	<b>General Fund Balance £m</b>	<b>General Fund Earmarked Balance £m</b>	<b>Total Reserves £m</b>
<b>Opening Balance at 31 March 2015</b>	<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
Total Comprehensive Income and Expenditure	(0.287)	(0.155)	(0.442)
Adjustments between accounting basis and funding basis under regulations	0.000	0.000	0.000
<b>Increase or (Decrease) in 2015/16</b>	<b>(0.287)</b>	<b>(0.155)</b>	<b>(0.442)</b>
<b>Closing Balance at 31 March 2016</b>	<b>(0.287)</b>	<b>(0.155)</b>	<b>(0.442)</b>

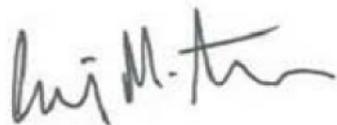
## BALANCE SHEET

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

<b>31 March 2016 £m</b>		<b>Notes</b>	<b>31 March 2017 £m</b>
0.442	Short term debtors	8	0.605
0.442	<b>Current Assets</b>		0.605
0.000	Short term creditors		0.000
0.000	<b>Current Liabilities</b>		0.000
0.000	Provisions		0.000
0.000	<b>Long-term Liabilities</b>		0.000
<b>0.442</b>	<b>Net Assets</b>		<b>0.605</b>
0.287	Usable Reserve: General Fund	9	0.287
0.155	Earmarked Reserve: General Fund	9	0.318
0.000	Unusable Reserve	10	0.000
<b>0.442</b>	<b>Total Reserves</b>		<b>0.605</b>

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2017 and its income and expenditure for the year then ended.

The unaudited Annual Accounts were issued on 14 June 2017 and the audited Annual Accounts will be authorised for issue on 31 August 2017.



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**Craig McArthur CPFA**  
**Chief Finance**  
**Officer**  
**31 August 2017**

## **NOTE 1: SIGNIFICANT ACCOUNTING POLICIES**

### **General principles**

The Financial Statements summarise East Ayrshire IJB's transactions for the 2016/17 financial year and its position as at 31 March 2017.

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 2016/17, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

### **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 ISSUED NOT 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 Annual Accounts.

## **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 31 August 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. 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 annual accounts.

## NOTE 6: EXPENDITURE AND INCOME ANALYSIS BY NATURE

2015/16 £m		2016/17 £m
87.104	Services commissioned from East Ayrshire Council	92.734
115.686	Services commissioned from NHS Ayrshire & Arran	118.009
0.017	Auditor Fee: External Audit Work	0.022
(203.249)	Partners Funding Contributions and Non-Specific Grant Income	(210.928)
<b>(0.442)</b>	<b>(Surplus) / Deficit on the Provision of Services</b>	<b>(0.163)</b>

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

2015/16 £m		2016/17 £m
75.257	Funding Contribution from East Ayrshire Council	74.605
127.992	Funding Contribution from NHS Ayrshire & Arran	136.323
<b>203.249</b>	<b>Taxation and Non-specific Grant Income</b>	<b>210.928</b>

The funding contribution from the NHS Board shown above includes £19.266m 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

2015/16 £m		2016/17 £m
0.442	Funding East Ayrshire Council	0.605
0.000	Funding NHS Ayrshire & Arran	0.000
<b>0.442</b>	<b>Debtors</b>	<b>0.605</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 2015 £m	Transfers Out 2015/16 £m	Transfers In 2015/16 £m	Balance as at 31 March 2016 £m		Transfers Out 2016/17 £m	Transfers In 2016/17 £m	Balance as at 31 March 2017 £m
				Earmarked:			
0.000	0.000	(0.155)	(0.155)	Client Equipment and Adaptations	0.155	(0.318)	(0.318)
0.000	0.000	(0.155)	(0.155)	Total Earmarked	0.155	(0.318)	(0.318)
0.000	0.000	(0.287)	(0.287)	Contingency	0.000	0.000	(0.287)
<b>0.000</b>	<b>0.000</b>	<b>(0.442)</b>	<b>(0.442)</b>	<b>General Fund</b>	<b>0.155</b>	<b>(0.318)</b>	<b>(0.605)</b>

## NOTE 10: UNUSABLE RESERVE – EMPLOYEE STATUTORY ADJUSTMENT ACCOUNT

The balance on the Employee Statutory Adjustment Account reflects any absence entitlement on the part of the Chief Officer which has been earned but not yet taken as at 31 March. The General Fund is only charged for this when the leave is taken, normally during the next financial year. The calculated sum is not disclosed as it is not considered to be material.

## NOTE 11: 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 (£47.040m), and the consequential reimbursement (£47.040m), 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 in the following table.

2015/16 £m		2016/17 £m
46.756	Expenditure on Agency Services	47.040
(46.756)	Reimbursement for Agency Services	(47.040)
<b>0.000</b>	<b>Net Agency Expenditure Excluded from the CIES</b>	<b>0.000</b>

#### NOTE 12: 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

2015/16 £m		2016/17 £m
<b>(75.257)</b>	Funding contributions received from the Council	<b>(74.605)</b>
(2.032)	Service income received from the Council	(2.000)
89.091	Expenditure on services provided by the Council	94.690
0.442	Surplus on provision of services retained by IJB	0.163
0.054	Key management personnel: non-voting Board Members	0.055
0.000	Support Services	0.000
<b>87.555</b>	<b>Net expenditure on services provided by the Council</b>	<b>92.908</b>
<b>12.298</b>	<b>Net Transactions with the Council</b>	<b>18.303</b>

## Transactions with NHS Ayrshire & Arran

2015/16 £m		2016/17 £m
<b>(127.992)</b>	Funding contributions received from the NHS Board	<b>(136.323)</b>
0.000	Service income received from the NHS Board	0.000
115.640	Expenditure on services provided by the NHS Board	117.966
0.054	Key management personnel: non-voting Board Members	0.054
0.000	Support Services	0.000
<b>115.694</b>	Net expenditure on services provided by the NHS Board	<b>118.020</b>
<b>(12.298)</b>	<b>Net Transactions with the NHS Board</b>	<b>(18.303)</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 is mainly comprised of the provision of Chief Finance 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 £18.546m which transfers from NHS Ayrshire & 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 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 £0.243m payment from the Council to the Health Board relates to Delayed Discharge funding which offsets the cost of NHS community-based services.

2015/16 £m	East Ayrshire Council - reconciliation	2016/17 £m
75.257	Payments for delegated functions	74.605
12.421	Funding transfers from NHS Ayrshire & Arran	18.546
(0.123)	Funding transfers to NHS Ayrshire & Arran	(0.243)
12.298	Net transactions with NHS Ayrshire & Arran	18.303
87.555	Payments for delivery of integrated functions	92.908

2015/16 £m	NHS Ayrshire & Arran - reconciliation	2016/17 £m
127.992	Payments for delegated functions	136.323
(12.421)	Funding transfers to East Ayrshire Council	(18.546)
0.123	Funding transfers from East Ayrshire Council	0.243
(12.298)	Net Transactions with East Ayrshire Council	(18.303)
115.694	Payments for delivery of integrated functions	118.020

#### Balances with East Ayrshire Council

2015/16 £m		2016/17 £m
0.442	Debtor balances: amounts due from the Council	0.605
0.000	Creditor balances: amounts due to the Council	0.000
<b>0.442</b>	<b>Net Balance with the Council</b>	<b>0.605</b>

#### Balances with NHS Ayrshire and Arran

2015/16 £m		2016/17 £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 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 Integration Joint Board and the Accounts Commission.**

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.

### **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 2017 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 2016/17 (the 2016/17 Code).

In our opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of East Ayrshire Integration Joint Board as at 31 March 2017 and of its surplus on the provision of services for the year then ended.
- have been properly prepared in accordance with the IFRSs as adopted by the European Union, as interpreted and adapted by the 2016/17 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 of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). 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 body 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 Standards for Auditors, 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.

#### **Responsibilities of the Chief Finance Officer 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.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the body and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements.

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&I) 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.

## **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 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 in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

## **Report on other requirements**

### **Opinions on other prescribed matters**

We are required by the Accounts Commission to express an opinion on the following matters.

In our opinion, the auditable 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

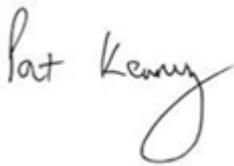
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government Framework (2016).

### **Matters on which we are required to report by exception**

We are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable 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
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



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

## 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 (e.g. cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

### **Audit of Accounts**

An independent examination of the IJB's financial affairs.

### **Balance Sheet**

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

### **CIPFA**

The Chartered Institute of Public Finance and Accountancy.

### **Consistency**

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

### **Contingent Asset/Liability**

A Contingent Asset/Liability is either:

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

**Creditor**

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

**Debtor**

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

**Defined Benefit Pension Scheme**

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

**Entity**

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

**Post Balance Sheet Events**

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

**Exceptional Items**

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

**Government Grants**

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

**IAS**

International Accounting Standards.

**IFRS**

International Financial Reporting Standards.

**IRAG**

Integration Resources Advisory Group

**LASAAC**

Local Authority (Scotland) Accounts Advisory Committee

**Liability**

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

**Provisions**

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

**PSIAS**

Public Sector Internal Audit Standards.

**Related Parties**

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



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 ابھرے حروف، بڑے حروف یا آڈیو میں مہیا کی جاسکتی ہے اور اس کا مختلف زبانوں میں ترجمہ بھی کیا جاسکتا ہے۔ رابطہ کی تفصیلات نیچے فراہم کی گئی ہیں۔

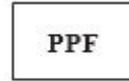
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ਇਹ ਜਾਣਕਾਰੀ ਮੰਗ ਕੇ ਬੇਲ, ਵੱਡੇ ਅੱਖਰਾਂ ਅਤੇ ਸਣਨ ਵਾਲੇ ਰਪ ਵਿਚ ਵੀ ਲਈ ਜਾ ਸਕਦੀ ਹੈ, ਅਤੇ ਇਹਦਾ ਤਰਜਮਾ ਹੋਰ ਬੋਲੀਆਂ ਵਿਚ ਵੀ ਕਰਵਾਇਆ ਜਾ ਸਕਦਾ ਹੈ। ਸੰਪਰਕ ਕਰਨ ਲਈ ਜਾਣਕਾਰੀ ਹੇਠਾਂ ਦਿੱਤੀ ਗਈ ਹੈ।

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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