



REPORT TO: East Lothian Integration Joint Board

MEETING DATE: 29 June 2017

BY: Chief Finance Officer

SUBJECT: Draft Annual Accounts 2016/17

1 PURPOSE

- 1.1 This report brings together the elements required to present for approval the draft annual accounts for the IJB for the year ending 31 March 2017. This includes the Annual Governance statement for the IJB which itself forms part of the IJB's annual accounts.

2 RECOMMENDATIONS

The IJB is asked to:

- 2.1 Approve the Annual Governance Statement.
- 2.2 Approve the draft Annual Accounts for 2016/17

3. BACKGROUND

- 3.1 The IJB is constituted under section 106 of the local government (Scotland) Act and as such must prepare a set of annual accounts. These accounts must be presented in draft for approval to either the IJB or a committee of governance of the IJB by 30 June whereupon the accounts will be presented for audit by the IJB's auditors.
- 3.2 As part of this process the IJB's Chief Internal Auditor will prepare a report for the IJB presenting their opinion on the governance of the IJB. This report has now been presented to the IJB earlier in the agenda.
- 3.3 This Audit Opinion identifies a number of governance issues that require to be addressed – these are discussed further in the Annual Governance Statement – but the audit opinion shows that overall the

IJB's framework of governance, risk management and control is adequate

- 3.4 An Annual Governance Statement must also be prepared as part of the annual accounts. This is attached as Appendix 1 for convenience but is also part of the annual accounts. This statement must lay out the governance of the IJB and provide an action plan for addressing any governance issues identified. The IJB is required to approve the AGS.
- 3.5 These matters having been done, the IJB is then asked to approve the draft annual accounts which are then passed to the IJB's external auditors for review. These are attached as Appendix 2.
- 3.6 The annual accounts contain a range of sections but break down into three main areas:-
 - The Management Commentary. This provides a statement of the IJB's purpose and its performance against that purpose in the financial year along with a reflection on the challenges facing the IJB in the next financial year.
 - The Annual Governance Statement – as discussed above
 - A range of financial statements showing the financial position of the IJB. These show that the IJB has broken-even in 2016/17
- 3.7 The IJB is asked to approve this outline schedule reflecting on the Management commentary, the AGS and that the financial statements will show a break-even position for the IJB.

4 POLICY IMPLICATIONS

- 4.1 This paper is covered within the policies already agreed by the IJB.

5 INTEGRATED IMPACT ASSESSMENT

- 5.1 The implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper have yet to be assessed. Such issues will be the cornerstone of longer term planning to be undertaken beyond 2017/18, in partnership with the partners

6 RESOURCE IMPLICATIONS

- 6.1 Financial – discussed above.
- 6.2 Personnel – there are none.

7 BACKGROUND PAPERS

7.1 None

AUTHOR'S NAME	David King
DESIGNATION	Chief Finance Officer
CONTACT INFO	David.king@nhslothian.scot.nhs.uk
DATE	21 June 2017

Annual Governance Statement – 2016/17

East Lothian IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow public funds at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Board members including the Chief Officer and Chief Finance Officer are responsible for the governance of the business affairs of East Lothian IJB. This includes:

- setting the strategic direction, vision, culture and values of the IJB;
- establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

It should be noted that development work continues on the risk management process and the whistle-blowing and fraud prevention procedures and processes. East Lothian IJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk to failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The IJB is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the IJB's governance framework is informed by:

- the work of the IJB, the Strategic Planning Group and the Audit & Risk Committee;
- the Chief Internal Auditor's annual report which is based on internal audit work completed during the year; and
- reports from other external review bodies, agencies and inspectorates.

These assessments did not highlight any issues that would impact on the level of effectiveness of the IJB's governance framework. However, a number of improvements were identified and are discussed in the action plan below. This is the second year of the IJB's operation and the first year in which the IJB has managed its financial allocations and there issues are still being developed.

These are addressed below.

The statement has also been informed by the work undertaken by Internal Audit who, following the requirements of the Local Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the IJB's system of internal control. The Chief Internal Auditor has responsibility for the IJB's Internal Audit function and reports functionally to the Audit and Risk Committee to allow appropriate independence. The Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team. The Internal Audit service generally operates in accordance with the Public Sector Internal Audit Standards.

The Chief Internal Auditor concluded that subject to weaknesses identified, reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the period from 1 April 2016 to 31 March 2017. These improvements are reflected within the action plan detailed below.

The results from these reviews were presented to the June 2017 IJB with the Annual Governance Statement for approval.

Statutory and Other Compliance

East Lothian IJB (the 'Board') has secured compliance with statutory and other requirements, as follows:

- **Membership** - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated;
- **Standing Orders** - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at the inaugural meeting, complying with statutory requirements;
- **Committees** - the Board has established an Audit & Risk Committee with a detailed remit, powers, and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders;
- **Meetings** - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees - except in clearly defined and limited circumstances;
- **Strategic Plan** - the Board established its Strategic Planning Group as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures;
- **Officers** - the Board appointed a Chief Officer and a Chief Finance Officer as

required by the legislation. The Board has also appointed a Standards Officer (the Chief Officer) in relation to its statutory Code of Conduct for Members. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit and Risk Committee;

- **Finance** - the Board received reports in relation to financial assurance prior to the setting of budgets (for 2016/17) for the integrated functions by East Lothian Council and NHS Lothian. It adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements; and
- **Code of Conduct** - The IJB approved and adopted its first draft Code on 19 October 2015 and agreed to submit the draft to Scottish Ministers for final approval. The Code was amended due to legislative changes in 25 February 2016. A further revised draft agreed by the IJB on 8 June 2016 following revisions in the template supplied by the Scottish Government. At the IJB's meeting on 25 August 2016, the Chief officer advised members that this latest version of the Code had been approved by the Scottish Government. A register of members interests has been prepared and is available for inspection.

Action Plan

Through the Board and the Audit and Risk Committee, further work will be progressed and will be carried out in relation to governance of these particular aspects of the Board's statutory duties and powers:

Areas for Improvement identified in 2016/17	Action undertaken 2016/17
<p>Financial Assurance Finalisation of the 2016/17 financial assurance process including a formal offer of financial resources from NHS Lothian</p>	<p>At its March 2016 meeting the IJB accepted the East Lothian Council budgetary offer and an indicative offer from NHS Lothian. NHS Lothian's formal financial allocation offer for 2016/17 was received on 14 June 2016. The final financial assurance for 2016/17 was presented to the IJB at its August meeting. The IJB agreed to the proposed budget.</p>
<p>Three year financial plan The financial plan that underpins the IJB's Strategic Plan should cover a three year period</p>	<p>Although NHS Lothian have only made an offer for one year, East Lothian Council have made a three year indicative position. The 2017/18 budget is also a one year settlement however this is now being addressed in 2017/18 as part of the future budget setting process</p>

<p>Financial Risk Sharing Completion of a financial risk sharing agreement between the IJB and its partners</p>	<p>The 2016/17 financial risk sharing was agreed. NHS Lothian agreed to cover the health elements of the IJB's budget and East Lothian Council made an additional £1.0m available to cover any overspends within the social care element of the IJB's budget</p>
<p>Support to the IJB from the partners Finalisation of the actions requiring to be undertaken by the partners to support the IJB as laid out in the IJB's integration scheme</p>	<p>A range of matters have been progressed :-</p> <ul style="list-style-type: none"> • Additional staffing to support for the IJB's planning team. • Support from NHS Lothian Internal Audit team to the IJB's CIA • Support for the delivery of performance and activity information from NHS Lothian • Support to prepare an IJB risk register • Redesign of the NHS Strategic Planning group and NHS Finance and performance group to reflect the responsibilities of the IJB. • Agreement to an whole Lothian system Internal Audit report sharing mechanism – that is all four councils, NHS Lothian and all four IJBs • Representation of the IJB on NHS Lothian's clinical governance committee
<p>Performance management Further development of the performance management framework for the IJB</p>	<p>The IJB is continuing to work with its partners to agree and implement a system of performance management (including financial performance). Detailed reports were presented to the IJB at its meetings in August 2016 and February 2017. Further reports will be presented to the IJB in 2017/18</p>

<p>Risk management Further developments in the risk management system for the IJB.</p>	<p>A draft proposal and risk register was submitted to the IJB's Audit and Risk Committee on 23 March 2016 with a further report along with an updated risk register which was presented to the Audit and Risk Committee on 21 June 2016. The risk register continues to be developed and has been presented to the Audit and Risk Committee at each of its meeting in 2016/17.</p>
---	---

<p>Area for Improvement identified in 2016/17</p>	<p>Actions to be undertaken</p>
<p>Use of the Social Care Fund A lack of a clear audit trail to monitor the actual social care fund (£4.37 million) expenditure incurred to date for certain categories of spends.</p>	<p>A range of reports regarding the SCF were made to the IJB in 2016/17 a final report will be made to the IJB meeting of June 2016. This report shows that the expenditure on the SCF was in line with the IJB's agreement with East Lothian Council</p>
<p>Performance Management The need to ensure that the performance management framework is fully developed and clearly sets out how the IJB will measure performance against the Strategic Plan, identify areas where improvements are required and demonstrate to stakeholders the benefits that are being delivered</p>	<p>This work continues supported by the IJB's partners and a reporting mechanism has been agreed with further development work in train. Reports were presented to the IJB at its meetings in August 2016 and February 2017.</p>
<p>Risk Register The risk register in place requires review to ensure that it includes all ongoing and emerging risks facing the IJB including these identified as part of the financial assurance process. The register should clearly set out the additional controls and measures to manage the risks identified and meet the desired risk targets.</p>	<p>The IJB's risk register was presented to the meeting of the IJB's Audit and Risk committee in 2016/17. It is being reviewed and updated and work is underway with both NHS Lothian and the other IJBs in the Lothians to ensure that there are all the risk are appropriately covered.</p>

<p>Participation, engagement and the workforce development plan</p> <p>Progress that requires to be made on Participation and Engagement and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme</p>	<p>The IJB has continued to engage both its partners and, more importantly the public which its services. Regular updates and briefings are provided on the IJB's website and the IJB has undertaken a second 'big conversation' to engage with the public. The IJB is working with its partners to develop a workforce plan</p>
--	--

On the basis of the IJB's assurance system, and the elements of governance at its disposal, we are satisfied that overall, East Lothian IJB's systems of internal control, risk management and governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the forthcoming year to address these areas, allowing the IJB to advance its corporate governance arrangements and seek continuous improvement.

Signed:

Chair of the IJB and David Small, Chief Officer

Date:

East Lothian
Integration Joint Board



East Lothian Integration Joint Board

Draft Annual Accounts 2016/17

CONTENTS

Management Commentary	3
Statement of Responsibilities	9
Remuneration Report.....	11
Annual Governance Statement	14
Comprehensive Income and Expenditure Statement.....	20
Movement in Reserves Statement	21
Balance Sheet.....	22
Notes to the Financial Statements.....	23
1. Significant Accounting Policies.....	23
2. Critical Judgements and Estimation Uncertainty	25
3. Events After the Reporting Period	26
4. Expenditure and Funding Analysis	26
5. Related Party Transactions	27
6. VAT	28

Audit Arrangements

Under arrangement approved by the Accounts Commission of Local Authority Accounts in Scotland, the auditor with responsibility for the audit of the accounts of East Lothian Integration Joint Board for the period 1st April 2016 to 31st March 2017 is Audit Scotland, 102 West Port, Edinburgh EH3 9DN

Management Commentary

The Role and Remit of the IJB

The Public Bodies (Joint Working) Act (2014) directs the creation of an Integration Authority for East Lothian to which a range of functions are to be delegated by NHS Lothian Board and East Lothian Council (the ‘partners’). East Lothian Integration Joint Board (IJB) was created pursuant to section 1(4)(a) of the Act being a body corporate. The IJB is constituted through its Integration Scheme which was prepared by East Lothian Council and NHS Lothian and presented to Scottish Ministers in March 2015. The Integration Scheme was approved by the Scottish Parliament in June 2015 and the first meeting of the IJB took place on 1 July 2015.

The IJB is governed by the Local Government Scotland Act (1973) along with the 2014 regulations and these accounts are prepared on that basis.

These accounts cover the period from 1st April 2016 to 31st March 2017.

The IJB met 10 times during the financial year 2016/17 and the members of the IJB in March 2017 were as follows:-

Member	Nominated/Appointed by	Role
Donald Grant	Nominated by East Lothian Council	Voting Member, Chair
Mike Ash	Nominated by NHS Lothian	Voting member, Vice Chair
Shamin Akhtar	Nominated by East Lothian Council	Voting Member
Jim Goodfellow	Nominated by East Lothian Council	Voting Member
Stuart Currie	Nominated by East Lothian Council	Voting Member, Chair of Audit and Risk Committee
Alex Joyce	Nominated by NHS Lothian	Voting Member
Peter Murray	Nominated by NHS Lothian	Voting Member
Fiona Ireland	Nominated by NHS Lothian	Voting Member
David Small	Appointed by the IJB	Chief Officer
David King	Appointed by the IJB	Chief Finance Officer
Fiona Duncan	Nominated by East Lothian Council	Chief Social Worker
Alison MacDonald	Nominated by NHS Lothian	Chief Nurse/Head of Older People and Access
Andrew Flapan	Nominated by NHS Lothian	Consultant
Jon Turvill	Nominated by NHS Lothian	Clinical Director
Richard Fairclough	Appointed by the IJB	General Practitioner
Thomas Miller	Appointed by the IJB	NHS Staff Representative
Andrew Wilson	Appointed by the IJB	ELC Staff Side Representative

Margaret McKay	Appointed by the IJB	User/Carer representative
Eliot Stark	Appointed by the IJB	Voluntary Sector Representative
Sharon Saunders	Appointed by the IJB	Head of Adult and Childrens Services
Marilyn McNeill	Appointed by the IJB	User representative

Note – all members, except those indicated above as voting members, are non-voting members

The IJB's Operations for the Year

2016/17 was the first year in which the IJB received financial resources ('budget') to support the delivery of its delegated functions. These resources were made available by NHS Lothian and by East Lothian Council as described in the Integration scheme. The financial models to generate the IJB's budget were proposed by East Lothian Council and NHS Lothian and agreed by the IJB as part of its financial assurance process.

At its March 2016 meeting, the IJB agreed the budget proposed by East Lothian Council which was based on the budget agreed by the Council for its social work services at the Council meeting in February 2016. East Lothian Council refer to their adult social care services as 'adult wellbeing' but this council budget is not directly allocated to the IJB as some of the services have not been delegated and, in addition, some functions funded through the housing revenue account ('HRA') are delegated to the IJB. The adjustments are as follows:-

	£000's
Opening AWB	43,498
Less -Supporting People	-800
Add -Private sector housing grant	256
Add – HRA	834
	<u>43,788</u>

The IJB also agreed an indicative budget from NHS Lothian based on outline values presented to the IJB as part of the overall NHS Lothian budget setting process. Having agreed these budget propositions this budget was the basis of the directions which the IJB issued to NHS Lothian and East Lothian Council in line with the IJB's agreed directions policy in March 2016.

NHS Lothian formally proposed a budget in June 2016; the IJB undertook a further financial assurance process and accepted that budget at its August meeting. The IJB's budget from both NHS Lothian and East Lothian Council has been subject to changes during the financial year. East Lothian Council had carried forward resource on behalf of its social care from 2015/16 and released these resources to the IJB as required during 2016/17. NHS Lothian both continued to revise its health budget

setting model in collaboration with the IJB and also received further allocations from the Scottish Government in year. Some of the further Scottish Government in year allocations supported delegated functions with the budgets being made available to the IJB.

During the financial year 2016/17, the IJB had a financial risk sharing agreement with its partners – East Lothian Council and NHS Lothian. In essence this agreement was that any health overspends against the IJB’s budgets would be covered by NHS Lothian and East Lothian Council made an additional £1.0m available to cover overspends in the social care budgets

The IJB’s Position at 31st March 2017

For the year ending 31st March 2017, the IJB has broken even. That is the costs incurred in delivering the IJB’s functions by East Lothian Council and NHS Lothian are equal to the income that the IJB received from NHS Lothian and East Lothian Council. This is in line with the risk sharing agreement referred to above.

The charges for the delivery of the delegated functions by the partners are East Lothian Council (net) - £44.277m and NHS Lothian (net) - £109.596m.

It should be noted that the charge from NHS Lothian includes the notional IJB share of the ‘non-cash limited’ services being General Ophthalmic Services, General Pharmaceutical Services and General Dental services.

The non-cash limited functions do not have budgets as such and the cost of delivering these functions is met in full by the Scottish Government. Therefore the IJB has no budgets for these services, although they are delegated functions to the IJB and require to be reported as part of the 2016/17 out-turn. NHS Lothian has, accordingly, assumed income to cover the costs of these services.

The charges made by East Lothian Council to the IJB are the net direct costs incurred in the delivery of the delegated social care services in East Lothian.

The charges from NHS Lothian are based on the health budget setting model as agreed by the IJB. That is, charges for the core services (those services specifically for and delivered by the East Lothian partnership are based on the net direct actual costs incurred in East Lothian. However, charges for hosted and set aside services (those services which are not generally managed by the East Lothian Partnership and are delivered on a pan-Lothian basis) are based on the total actual costs for these service shared across four IJBs per the budget setting model. The IJB share of the total actual costs incurred in 2016/17 for hosted services is 12% and, generally, 12% of the Lothian element of the set aside budgets.

In 2016/17 per the risk sharing agreements both East Lothian Council and NHS Lothian have made additional, non-recurrent resources available to the IJB as follows :-

	ELC	NHSiL
	£m	£m
Opening Budget	43.79	86.83
Social Care Fund		4.37
Add'n budget in year	0.152	6.93

Adj to AWB budget	-0.125	
2016/17 budget	43.82	98.13
Non Cash Limited		10.41
Adj for HRA	-0.133	
Additional n/r Support	0.595	1.05
Net charge to IJB	44.28	109.60

This shows that, even having adjusted the IJB's budgets and releasing further resources per the integration scheme, the partners provided the IJB with an additional, non-recurrent £1.6m to allow it to break-even.

The Integration scheme is clear that the partners will provide corporate and other support to the IJB as required and will not charge for these services. These costs are not, therefore, included above.

East Lothian Council is carrying forward (from 2016/17 to 2017/18) £0.3m on behalf of the IJB in line with its previous policies. These funds will be available to the IJB in 2017/18.

The IJB's Strategy and Business Model

The IJB's remit and goals are laid out in the IJB's Strategic Plan. These are in line with the Scottish Government's national outcomes and will be delivered through:-

- Shifting the balance of care to provide more care delivered at home or in a homely setting rather than in hospital or other institutions
- Ensuring care is person centred, with a focus on the individual and not just specific health and social care needs
- Further improving the joined up approach to working across professions and bodies delivering health and social care functions
- Ensuring citizens, communities and staff involved in providing health and social care services will have a greater say in how these services are planned and delivered.

The Strategic Plan, having been consulted on as required by the regulations, was agreed by the IJB at its meeting in November 2015.

The IJB issued directions to East Lothian Council and NHS Lothian for the financial year 2016/17 in March 2016 based on an indicative budgetary position as described above in line with the IJB's policy on directions.

The IJB's long term plan is to redesign the delivery of the functions delegated to it in order to:-

- Increase capacity – to manage the pressures resulting from an aging and increasing population

- Improve the quality of care – by supporting a more individual centered, holistic approach
- Reduce the costs of the delivery of the functions in line with the projected reduction in the financial resources available to the IJB.

Key Risks and Uncertainties

The challenge for the IJB is to transform the delivery of its delegated functions whilst supporting the delivery of financial balance with an (in real terms) reduction in the financial resources available. There remain a series of uncertainties:-

1. The local elections in May 2017 changed the membership of the IJB and this may cause issues with continuity of both knowledge and purpose
2. It remains difficult for the partners to recruit elements of the workforce to deliver the IJB's functions, e.g. GPs, District Nurses and Care workers.
3. The increasing population in East Lothian remains a challenge which may exacerbate the staffing pressures above.
4. The financial position for the UK and Scotland remains uncertain and this will provide a challenge to the amount of financial resources available to the IJB

Analysis of the Financial Statements

The financial statements are all presented on a net basis.

Income and Expenditure

As was discussed above, the partners provided additional non-recurrent resources to support the IJB's position in year. The pressures driving these overspends fall into two broad areas:

- Significant overspends against the GP prescribing budget
- A lack of delivery of efficiency schemes and recovery plans both within those services managed by the partnership and the services managed by other management teams within NHS Lothian.

Each of these pressures is being addressed by management and actions are detailed in the IJB's financial plan for 2017/18

Balance Sheet

Given that the IJB has broken even in 2016/17 and that there are no outstanding balances either carried into this financial year nor brought forward into future years, (the IJB has no assets per its Integration Scheme) there are no entries in the IJB's balance sheet for 2016/17.

Reserves

The IJB has no reserves at the end of 2016/17. However, as noted above, East Lothian Council has carried forward resources that will be made available to the IJB in 2017/18.

Peter Murray
IJB Chair

David Small
Chief Officer

David King
Chief Finance Officer

Statement of Responsibilities

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit & Governance Committee on 7 September 2017

Signed on behalf of East Lothian Integration Joint Board

Peter Murray
Chair

Responsibilities of the Chief Financial Officer

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

In preparing the Annual Accounts, the chief financial officer has:

- Selected suitable accounting policies and then applied them consistently
- Made judgements and estimates that were reasonable and prudent

- Complied with legislation
- Complied with the local authority Code (in so far as it is compatible with legislation).

The chief financial officer has also:

- Kept proper accounting records which were up to date
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

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

David King
Chief Finance Officer

Remuneration Report

Introduction

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

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

Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by East Lothian Council and NHS Lothian Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair nor the Vice Chair appointments had any taxable expenses paid by the IJB in 2016/17.

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

NHS Lothian remunerates its non-executive members on a notional day basis. Those non-executive members of the NHS Lothian Board who are also Chairs or Vice Chairs of IJBs are given an additional notional day's remuneration in recognition of the additional time required to undertake those roles. Mike Ash, as a non-executive member of NHS Lothian Board who is also the vice chair of East Lothian IJB has received an additional notional day's remuneration specifically for his role as vice chair of the IJB in 2016/17. This remuneration is £8,169 per annum.

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

The Chief Officer of the IJB is David Small who is also the Director of Health and Social Care for East Lothian Council and the Joint Director of the East Lothian Partnership. It has been agreed, and this was disclosed in the accounts for 2015/16, that 50% of her total remuneration is to be shown in the accounts of the IJB as his remuneration as the Chief Officer of the IJB

Other Officers

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

Total 2015/16 £	Senior Employees	Salary, Fees & Allowances £	Total 2016/17 £
36,346	David Small	50,865	50,865

Note - 2015/16 was not a full year, D. Small was only appointed in July 2015.

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.

	In year Contribution			Accrued Pension benefits at	
	For year 31/03/2017 £000's	For period ending 31/3/16 £000's		at 31/3/17 £000's	31/3/16 £000's
David Small (from July 2015)	7.6	5.1	Pension Lump Sum	41.3 124.0	39.4 118.3

Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
0	£55,000 - £59,999	0
0	£60,000 - £65,000	0

Exit Packages

The IJB did not support nor did it direct to be supported by its partners any exit packages during 2016/17

Peter Murray
IJB Chair

David Small
Chief Officer

Annual Governance Statement

East Lothian IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow public funds at its disposal to be safeguarded and used efficiently and effectively in pursuit of best value.

Board members including the Chief Officer and Chief Finance Officer are responsible for the governance of the business affairs of East Lothian IJB. This includes:

- setting the strategic direction, vision, culture and values of the IJB;
- establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

It should be noted that development work continues on the risk management process and the whistle-blowing and fraud prevention procedures and processes. East Lothian IJB's financial management arrangements conform to the requirements of the CIPFA Statement on the role of the Chief Financial Officer in Local Government. The Chief Finance Officer has overall responsibility for the IJB's financial arrangements and is professionally qualified and suitably experienced.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk to failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The IJB is responsible for conducting each financial year, a review of the effectiveness of its governance framework, including risk management and the systems for internal control and financial control. The review of the effectiveness of the IJB's governance framework is informed by:

- the work of the IJB, the Strategic Planning Group and the Audit & Risk Committee;
- the Chief Internal Auditor's annual report which is based on internal audit work completed during the year; and
- reports from other external review bodies, agencies and inspectorates.

These assessments did not highlight any issues that would impact on the level of effectiveness of the IJB's governance framework. However, a number of improvements were identified and are discussed in the action plan below. This is the second year of the IJB's operation and the first year in which the IJB has

managed its financial allocations and these issues are still being developed. These are addressed below.

The statement has also been informed by the work undertaken by Internal Audit who, following the requirements of the Local Authority Accounts (Scotland) Regulations 2014, conducted an annual review of the effectiveness of the IJB's system of internal control. The Chief Internal Auditor has responsibility for the IJB's Internal Audit function and reports functionally to the Audit and Risk Committee to allow appropriate independence. The Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team. The Internal Audit service generally operates in accordance with the Public Sector Internal Audit Standards.

The Chief Internal Auditor concluded that subject to weaknesses identified, reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the period from 1 April 2016 to 31 March 2017. These improvements are reflected within the action plan detailed below.

The results from these reviews were presented to the June 2017 IJB with the Annual Governance Statement for approval.

Statutory and Other Compliance

East Lothian IJB (the 'Board') has secured compliance with statutory and other requirements, as follows:

- **Membership** - its minimum membership (voting and non-voting) is set by statutory instrument, with the power to appoint additional members as it sees fit. The Board's membership is fully populated;
- **Standing Orders** - the Board is required by statutory regulations to have Standing Orders to regulate its business, with some aspects stipulated in those regulations. Standing Orders were adopted at the inaugural meeting, complying with statutory requirements;
- **Committees** - the Board has established an Audit & Risk Committee with a detailed remit, powers, and with the membership clearly defined. This complies with statutory requirements and with the Board's Standing Orders;
- **Meetings** - the Standing Orders adopted by the Board allow the public to have prior access to meeting agendas and reports, and to attend meetings of the Board and its committees - except in clearly defined and limited circumstances;
- **Strategic Plan** - the Board established its Strategic Planning Group as required by legislation, with Terms of Reference approved by the Board covering membership, meetings and meetings procedures;
- **Officers** - the Board appointed a Chief Officer and a Chief Finance Officer as required by the legislation. The Board has also appointed a Standards Officer

(the Chief Officer) in relation to its statutory Code of Conduct for Members. A Chief Internal Auditor has been appointed to carry out the Board's internal audit requirements and assist its Audit and Risk Committee;

- **Finance** - the Board received reports in relation to financial assurance prior to the setting of budgets (for 2016/17) for the integrated functions by East Lothian Council and NHS Lothian. It adopted Financial Regulations in relation to the conduct of its financial affairs, the maintenance of its accounting and financial records, and its annual accounts and financial statements; and
- **Code of Conduct** - The IJB approved and adopted its first draft Code on 19 October 2015 and agreed to submit the draft to Scottish Ministers for final approval. The Code was amended due to legislative changes in 25 February 2016. A further revised draft agreed by the IJB on 8 June 2016 following revisions in the template supplied by the Scottish Government. At the IJB's meeting on 25 August 2016, the Chief officer advised members that this latest version of the Code had been approved by the Scottish Government. A register of members interests has been prepared and is available for inspection.

Action Plan

Through the Board and the Audit and Risk Committee, further work will be progressed and will be carried out in relation to governance of these particular aspects of the Board's statutory duties and powers:

Areas for Improvement identified in 2016/17	Action undertaken 2016/17
<p>Financial Assurance Finalisation of the 2016/17 financial assurance process including a formal offer of financial resources from NHS Lothian</p>	<p>At its March 2016 meeting the IJB accepted the East Lothian Council budgetary offer and an indicative offer from NHS Lothian. NHS Lothian's formal financial allocation offer for 2016/17 was received on 14 June 2016. The final financial assurance for 2016/17 was presented to the IJB at its August meeting. The IJB agreed to the proposed budget.</p>

<p>Three year financial plan The financial plan that underpins the IJB's Strategic Plan should cover a three year period</p>	<p>Although NHS Lothian have only made an offer for one year, East Lothian Council have made a three year indicative position. The 2017/18 budget is also a one year settlement however this is now being addressed in 2017/18 as part of the future budget setting process</p>
<p>Financial Risk Sharing Completion of a financial risk sharing agreement between the IJB and its partners</p>	<p>The 2016/17 financial risk sharing was agreed. NHS Lothian agreed to cover the health elements of the IJB's budget and East Lothian Council made an additional £1.0m available to cover any overspends within the social care element of the IJB's budget</p>
<p>Support to the IJB from the partners Finalisation of the actions requiring to be undertaken by the partners to support the IJB as laid out in the IJB's integration scheme</p>	<p>A range of matters have been progressed :-</p> <ul style="list-style-type: none"> • Additional staffing to support for the IJB's planning team. • Support from NHS Lothian Internal Audit team to the IJB's CIA • Support for the delivery of performance and activity information from NHS Lothian • Support to prepare an IJB risk register • Redesign of the NHS Strategic Planning group and NHS Finance and performance group to reflect the responsibilities of the IJB. • Agreement to an whole Lothian system Internal Audit report sharing mechanism – that is all four councils, NHS Lothian and all four IJBs • Representation of the IJB on NHS Lothian's clinical governance committee

<p>Performance management Further development of the performance management framework for the IJB</p>	<p>The IJB is continuing to work with its partners to agree and implement a system of performance management (including financial performance). Detailed reports were presented to the IJB at its meetings in August 2016 and February 2017. Further reports will be presented to the IJB in 2017/18</p>
<p>Risk management Further developments in the risk management system for the IJB.</p>	<p>A draft proposal and risk register was submitted to the IJB's Audit and Risk Committee on 23 March 2016 with a further report along with an updated risk register which was presented to the Audit and Risk Committee on 21 June 2016. The risk register continues to be developed and has been presented to the Audit and Risk Committee at each of its meeting in 2016/17.</p>

<p>Area for Improvement identified in 2016/17</p>	<p>Actions to be undertaken</p>
<p>Use of the Social Care Fund A lack of a clear audit trail to monitor the actual social care fund (£4.37 million) expenditure incurred to date for certain categories of spends.</p>	<p>A range of reports regarding the SCF were made to the IJB in 2016/17 a final report will be made to the IJB meeting of June 2016. This report shows that the expenditure on the SCF was in line with the IJB's agreement with East Lothian Council</p>
<p>Performance Management The need to ensure that the performance management framework is fully developed and clearly sets out how the IJB will measure performance against the Strategic Plan, identify areas where improvements are required and demonstrate to stakeholders the benefits that are being delivered</p>	<p>This work continues supported by the IJB's partners and a reporting mechanism has been agreed with further development work in train. Reports were presented to the IJB at its meetings in August 2016 and February 2017.</p>

<p>Risk Register The risk register in place requires review to ensure that it includes all ongoing and emerging risks facing the IJB including these identified as part of the financial assurance process. The register should clearly set out the additional controls and measures to manage the risks identified and meet the desired risk targets.</p>	<p>The IJB's risk register was presented to the meeting of the IJB's Audit and Risk committee in 2016/17. It is being reviewed and updated and work is underway with both NHS Lothian and the other IJBs in the Lothians to ensure that there are all the risk are appropriately covered.</p>
<p>Participation, engagement and the workforce development plan Progress that requires to be made on Participation and Engagement and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme</p>	<p>The IJB has continued to engage both its partners and, more importantly the public which its services. Regular updates and briefings are provided on the IJB's website and the IJB has undertaken a second 'big conversation' to engage with the public. The IJB is working with its partners to develop a workforce plan</p>

On the basis of the IJB's assurance system, and the elements of governance at its disposal, we are satisfied that overall, East Lothian IJB's systems of internal control, risk management and governance arrangements are of a satisfactory standard. We are aware of areas where improvements are required and steps will be taken in the forthcoming year to address these areas, allowing the IJB to advance its corporate governance arrangements and seek continuous improvement.

Signed:

Chair of the IJB and David Small, Chief Officer

Date:

Comprehensive Income and Expenditure Statement

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

2016/17		2016/17	
Net Expenditure		Net Expenditure	
£m		£m	
0 NHS Lothian		109.60	
East Lothian Council		44.28	
0 Cost of Services		153.88	
<hr/>			
0 Taxation and Non-Specific Grant Income (Note 6)		153.88	
<hr/>			
0 Surplus or Deficit on Provision of Services		0.00	
<hr/>			
0 Total Comprehensive Income and Expenditure		0.00	
<hr/>			

The IJB was established in August 2015 but did not receive any income nor direct any expenditure in the year ending 2015/16. Consequently the 2016/17 financial year is the first fully operational financial year for the IJB and the figures above reflect this.

Movement in Reserves Statement

The IJB had no reserves in 2016/17 nor does it hold any reserves in 2017/18

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

Movements in Reserves During 2015/16	General Fund Balance	Unusable Reserves: Employee Statutory Adjustment Account	Total Reserves
	£000	£000	£000
Opening Balance at 31 March 2015	0	0	0
Total Comprehensive Income and Expenditure	(0)	0	(0)
Increase or Decrease in 2015/16	(0)	0	(0)
Closing Balance at 31 March 2016	(0)	0	(0)

Balance Sheet

The IJB has neither assets or liabilities at 31st March 2017

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

31 March 2016 £000	Notes	31 March 2017 £000
6	Short term Debtors	0
6	Current Assets	0
6	Short term Creditors	0
6	Current Liabilities	0
0	Provisions	0
0	Long-term Liabilities	0
0	Net Assets	0
0	Usable Reserve: General Fund	0
0	Usable Reserve:	0
0	Employee Statutory Adjustment	0
0	Account	0
0	Total Reserves	0

David King
Chief Finance Officer

Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

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

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

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

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

Accruals of Income and Expenditure

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

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

It should be noted that the above principle are those applied by the partners (NHS Lothian and East Lothian Council). The IJB has funded these partners to deliver the delegated functions and these partners have charged the IJB as above.

Funding

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

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. There are no outstanding funding balances from either partners at 31st March 2017.

Employee Benefits

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

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

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. As noted above, the IJB has no reserves at 31st March 2017.

The IJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation.

Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. NHS Lothian and East Lothian Council have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide. The IJB holds separate indemnity insurance through its membership of the CNORIS scheme, the charge for this in 2016/17 was £6,000.

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.

2. Critical Judgements and Estimation Uncertainty

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

- The partner organisations have considered their exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the partner organisations' options that a transfer of economic benefits will be required, material contingent liabilities have been disclosed (there are none)

- The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.
- There are no items in the IJB's Balance Sheet at 31 March 2017 for which there is a significant risk of material adjustment in the forthcoming financial year.

Provisions

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

3. Events After the Reporting Period

The Annual Accounts were authorised for issue by the IJB on 14th September 2017. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2017, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2017 as they provide information that is relevant to an understanding of the authority's financial position but do not relate to conditions at that date:

4. Expenditure and Funding Analysis

Expenditure		2016/17
2015/16	Services specifically for East Lothian	£000's
£000's		
0	Health	63,936
0	Social Care	44,277
	East Lothian's share of Lothian Health Services	
0	Hosted	21,370
0	Set Aside	24,290
0	Total	153,873
Funded By		
0		44,277
0	NHS Lothian	109,596
		153,873

Expenditure above has been split into three main areas:-

- Expenditure on those services delivered specifically for the population of East Lothian. These services are managed locally by the East Lothian Partnership
- Hosted Services – these are health services managed either by the Edinburgh, East Lothian and West Lothian Partnerships or managed by NHS Lothian on a pan-Lothian basis. These services included Mental Health Services, Learning Disability Services, Substance Misuse Services, Rehabilitation services, General Dental Services, General Pharmaceutical Services and General Ophthalmic Services. This is the IJB's agreed share of these services.
- Set Aside Services – these are services delivered in the main acute hospitals (Royal Infirmary of Edinburgh, Western General Hospital and St. John's Hospital) and managed by NHS Lothian. This is the IJB's agreed share of these services

Corporate Service

Included in the above costs are the following corporate services:-

2015/16 £000's		2016/17 £000's
0	Staff (Chief Officer)	51
0	Audit Fee	17
0	Total	68

5. Related Party Transactions

As partners with the East Lothian Integration Joint Board both East Lothian Council and NHS Lothian are related parties and the material transactions with these bodies are disclosed in these accounts.

There are elements of expenditure which are shown against the NHS Lothian above but where the resources are used by the social care services delivered by East Lothian Council.

2015/16 £000's		2016/17 £000's
	NHS Lothian	109,596
0	Resource Transfer	-3,226
0	Social Care Fund	-4,370
0		102,000
	East Lothian Council	44,277
0	Resource Transfer	3,226
0	Social Care Fund	4,370
0	Total	51,873

Both Resource Transfer and the Social Care Fund are resources which are part of the NHS Lothian budget and are shown as expended therein but these funds are used to deliver social care service supplied by East Lothian Council.

6. VAT

The IJB is not a taxable person and does not charge or recover VAT on its functions.

The VAT treatment of expenditure and income within the accounts depends upon which of the partners is providing the services as these bodies are treated differently for VAT purposes.