



**REPORT TO:** East Lothian IJB - Audit and Risk Committee

**MEETING DATE:** 28 June 2018

**BY:** Chief Finance Officer

**SUBJECT:** 2017/18 Annual Accounts

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## **1 PURPOSE**

- 1.1 This report presents the IJB's draft (unaudited) Annual Accounts for 2017/18.

## **2 RECOMMENDATIONS**

- 2.1 The Committee is asked to:
- i. Consider the IJB's draft annual accounts; and
  - ii. Recommend to the IJB that it agrees the draft annual accounts for publication and audit.

## **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<sup>th</sup> June whereupon the accounts will be presented for audit by the IJB's auditors.
- 3.2 The annual accounts contain a range of sections but breakdown 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 – which reflect on the governance of the IJB and notes any governance improvements identified by the CIA's Internal Audit Annual Assurance Report

- A range of financial statements showing the financial position of the IJB. The IJB received a paper at its meeting on 24<sup>th</sup> May 2018 laying out the financial position.

3.4 The Audit and Risk Committee is asked to approve the attached annual accounts reflecting on the Management commentary, the AGS and the financial position.

#### **4 ENGAGEMENT**

4.1 The annual accounts are published on the web and available in hard copies to the public.

#### **5 POLICY IMPLICATIONS**

5.1 There are no further policy implications arising from this paper.

#### **6 INTEGRATED IMPACT ASSESSMENT**

6.1 The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy.

#### **7 RESOURCE IMPLICATIONS**

7.1 Financial – none

7.2 Personnel – none

7.3 Other – none

#### **8 BACKGROUND PAPERS**

8.1 None

<b>AUTHOR'S NAME</b>	David King
<b>DESIGNATION</b>	Chief Finance Officer
<b>CONTACT INFO</b>	david.king@nhslothian.scot.nhs.uk
<b>DATE</b>	20 June 2018

East Lothian  
**Integration Joint Board**



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# **East Lothian Integration Joint Board**

## **Draft Annual Accounts 2017/18**

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### **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 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018 is Audit Scotland, 102 West Port, Edinburgh EH3 9DN

## **Management Commentary**

### **Introduction**

The management commentary provides an overview of the key messages relating to the role, remit, members, objectives and the strategy of the East Lothian Integration Joint Board (the IJB). It describes the financial performance for the financial year ended 31 March 2018 and considers those issues and risks which may impact upon the IJB's financial position in the future.

### **The Role and Remit of the IJB**

East Lothian IJB is an Integration Authority set up under the Public Bodies (Joint Working) Act (2014). It is a 'body corporate', that is a separate legal entity. 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 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018.

The IJB's role and responsibility is to plan for the delivery of the functions that have been delegated to the IJB by East Lothian Council and NHS Lothian. These functions are :-

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

The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions. The IJB published its Strategic Plan for

these functions covering the period from April 2016 to March 2019 in November 2015.

The IJB issued directions to its partners for the financial year 2017/18 in March 2017. This in line with the processes set out in the Public Bodies (Joint Working) (Scotland) Act 2014.

The IJB met 7 times during the financial year 2017/18. There have been a number of changes to the membership of the IJB since the accounts for 2016/17 were published, both as a result of the local elections in May 2017 and other changes and the members of the IJB in March 2018 were as follows:-

<b>Member</b>	<b>Nominated/Appointed by</b>	<b>Role</b>
Peter Murray	Nominated by NHS Lothian	Voting Member, Chair
Fiona O'Donnell	Nominated by East Lothian Council	Voting member, Vice Chair
Shamin Akhtar	Nominated by East Lothian Council	Voting Member
Susan Kempson	Nominated by East Lothian Council	Voting Member
Stuart Currie	Nominated by East Lothian Council	Voting Member,
Alex Joyce	Nominated by NHS Lothian	Voting Member
Moira Whyte	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	Medical 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
Penny Dutton	Appointed by the IJB	ELC Staff Side Representative
Margaret McKay	Appointed by the IJB	User/Carer representative, Chair of the Audit and Risk Committee
Elaine Johnston	Appointed by the IJB	Voluntary Sector Representative
Judith Tait	Appointed by the IJB	Head of Adult and Children's Services
Marilyn McNeill	Appointed by the IJB	User representative

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

David Small, the Chief Officer of the IJB stepped down from that role on 1 July 2018. Alison MacDonald will take up the role of Chief Officer on an Interim Basis from that date.

## **The IJB's Operations for the Year**

2017/18 was the second year of the IJB's operations and the IJB continued to deliver against its Strategic Plan.

One of the key areas of delivery within the health functions of the IJB is further development of the primary care services which will support both health and social care in the community and further the balance of care.

Developments include :-

- **Collaborative Working for Immediate Care (CWIC)**

The Collaborative Working for Immediate Care (CWIC) team was established in Musselburgh Primary Care Centre using Primary Care Transformation Funds in order to test approaches to meet same day demand through a non-medical team. This has allowed the HSCP to assess the role of Nurse Practitioners and Advanced Nurse Practitioners and Advanced Scope Physiotherapists in delivering primary care services. In doing so, this has directed appropriate activity from GPs, one of the desired outcome of the new General Medical Services (GMS) contract. In parallel to CWIC, the HSCP has developed, in partnership with NHS 24 a new primary care telephone triage service. Both CWIC and the NHS 24 service are being assessed for their suitability for roll-out to other GP practices across the county.

- **ELSIE (East Lothian Service for Integrated Care for the Elderly)**

The ELSIE service has continued to support patients in avoiding admission and where admission has been clinically necessary, has supported patients in returning home. This service has contributed to East Lothian's improved delayed discharge performance.

- **East Lothian Care Home Team**

The Care Home Team has continued to provide nursing and care staff of care homes in the Musselburgh and Gullane areas with advice on the clinical and nursing management of individual patients.

The Team schedules regular visits to care homes they cover in order to provide all registered patients with access to Advanced Nurse Practitioners or Nurse Practitioners for the management of acute and long term conditions.

## **The IJB's Position at 31st March 2018**

For the year ending 31<sup>st</sup> 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. However that position has been achieved by both partners making additional resources available.

Before any year-end adjustments, the Health element of the IJB’s budget was underspent whilst the social care element was overspent. Having transferred the health underspend to support the social care overspend, the partners gave the IJB further non-recurrent support to allow the IJB to break-even.

The year-end position being arrived at as follows :-

Values are underspends /(overspends)	Health £000's	Social Care £000's	Total
Initial out-turn position	250	-936	-686
Addition Resources			
NHSiL		75	75
ELC		611	611
Underspend/(overspend)	250	-250	0

The IJB directed the underspend in its health ‘arm’ to be moved so support the initial overspend in social care – this is in line with the Integration Scheme – and thereafter the partners provided additional support. This support is non-recurrent

### **Analysis of the Financial Statements**

The financial statements are all presented on a net basis.

### **Income and Expenditure**

The table below summarises the income and expenditure for the IJB for 2017/18.



	<b>Budget</b>	<b>Budget</b>	<b>Expenditure</b>	<b>Expenditure</b>	<b>Variance</b>	<b>Note</b>
	<b>Health</b>	<b>Social</b>	<b>Health</b>	<b>Social Care</b>		
	<b>£000's</b>	<b>Care</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	
<b>Direct East Lothian Services</b>						
Community AHPS	1,398		1,376		22	
Community Hospitals	9,274		8,855		419	
District Nursing	2,297		2,215		82	
General Medical Services	14,380		14,610		(231)	
Health Visiting	1,464		1,453		11	
Mental Health	4,215		4,517		(302)	
Other	4,672		4,262		410	
Prescribing	21,227		21,305		(78)	
Resource Transfer	3,227		3,226		1	1
Older People		24,687		24,687	0	
Learning Disabilities		15,375		15,375	0	
Mental Health		1,804		1,804	0	
Physical Disabilities		2,877		2,877	0	
Planning and Performance		2,598		2,598	0	
Other		3,489		3,489	0	
<b>East Lothian Share of pan Lothian</b>						
Set Aside	21,141		21,636		(495)	2
Mental Health	2,166		2,145		21	
Learning Disabilities	1,804		1,929		(125)	
GP Out of Hours	1,214		1,214		0	
Rehabilitation	534		487		46	
Sexual Health	662		661		1	
Psychology	825		805		20	
Substance Misuse	954		984		(30)	
Allied Health Professions	1,305		1,278		27	
Oral Health	1,941		1,873		67	
Other	3,349		3,216		133	
Dental	5,618		5,618		0	3
Ophthalmology	1,948		1,948		0	3
Pharmacy	2,881		2,881		0	3
<b>Totals</b>	<b>108,494</b>	<b>50,829</b>	<b>108,494</b>	<b>50,829</b>	<b>0</b>	
SCF	6,240	-6,240	6,240	-6,240		4
<b>Per accounts</b>	<b>114,734</b>	<b>44,589</b>	<b>114,734</b>	<b>44,589</b>		

Notes –

1. Resource Transfer are funds for specific purposes which are transferred from health to social care. However, these remain part of the health budget and are reported there.
2. Set Aside are the budgets for those functions delegated to the IJB which are managed by the Acute Services management teams within NHS Lothian. These services are :-

- Accident and Emergency
- Cardiology
- Diabetes
- Endocrinology
- Gastroenterology
- General Medicine
- Geriatric Medicine
- Rehabilitation Medicine
- Respiratory Medicine
- Various ancillary support services for the above

These services are delivered at the Royal Infirmary of Edinburgh, the Western General Hospital and St. John's Hospital

3. In the Health system, expenditure to support the delivery of community dentistry, community opticians and community pharmacists is termed as 'non cash limited' (NCL) but is clearly part of the delivery of primary care services and these functions is delegated to the IJB. However, being NCL there is no budget as such but any expenditure incurred is supported in its entirety by the Scottish Government. The NCL values are not part of the budget setting process, there being no budget, but NHS Lothian has matched the NCL expenditure with income to cover this expenditure.
4. The Social Care fund is a resource which the Scottish Government has directed to the IJB through NHS Lothian and are shown as health funds in the accounts. However, these funds are then transferred to the Council and used to support the delivery of social care services and the analysis above reflects this

The charges (shown as expenditure above) made by East Lothian Council to the IJB are the net direct costs incurred in the delivery of 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 2017/18 for hosted services is 12% and, generally, 12% of the Lothian element of the set aside budgets and the non-cash limited budgets.

### **Overview of the 2017/18 position.**

From the above table, it can be seen that there were a range of financial pressures identified.

## Direct East Lothian Services

Within the health budgets although there were operational overspends within mental Health Services and GMS these were offset by underspends in community hospitals and slippage (that is some programmes starting later in the year than planned and thus generating an underspend) within the system.

Within the social care budgets the pressures lay within increased demand for care services, particularly external care for elderly clients and clients with learning and physical disabilities as well as increased transport costs. The social care service also had an ambitious efficiency programme which was not fully delivered in year. As was discussed above, the social care position has been underpinned by further allocations from the partners.

## East Lothian Share of pan-Lothian services

The hosted position shows an overspend within the Learning Disabilities services but being offset with underspends in community dental (Oral Health), rehabilitation services and the UNPACS (Other) budget (this is the budget used to support Lothian patients cared for by services outwith NHS Lothian).

The significant overspend within the health budgets is within set aside the main pressures being

- Junior Medical – driven by additional staffing requested to cover rotas for sickness; maternity and vacancies – causing an over-establishment against funded levels. In addition there were significant excess banding payments for non-compliant rotas. New tighter controls regarding authorisation for additional staffing and reviewing rotas before issues arise are now in place to reduce pressure in 18/19
- Gastroenterology - significant drug pressure reported on Adalimumab and Aflibercept driving costs as well as overall higher growth than previous year.
- General Medicine – Pressure driven by staffing issues (significant at St Johns – where recruitment is difficult) and ongoing bed pressures.
- A&E – recruitment issues resulting in additional costs of locums/agency to cover and make safe staffing rotas – especially problematic at SJH.

## Balance Sheet

The IJB has broken even in 2017/18 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 2017/18.

## **Reserves**

The IJB has no reserves at the end of 2017/18.

## **The IJB's Strategy and Business Model**

The IJB presented its financial strategy and outline three year financial plan at its February 2018 meeting. This strategy builds on the principles of realistic care and realistic expectations and this work will be supported through wide ranging public engagement which will not only explain how the health and social care service delivery is changing but will also engage the public as key elements in the delivery of their own care

The key themes underpinning the financial strategy are :-

### **1. Prioritising the Allocation of Resources**

This is a very challenging exercise but the IJB will continue to look at the outcomes delivered by its services and consider how each service contributes to the delivery of the outcomes as described by the Scottish Government. Some of this work will fall naturally out of the service redesign and the IJB's underlying principles of transparency and engagement with the populations it services should support this process.

### **2. Making more efficient use of resources**

The principle of improved efficiency in every service will continue to be pursued. Some of this will be delivered by redesign and some may be delivered by advances in technology.

### **3. A move from failure demand to prevention**

There is little doubt that early intervention, especially in health will both improve that quality of life for individual and often reduce the need to later more costly interventions and treatments. A key part of this is 'co-production' – that is making sure that the individual is fully involved in their health and rather than a recipient of treatment a partner in their overall care.

### **4. A move from hospital care or care homes to community based services**

This is fundamental to the principle of changing the balance of care – the Scottish Government's policy is that more care should be delivered in the home or in a homely setting. Institutional services, especially large acute hospitals are not only costly but the experience of the patients is often poor. Not, of course, in terms of the quality of the clinical care but in terms of having to be moved from the individuals

home and then to be returned back into the community a process which can lead to delays in discharge.

#### **5. A move to improved quality and access**

Improved quality of care should lead to better outcomes and mean that individuals do not have to be admitted to institutional services or that they do not have to be readmitted to care unnecessarily. Improved access to the appropriate level of care should support quality and should also support reductions in unnecessary interventions and thus reduce costs.

#### **6. A move from working in silos to team working**

In simplest terms this would entail the creation of a 'care team' whose members would support individuals based on the premise that the most appropriate member of the care team intervening where required. The current model often provides a highly trained specialist to support an individual who then refers onto another specialist or to a more generalist support. The system is currently designed around quite specialist services (the 'silos') and the redesign will move from a specialist based system into a team based system with specialist support.

#### **7. A move from reactive to anticipatory care planning**

This is an underlying principle to the treatment of individuals with long term conditions or needs. Simply – rather than wait until a crisis and respond to that crisis, a long term anticipatory plan will support the individual through their care path.

**Peter Murray**  
Chair

**Alison MacDonald**  
Interim 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 finance 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 18 September 2018.

Signed on behalf of East Lothian Integration Joint Board

**Peter Murray**  
Chair

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

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

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

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

The chief finance officer has also:

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

I certify that the financial statements give a true and fair view of the financial position of the East Lothian Integration Joint Board as at 31 March 2018 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. In 2017/28, the Chair was nominated by NHS Lothian and the Vice Chair by East Lothian Council.

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 2017/178.

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 per week in recognition of the additional time required to undertake those roles. Peter Murray, as a non-executive member of NHS Lothian Board who is also the chair of East Lothian IJB, has received an additional notional day's remuneration specifically for his role as vice chair of the IJB in 2017/18. This remuneration is £8,464 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 2016/17, that 50% of his total remuneration is to be shown in the accounts of the IJB as his remuneration as the Chief Officer of the IJB.

### Chief Finance Officer

Although the costs of the Chief Finance Officer are not included in the charges made to the IJB by either partner, given the S95 role of the Chief Finance Officer and in the interests of transparency the remuneration of the Chief Finance officer is included below. The Chief Finance officer is David King. The Chief Finance Officer is employed by NHS Lothian and has three roles – the IJB's Chief Finance Officer, the Chief Finance Officer of Midlothian IJB and an operational role in the NHS Lothian finance team. On that basis, one third of the total remuneration is shown below.

### Other Officers

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

<b>Total 2016/17 £</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances £</b>	<b>Total 2017/18 £</b>
50,865	David Small	52,522	52,522
26,802	David King	27,073	27,071

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.

### David Small – Pension Disclosure

Real Increase in Pension	<b>£1,263</b>
Real Increase in Lump Sum	<b>£3,789</b>
Accrued Pension	<b>£10,872</b>
Accrued Lump Sum	<b>£32,616</b>
CETV at start of period	<b>£164,125</b>
CETV at end of period	<b>£190,535</b>

### David King – Pension Disclosure

Real Increase in Pension	<b>£333</b>
Real Increase in Lump Sum	<b>£1,000</b>
Accrued Pension	<b>£35,447</b>
Accrued Lump Sum	<b>£106,341</b>
CETV at start of period	<b>£814,112</b>
CETV at end of period	<b>£806,599</b>

### 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.

<b>Number of Employees in Band 2015/16</b>	<b>Remuneration Band</b>	<b>Number of Employees in Band 2016/17</b>
0	£50,000 - £54,999	1
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 2017/18

**Peter Murray**  
Chair

**Alison MacDonald**  
Interim Chief Officer

## **Annual Governance Statement**

### **Purpose**

The annual governance statement lays out how East Lothian Integration Joint Board (the IJB) complies with the Code of Corporate Governance and sets out the framework within which the IJB has put in place proper financial and governance arrangements for the conduct of its business affairs. This will facilitate 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 Lothian Integration Joint Board is responsible for ensuring that its business is conducted in accordance with the law and proper standards. This is to allow the 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 the Chief Finance Officer, are responsible for the governance of the business affairs of the IJB. This includes setting the strategic direction, vision, culture and values of the IJB and establishing appropriate and cost effective systems, processes and internal controls to allow the strategic objectives to be delivered.

In order to achieve this, the IJB follows the principles of corporate governance based on the CIPFA/SOLACE Framework and Guidance on 'Delivering Good Governance in Local Government'.

The Local Code of Corporate Governance details 7 core principles which are supported by 20 sub-principles and 91 behaviours and actions that demonstrate good governance. Elements of good governance included are:-

- Ensuring Board and Committees members behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the IJB
- Creating the conditions to ensure that all IJB members and the IJB's partners (East Lothian Council and NHS Lothian) are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Having a clear vision, which is an agreed formal statement of the IJB's purpose and intended outcome which provide the basis for the IJB's overall strategy, planning and other decisions
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources and to ensure best value is achieved
- Evaluating and monitoring risk management and internal control on a regular basis

- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the IJB's Chief Internal Auditor
- Ensuring an audit committee, which is independent of the Board and accountable to the IJB, provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and acted upon
- Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and providing an Annual Report which includes an action plan for improvement and evidence to demonstrate good governance (the annual governance statement)
- Ensuring that recommendations for corrective action made by the external auditor are acted upon

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.

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 Board, the Strategic Planning Group, and the Audit and Risk Committee
- The annual assurances that are provided by the IJB Chief Officer and the Chief Finance Officer
- The IJB Chief Internal Auditor's annual assurance report which is based on internal audit work completed during the year
- Reports from the IJB's external auditor
- Reports from other external review bodies, agencies and inspectorates.

The key governance arrangements and controls are set out in the Local Code of Corporate Governance.

### **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 its inaugural meeting. They comply with statutory requirements.

- Committees - the Board has established an Audit and Risk Committee with a detailed remit and 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. 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 the functions delegated by East Lothian Council and NHS Lothian, and 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
- Code of Conduct - pending finalisation of arrangements for a Code of Conduct for Members, the Board adopted an Interim Code based on the existing Model Code for Members of Devolved Public Bodies in Scotland, and members have registered their interests according to that Code. The Scottish Government approved the IJB's Code of Conduct on 1 June 2016.

The IJB Chief Internal Auditor has responsibility for the provision of Internal Audit services to the East Lothian IJB and reports functionally to the IJB Audit and Risk Committee to allow appropriate independence. The IJB Chief Internal Auditor is professionally qualified and suitably experienced to lead and direct the Internal Audit team.

The IJB Chief Internal Auditor concluded that based on the work undertaken in 2017/18 that reasonable assurance can be placed on overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the period to 31 March 2018, but noted areas for further development. These improvements are reflected below.

### **Action Plan**

A number of areas with scope for improvement were highlighted in the IJB Chief Internal Auditor's Annual Assurance Report and these are summarised below along with the proposed actions. This is in addition to work undertaken over the past two years to improve elements of internal control, risk management and governance reported in 2015/16 and 2016/17.

The areas with scope for improvement in the CIA's annual report are:-

- Monitoring and reporting of progress being made in implementing the priorities outlined in the Strategic Plan Implementation Programme.

Regular reports have been presented to the IJB updating the progress made by its partners on delivering the directions and an annual delivery plan was presented to the IJB in April 2018, which lays out the priorities arising from the Strategic Plan to be delivered in year. The progress against this specific plan will be reported to the IJB during the financial year.

- Strategic planning arrangements for ensuring that roles and remits, accountability structures and governance are operating in accordance with the Strategic Planning Framework.

A complete revision of the strategic planning structure has been discussed and agreed by the IJB's Strategic Planning Group and a paper laying out the revised structure, roles and remits was agreed by the Group at its June 2018 meeting. This will be presented to the IJB for agreement.

- Ongoing work in developing the Risk Register, to ensure compliance with the Risk Management Strategy and Policy.

Further development and review of the risk register continues and will be brought back both to the Audit and Risk Committee and the IJB during the financial year.

- Monitoring and reporting of performance targets.

The IJB has continued to develop its reporting and performance management systems with regular reports now being presented to the IJB.

- Ongoing work on the Participation and Engagement Strategy and the Workforce Development and Support Plan, to ensure compliance with the Integration Scheme.

This work continues to be developed with reports being made to the IJB during 2018/19.

- Reporting key statistics on delayed discharges in a timely and consistent manner.

Delayed discharge statistics have been reported to the IJB verbally at its meetings during 2017/18. Reporting of delayed discharges will be incorporated into the IJB's performance reports.

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 enhance its corporate governance arrangements and seek continuous improvement.

**Peter Murray**  
**Chair of the IJB**

**Alison MacDonald**  
**Interim Chief Officer**



**Independent auditor's report**

To be inserted after the completion of the audit

**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.

<b>2016/17</b>		<b>2017/18</b>
Net Expenditure		Net Expenditure
£m		£m
109.60	NHS Lothian	114.73
44.29	East Lothian Council	44.58
<b>153.89</b>	<b>Cost of Services</b>	<b>159.31</b>
153.89	Taxation and Non-Specific Grant Income	159.31
<b>0.00</b>	<b>Surplus or Deficit on Provision of Services</b>	<b>0.00</b>
<b>0.00</b>	<b>Total Comprehensive Income and Expenditure</b>	<b>0.00</b>

**Movement in Reserves Statement**

The IJB had no reserves in 2017/18 nor did it hold any reserves to end March 2017

**Balance Sheet**

The IJB has neither assets nor liabilities at 31<sup>st</sup> March 2017.

**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 2017/18 financial year and its position at the year-end of 31 March 2018.

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 31<sup>st</sup> March 2018.

### 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.

The IJB has no provisions, Contingent Liabilities or Contingent Assets at 31 March 2018.

## 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 had no reserves as at 31<sup>st</sup> March 2017.

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

The IJB has no reserves at 31 March 2018.

## 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 2017/18 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 2018 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 28 September 2018. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2018, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **4. Expenditure and Funding Analysis**

Expenditure		
2016/17		2017/18
£m	Services specifically for East Lothian	£m
63.94	Health	68.06
44.29	Social Care	44.59
	East Lothian's share of Lothian Health Services	
21.37	Hosted	21.63
24.29	Set Aside	25.04
<b>153.89</b>	<b>Total</b>	<b>159.32</b>
Funded By		
44.29	East Lothian Council	44.59
109.60	NHS Lothian	114.73
<b>153.89</b>		<b>159.32</b>



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 :-

2016/17 £000's		2017/18 £000's
51	Staff (Chief Officer)	53
17	Audit Fee	24
<b>68</b>	<b>Total</b>	<b>77</b>

#### **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.

2016/17 £m		2017/18 £m
109.60	NHS Lothian	114.73
-3.23	Resource Transfer	-3.23
-4.27	Social Care Fund	-6.2
<b>102.00</b>	<b>Total</b>	<b>105.30</b>
44.29	East Lothian Council	44.59

3.23	Resource Transfer	3.23
4.37	Social Care Fund	6.24
<b>51.89</b>	<b>Total</b>	<b>54.06</b>

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.