



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

**MEETING DATE:** 15 September 2020

**BY:** Chief Finance Officer

**SUBJECT:** 2019/20 Audited Annual Accounts

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## **1 PURPOSE**

- 1.1 The IJB has prepared Annual Accounts for the financial year 2019/20; these have now been audited by the IJB's Independent Auditors. Their report will be presented to the committee in a following agenda item.

## **2 RECOMMENDATIONS**

- 2.1 The Committee is asked:
- i. To recommend the Annual Accounts to the IJB
  - ii. To note the following Independent Auditors review of the IJB's Annual Accounts

## **3 BACKGROUND**

- 3.1 As a body governed by section 110 of the Local Government Scotland Act (1973) and the appropriate regulations and subsequent Acts, the IJB must prepare a set of Annual Accounts. The accounts must fulfil the requirements of the Act and the regulations and must give a true and fair view of the IJB's financial position.
- 3.2 The accounts must then be reviewed by an Independent Auditor who will report their findings to this committee which will allow the auditors to bring any matters to the committee's attention. If there are no issues arising from the auditors' report then the committee can recommend acceptance and authorisation of the annual accounts to the IJB.

3.3 Having recommended the IJB Annual Accounts to the IJB, these will be signed electronically after the meeting of the IJB on 17 September 2020, following their approval.

3.4 The Annual Accounts (unsigned) are attached to this report along with the letter of representation (ISA 580) (unsigned).

#### **4 ENGAGEMENT**

4.1 The IJB makes its papers and reports available on the internet.

#### **5 POLICY IMPLICATIONS**

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

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

6.1 There are no implications for health inequalities or general equality and diversity issues arising directly from the issues and recommendations in this paper.

#### **7 RESOURCE IMPLICATIONS**

7.1 Financial – there are none.

7.2 Personnel – there are none.

#### **8 BACKGROUND PAPERS**

8.1 None

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<b>DATE</b>	September 2020

#### **Appendices**

1. IJB's Annual Accounts 2019/20
2. Letter of Representation (ISA 580)



# **East Lothian Integration Joint Board Audited Annual Accounts 2019/20**



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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 April 2019 to 31 March 2020 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). The management commentary outlines the key messages in relation to the IJB's financial performance for the year ended 31 March 2020 and how it has supported the delivery of the IJB's priorities. This commentary also considers those issues and risks which we face as we strive to meet the needs of the people of East Lothian.

These accounts cover the period from 1 April 2019 to 31 March 2020.

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

The purpose of integration is to improve care and support and therefore the health and wellbeing outcomes for people who use health and social care services. It will make sure that they are listened to, involved and take part in decisions about their care and how it is delivered. It is a significant change in how the strategic planning and delivery of services happens with a range of partners –individuals, local groups and networks, communities and organisations, including patients, service users, carers and the third and independent sectors

The functions delegated to the IJB by East Lothian Council and NHS Lothian are as follows:

- 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 Hospital)

The IJB sets the strategic direction for these delegated functions through the development of a Strategic Plan, to enable it to plan and deliver these strategic outcomes at an overall health and social care level. It gives directions to the council and NHS Lothian for the operational delivery of functions and the resources available to them for this.

The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) requires Local Authorities and Health Boards to integrate the strategic planning of a substantial number of health services and functions and most social care functions.

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

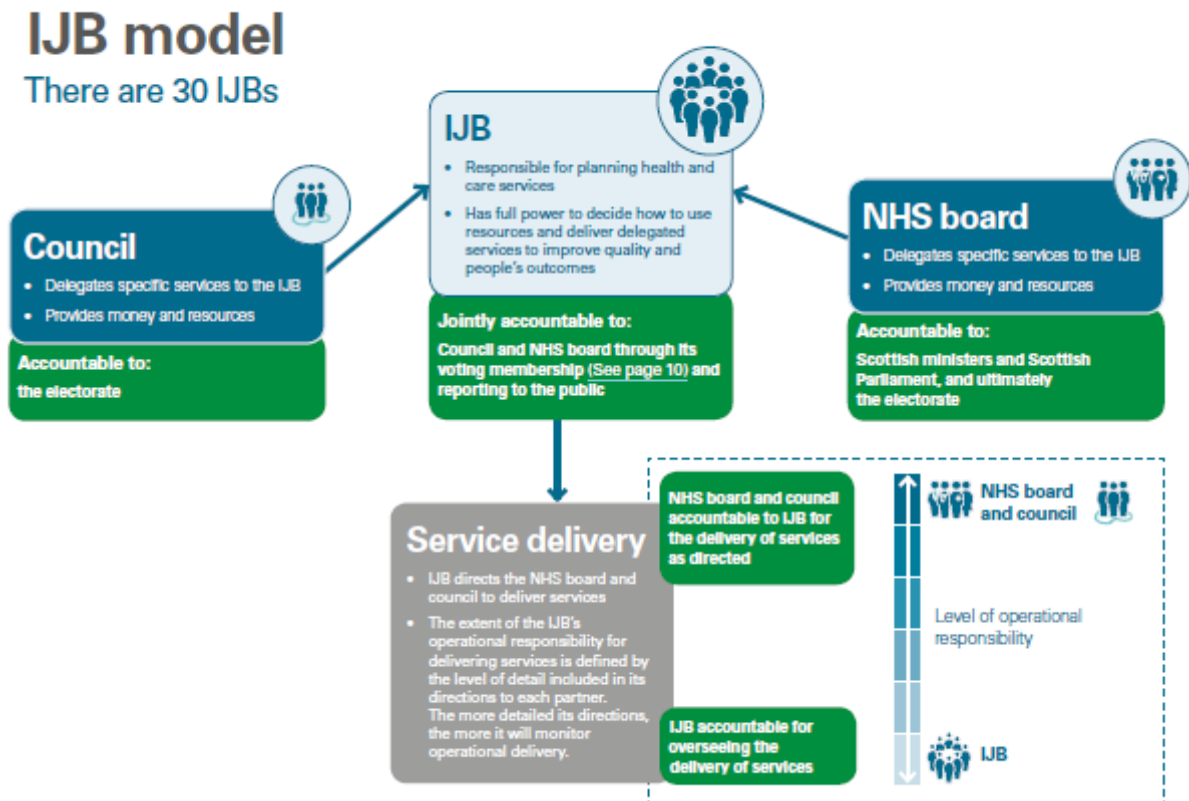


Council and NHS Lothian and presented to Scottish Ministers in March 2015. The Integration Scheme was approved by the Scottish Parliament in June 2015 and the first meeting of the IJB took place on 1 July 2015. The IJB assumed formal responsibility for these functions in April 2016 including the budgets for the delivery of these functions.

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

The IJB model has been reproduced below and illustrates the accountability, decision making and governance structure of the IJB model. This was published in April 2018 by the Accounts Commission in a short report entitled “What is integration?”

What is integration? A short guide to the integration of health and social care services in Scotland | 9



## The Strategic Plan

The strategic plan of each IJB must be reviewed and approved by the IJB every 3 years. East Lothian IJB approved its second Strategic Plan on 28 March 2019, this covers April 2019 to March 2022. A link to the plan is below:

[https://www.eastlothian.gov.uk/downloads/file/28278/east\\_lothian\\_ijb\\_strategic\\_plan\\_2019-22](https://www.eastlothian.gov.uk/downloads/file/28278/east_lothian_ijb_strategic_plan_2019-22)

The 2019-2022 plan takes into account the previous plan and our achievements and continuing challenges. It is based on consideration of the many factors that have an impact on the delivery of health and social care services, the experience of people who access services and assessment of need.

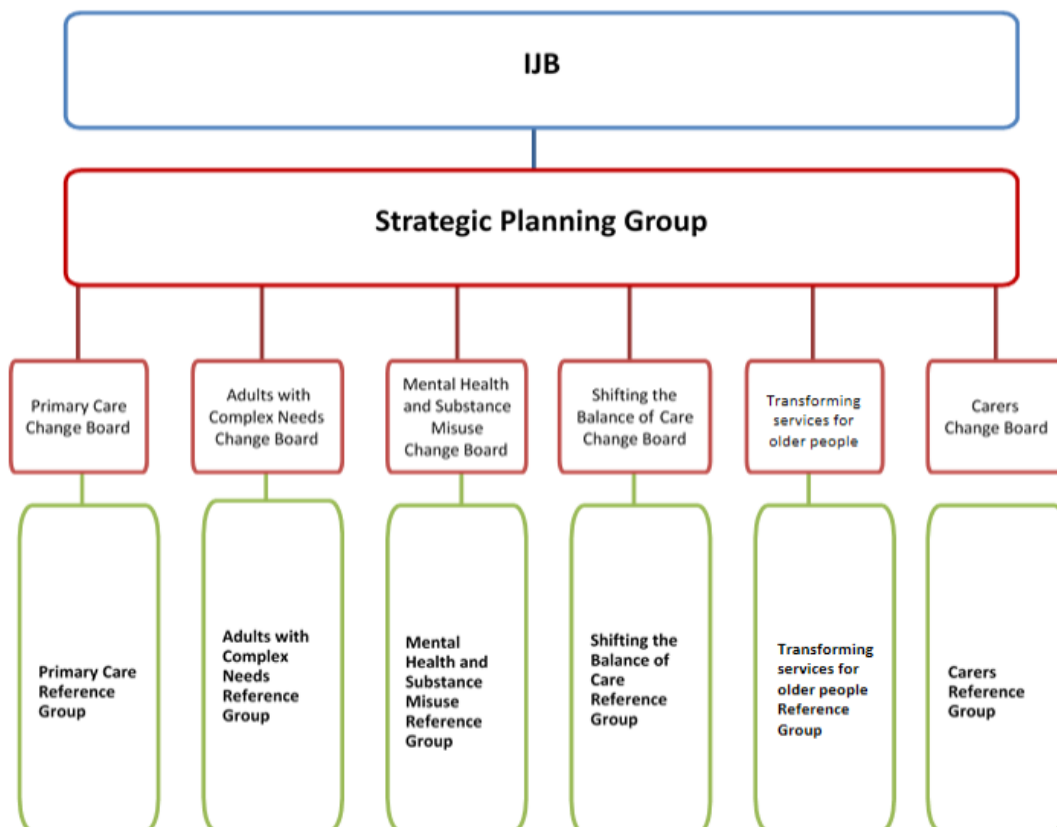


An engagement and consultation process with communities, people who access services, service providers and staff allowed the IJB to hear of, and where possible incorporate, the views and priorities of East Lothian’s communities, partners and stakeholders in this Strategic Plan in order to support service development and delivery.

Engagement also allowed participants to hear about the factors that will guide and may limit the opportunities for service change and development over the lifetime of the Strategic Plan.

East Lothian IJB agreed six strategic priority areas for change. These focus on: primary care, adults with complex needs, adults affected by mental health and substance misuse issues, shifting care from acute hospitals to the community and support to carers.

These six areas, along with our updated Strategic Objectives and a range of ‘Golden Threads’ form the basis of this transformational change supported by this Strategic Plan.



The Strategic Plan is underpinned by a delivery plan to ensure that progress is made to achieve the vision for East Lothian. Change Boards and corresponding reference groups have a key role in progressing the IJB Strategic Plan which facilitate on-going stakeholder involvement in strategic planning and development during 2019-2022.

Throughout all strategic priorities the strategic aims and objectives of the IJB are core. We developed our Strategic Objectives in consultation with our stakeholders.

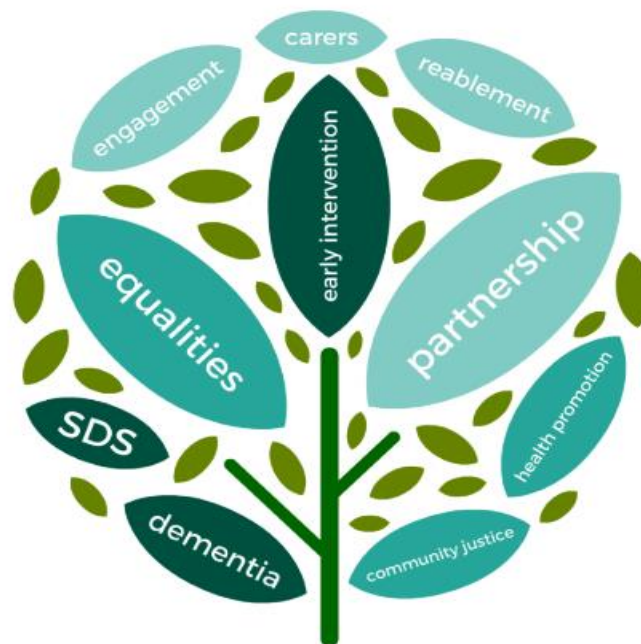


East Lothian Integration Joint Board – Annual Accounts for the year ended 31 March 2020

They show our commitment to adopting approaches that tailor services to the needs of people and communities while, at the same time, developing efficient and future-proofed service arrangements.

Each Change Board has to take into account in its work key principles or 'Golden Threads'. The Golden Threads are:

- early intervention and prevention
- carers needs
- Self-Directed Support rights
- equality and diversity, including tackling health inequalities and discrimination
- re-ablement/recovery
- needs of people with dementia health promotion
- partnership working
- communication, engagement and involvement
- advocacy
- community justice
- maximising effective use of resources
- use of integrated information technology and technology enabled care; and
- tackling social isolation



There is a requirement on all projects to evidence to their respective Change Board that the Golden Thread commitments have been achieved as part of project delivery.

Regular updates from each Change Board can be found here:

<https://www.edubuzz.org/almac/category/ijb-strategic-plan-and-change-boards/>





## IJB Membership

The IJB comprises eight voting members, made up of four elected members appointed by East Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. There are a number of non-voting members of the Board who are advisory members, including the IJB Chief Officer, Chief Finance Officer, and other service and staffing representatives.

The IJB met 9 times during the financial year 2019/20. There have been some changes to the membership of the IJB during 2019/20, the members of the IJB at 31 March 2020 were as follows:

Member	Nominated/Appointed by	Role
Councillor Fiona O'Donnell	Nominated by East Lothian Council	Chair (voting member)
Peter Murray	Nominated by NHS Lothian	Vice-chair (voting member)
Alison Macdonald	Appointed by IJB	Chief Officer (non-voting member)
Claire Flanagan	Appointed by IJB	Chief Finance Officer (non-voting member)
Fiona Ireland	Nominated by NHS Lothian	Voting Member
Alex Joyce	Nominated by NHS Lothian	Voting Member
Dr Patricia Donald (NHS Lothian)	Nominated by NHS Lothian	Voting Member
Councillor Shamin Akhtar	Nominated by East Lothian Council	Voting Member
Councillor Neil Gilbert	Nominated by East Lothian Council	Voting Member
Councillor Sue Kempson	Nominated by East Lothian Council	Voting Member, Chair of Audit & Risk Committee
Vacant (previously post held by Jean Trench)	Appointed by IJB	Independent sector representative (non-voting member)
Paul White *	Appointed by IJB	Third sector representative (non-voting member)
David Binnie	Appointed by IJB	Carer representative (non-voting member)
Marilyn McNeill	Appointed by IJB	Service-user representative (non-voting member)



Member	Nominated/Appointed by	Role
Gourab Choudhury	Appointed by IJB	Medical Consultant (non-voting member)
Lesley White *	Appointed by IJB	ELC Staff Representative (non-voting member)
Judith Tait	Appointed by IJB	Chief Social Work Officer (non-voting member)
Dr Richard Fairclough	Appointed by IJB	General Practitioner (non-voting member)
Thomas Miller	Appointed by IJB	NHS Staff Representative (non-voting member)
Dr Jon Turvill	Appointed by IJB	Clinical Director (non-voting member)
Iain Gorman *	Appointed by IJB	Head of Operations (non-voting member)
Lorraine Cowan *	Appointed by IJB	Chief Nurse (non-voting member)
Philip Conalglan *	Appointed by IJB	Public Health (non-voting member)

*Note – all members, except those indicated above as voting members, are non-voting members. \* = New IJB Member in 2019/20*

Below is the attendance by members of the IJB throughout 2019/20.

Members	25.4.19	23.5.19	27.6.19	29.8.19	11.9.19	31.10.19	5.12.19	27.2.20	26.3.20
<b>Voting</b>									
Shamin Akhtar	X		A	A	X	X	X	X	X
Dr Patricia Donald (replaced Prof. Moira Whyte 1.2.20)	--	--	--	--	--	--	--	X	X
Neil Gilbert	X	X	X	X	X	X	X	X	X
Susan Kempson	X	X	X		X	X	X	X	
Fiona O'Donnell (C)	X	X	X	X	X	X	X	X	X
Fiona Ireland	X	A	X	X	A	A	A	X	X
Alex Joyce	X		X	A	A	A		X	X
Peter Murray	X	A	X	X	X	X	X	X	X
Moira Whyte (left 31.1.20)	X	X	A	A	A	A	X	--	--



Members	25.4.19	23.5.19	27.6.19	29.8.19	11.9.19	31.10.19	5.12.19	27.2.20	26.3.20
<b>Non-voting</b>									
David Binnie	X	X	X	X	X	A	X	X	X
Gourab Choudhury	A		X			A		A	
Philip Conalglan (new 27.2.20)	--	--	--	--	--	--	--		
Lorraine Cowan (new in role of Chief Nurse)	A	A	X	X	X	A	X	A	X
Fiona Duncan (left 25.6.19)	A	X	--	--	--	--	--	--	--
Penny Dutton (left 5.12.19)	X	X	X				--	--	--
Dr Richard Fairclough		A	X	A	A		A	X	X
Claire Flanagan	X	X	X	X	X	X	A	X	X
Iain Gorman (new 31.10 2019)	--	--	--	--	--	X	X	X	X
Elaine Johnston	X	X	X	X	A(s)	X	X	--	--
Alison MacDonald	X	X	X	X	X	X	X	X	X
Marilyn McNeill	X	X	A	X	X	X	X	X	X
Thomas Miller	A	X	X		A	X	X	X	X
Judith Tait (replaced Fiona Duncan as CSWO in 27.6.2019)	X	X	A	A	X		X	X	X
Jean Trench (resigned 31.10.19)	A	A	A	A		--	--	--	--
Dr Jon Turvill	X	X	A	X	X	X	A	A	X
Lesley White (replaced Penny Dutton)	--	--	--	--	--	--	X	A	
Paul White (replaced Elaine Johnston 6.12.19)	--	--	--	--	--	--	--	X	X

Key: Present = X; Apologies = A; Apologies (substitute) = A(s); absent without apology = blank

### The IJB's Operations for the Year

East Lothian IJB has now been operational for four years. The governance systems are now well established and good progress is being made on integrating management arrangements and frontline services. We continue to work towards our long-term objectives through the continuing dedication and skill of our staff; our



partners in the voluntary and independent sectors; and all the informal carers and neighbours upon whom the health and care system is entirely dependent.

The work of the Health and Social Care Partnership during 2019-20, under the governance of the IJB is summarised below. However it is important to acknowledge that COVID-19 did disrupt service provision during March 2020 as the Partnership responded to the pandemic. A strategic approach to this was taken and the IJB was involved appropriately. The core components and key developments for 2019-20 are summarised below and further details will be included in the Annual Performance Report. The Annual Performance Report will not be published until August, it has therefore not been possible to include a link to this at this time, but this will be available on the IJB webpage in due course which will include key performance indicators and comparators.

### **Successful New Services and Approaches**

Several new services and approaches have been introduced to improve people's health and wellbeing.

We have continued to make sure people are only in hospital when they need to be through helping them get home sooner with the "Discharge to Assess" Team and the "Hospital at Home" Service.

### **Community Hospital in Haddington**

A major milestone is the opening of the new community hospital in Haddington.



The remainder of the newly completed East Lothian Community Hospital building opened in autumn 2019. This marks the completion of the penultimate phase of construction and follows the successful handover of the Outpatients Department, which has been benefiting patients since March 2018. The final phase will focus on the car park and landscaping, with the entire development expected to be complete in 2020. The completion of the new three-storey, hospital building in Haddington means that patients

and staff will have access to Mental Health services, IV treatment and an increase of inpatient beds as well as other new and existing social care and health services already provided in East Lothian.

### **Awards for Wellwynd Hub**

The Wellwynd Hub in Tranent is a model that provides a wide range of invaluable services for both health and social care needs in a community setting.





East Lothian Council's Housing Team and East Lothian Health and Social Care Partnership secured a top Scottish award for their joint work on the Wellwynd Hub in Tranent. The Chartered Institute of Housing (CIH) Excellence in Health & Wellbeing award focuses on excellence in the areas of fit-for-purpose housing, adaptations and preventative services.



Wellwynd Hub Team with Councillor Norman Hampshire



The Hub came about when East Lothian Health and Social Care Partnership, working with the council's Housing Service, converted a former warden's flat for sheltered housing into a

'dementia friendly' homely setting. The facility in Tranent features smart technology to assist people requiring technology to help with daily tasks such as reminders or turning on lights by voice command. It has transformed services to people requiring occupational therapy, telecare and housing interventions in East Lothian.

It provides awareness sessions for **Telecare and Technology Enabled Care (TEC)** to support staff to find effective solutions for assisting clients with every day activities.

People can be jointly assessed by occupational therapy and physiotherapy and strategies are provided to enable greater independence at home or accessing community resources. Monthly clinics are also held with community housing officers to assess requests for health and housing needs. Referrals are made via the Adult Social Care Community Access Team. It is intended that this will be rolled out across the county, allowing more people to access this unique service at the point of need.



The Hub has made a real and positive difference to people in East Lothian living with dementia and disabilities, and to their carers. Paul who lives with MS and is a regular user of the Hub has made a video for us about how he uses TEC to help him stay independent and get the most of life.

Paul says: 'Just because you have had some trauma in your life, it doesn't mean your life is over. You can change it, keep going forward, embrace change and flourish.' Here is a link to Paul's video message illustrating how this

facility has improved his life: <https://vimeo.com/326316476/f4b9ca5bdd>



## Community Justice Self Evaluation

East Lothian community justice partnership requested, with the support of the Care Inspectorate, to undertake a supported and validated self-evaluation. Scheduled activities took place between October 2019 and February 2020. The self-evaluation focussed on three specific quality indicators; “planning and delivering services in a collaborative way”, “effective use and management of resources” and “leadership of strategy and direction”. This work was completed by the entire CJP but was exceptionally well supported by ELHSCP’s Justice Social Work team. The evaluation consisted of several months of evidence gathering followed by a comprehensive review and assessment of the services offered against the standards of each quality indicator. The self-evaluation was well received by the care inspectorate who noted a strong commitment to collaborative working and to developing a well-informed outcome improvement plans. They recognised that East Lothian had examples of effective services being delivered through the collaborative use of resources and agreed with our view that the initial implementation of the community justice agenda had been slowed by changes in senior personnel. The self-evaluation informed an action plan which we will progress in 2020/21.

## Collaborative Working for Immediate Care

The Collaborative Working for Immediate Care (CWIC) team was established in Musselburgh Primary Care Centre in 2017 using Primary Care Transformation Funds in order to test approaches to meet same day demand through a Nursing and AHP led team.

This has allowed the Health & Social Care Partnership (HSCP) to assess the role of Nurse Practitioners, 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 outcomes of the new General Medical Services (GMS) contract. During 2019/20 this service expanded to cover a further Medical Practice.

## Plans for Next Year

During the coronavirus pandemic it became apparent how important the Care Home Team was in supporting care homes. The Care Home Team provides both a clinical and education service to all 18 care homes in East Lothian, helping to improve and enhance the quality of care provided. The Team also provides direct support to 12 of the care homes. This involves nursing expertise, augmented with clinical decision making and prescribing – this has led to more seamless Ongoing and Acute care. There are plans to expand the Care Home Team to cover all Care Homes in East Lothian. Here is a link to a video that explains how the Care Home Team model works: <https://vimeo.com/215801376>

Mental Health services have been redesigned to give all citizens in East Lothian access to services. As a result of coronavirus and the resulting lockdown measures, there was a need to ensure that individuals across East Lothian had equitable access to Primary Care Mental Health support to promote health and well-being. An integrated team of Mental Health Occupational Therapists and Community Mental Health teams was formed from existing staff to support the development of a single Primary Care Mental Health pathway. The service supports individuals over 18 years old who are not already supported from existing secondary care Mental Health



services. Individuals can access the service directly through a single phone line or be referred from their GP Practice or other community agencies. Individuals are provided with a call back from a specialist Mental Health Practitioner within 36 hours who is able to support them to develop an individual care plan, which may involve further referral to community based support or secondary care services.

We must acknowledge the huge challenges we face due to the coronavirus pandemic and the impact the virus had on many East Lothian families. As well as presenting a tremendous challenge to our services, the crisis also creates an opportunity to build on existing and newly forming community connections. Early plans are developing, working with the people in our communities to explore what opportunities for community resilience can be developed during the crisis to ensure strong, sustainable, supportive communities into the future. We look forward to building a stronger East Lothian.

### The IJB's Position at 31 March 2020

For the year ending 31 March 2020, the IJB was underspent. That is, the costs incurred in delivering the IJB's functions by East Lothian Council and NHS Lothian are less than the income that the IJB received from NHS Lothian and East Lothian Council.

The year-end position was arrived at as follows:

	<b>Funding</b>	<b>Expenditure</b>	<b>Surplus</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Health	124,533	123,732	801
Social Care	47,284	47,459	(175)
<b>Total</b>	<b>171,817</b>	<b>171,191</b>	<b>626</b>

This surplus has been transferred to the IJBs reserve which is described further below.

Although the IJB has a range of functions delegated to it, these are delivered through a range of services provided by the partners (East Lothian Council and NHS Lothian) and these are further described below in the analysis of the Income and Expenditure position.

### Analysis of the Financial Statements

The financial statements are all presented on a net basis.

The table below summarises the income and expenditure for the IJB for 2019/20.



## Income and Expenditure

	Budget	Budget	Expenditure	Expenditure	Variance	Note
	Health	Social	Health	Social Care		
	£000	Care	Health	Care	£000	
		£000	£000	£000	£000	
<b>Direct East Lothian Services</b>						
Community AHPS	3,418		3,295		123	
Community Hospitals	10,814		9,953		861	
District Nursing	2,399		2,393		6	
General Medical Services	16,206		16,550		(344)	
Health Visiting	1,835		1,625		210	
Mental Health	5,683		5,681		2	
Other	5,891		5,491		400	
Prescribing	20,944		21,031		(87)	
Resource Transfer	3,226		3,226		0	1
Older People		25,351		24,049	1,302	
Mental Health		1,592		1,757	(165)	
Physical Disabilities		3,274		3,321	(47)	
Learning Disabilities		15,856		17,363	(1,507)	
Planning and Performance		2,828		2,663	165	
Other		4,599		4,522	77	
<b>East Lothian Share of pan Lothian</b>						
Set Aside	21,663		22,118		(455)	2
Mental Health	2,269		2,383		(114)	
Learning Disabilities	1,620		1,799		(179)	
GP Out of Hours	1,449		1,544		(95)	
Rehabilitation	560		513		47	
Sexual Health	769		772		(3)	
Psychology	871		890		(19)	
Substance Misuse	530		501		29	
Allied Health Professions	1,462		1,419		43	
Oral Health	2,085		2,048		37	
Other	2,939		2,600		339	
Dental	6,134		6,134		0	3
Ophthalmology	2,042		2,042		0	3
Pharmacy	3,509		3,509		0	3
<b>Totals *</b>	<b>118,317</b>	<b>53,500</b>	<b>117,516</b>	<b>53,675</b>	<b>626</b>	
Social Care Fund	6216	(6216)	6216	(6216)		4
<b>Per Accounts</b>	<b>124,533</b>	<b>47,284</b>	<b>123,732</b>	<b>47,459</b>		

(\* Due to roundings the Totals for Health are out by £1k when summing the individual budget and expenditure lines.)





## Income & Expenditure 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 is the budget 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 are 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 (SCF) is a resource which the Scottish Government has directed to the IJB through NHS Lothian and is 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 HSCP) 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 2019/20 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 2019/20 position

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

### Direct East Lothian Services

Within the health budgets although there were operational overspends within General Medical Services and Prescribing these were offset by vacancies across the system, reduction in staffing requirements associated with the ward redesign and slippage of programmes (Programmes starting later in the year than planned and thus generating an underspend).

Within the social care budgets the pressures lay within increased demand for commissioned care services, particularly clients with Learning and Physical Disabilities. Transport costs continue to be a pressure area.

### East Lothian Share of Pan-Lothian Services

The main pressures in the health budgets are:

The hosted services position highlights overspends within Learning Disability services due to additional beds and placements being required above funded levels. A similar issue existed with regards to Mental Health services requiring additional capacity in year to cope with high demand. Lothian Out of Hours Services also reported a pressure in year related to the high cost of medical staffing required to cover rosters especially around the festive period.

The main pressures within health Set Aside budgets are noted below, the Set Aside budget, delegated to the IJB, performs services provided by large hospitals on behalf of the IJB. As a reminder, [Appendix 1](#) illustrates the principal of Set Aside.

General Medicine areas reported a pressure in year driven by ongoing staffing issues, where recruitment continues to be a challenge, plus ongoing bed pressures across the other sites. Infectious Diseases financial pressure in year relates to drug costs exceeding budget levels.

Junior Medical pay pressure was driven by additional staffing requested to cover rotas for sickness; maternity and vacancies, causing an over-establishment against funded levels in particular within A&E areas. The position has improved from the previous year but still remains a pressure.

### Reserves

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

The IJB is permitted to set aside future amounts of reserves for future policy purposes. These reserves normally comprise funds that are set aside for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies.



East Lothian Integration Joint Board – Annual Accounts for the year ended 31 March 2020

The IJB has reserves at the end of 2019/20 of £2.398m, compared to reserves of £1.772m in March 2019. The movement can be described below.

The IJB's only Unuseable Reserve is the Employee Statutory Adjustment Account. This is required by legislation. The IJB's useable reserve is broken down as follows:

	<b>2019/20 Opening £000</b>	<b>2019/20 Movement £000</b>	<b>2019/20 Closing £000</b>
<b>Committed Project Funds</b>			
PCIF	219	16	235
Action 15	164	(114)	50
MELDAP	312	(312)	-
Commitment to Local Programmes	-	320	320
<b>Committed Project Funds</b>	<b>695</b>	<b>(90)</b>	<b>605</b>
<b>General Reserves</b>	<b>1,077</b>	<b>716</b>	<b>1,793</b>
<b>Total Reserves</b>	<b>1,772</b>	<b>626</b>	<b>2,398</b>

### The IJB's Strategy and Business Model

The actions outlined in the Strategic Plan form the basis of more detailed plans for client groups and key services. They also form the basis of the Directions we give to NHS and East Lothian Council and enables us to set out the following strategic aims.

Engagement is key to everything that we do and the purpose of this strategy is to ensure that:

- we have a clear and effective participation and engagement approach which is at the heart of reforming health and social care services locally
- enables the Partnership's vision and how it works to become a reality
- informs decision making processes that drive strategy and inform the carrying out of delegated functions.



East Lothian IJB is committed to ensuring that services:

- are joined-up for service-users
- take account of the particular needs of individual service-users and their circumstances in different parts of the county
- improve the quality of our services and ensure that they are planned and delivered locally in a way that is engaged with our communities
- make the best use of the available facilities, people and other resources.

The IJB's remit and goals are laid out in the IJB's Strategic Plan.

### 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 within the financial resources available.

There remain a series of uncertainties:

- There is an underlying financial pressure within the social care budgets as discussed above and the management of this pressure is being addressed in the IJB's 2020/21 financial plan.
- The increasing population in East Lothian remains a challenge which may exacerbate the staffing and financial pressures above.



East Lothian Integration Joint Board – Annual Accounts for the year ended 31 March 2020

- 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.
- That said, the Scottish Government have announced a series of investments in Primary Care, Mental Health and Substance misuse all of which will be directed to the IJB and these resources will support not only the delivery of the new GMS contract but also the transformation programme that the IJB is managing for these services.
- The coronavirus pandemic resulted in a disruption for many services. Partners are actively working on how services can adapt and resume in this new environment following our response to this pandemic. Whilst the short, medium and long term impacts of the pandemic remain uncertain, there is little doubt that significant financial challenges lay ahead.
- The financial cost of responding to the pandemic has been, and will continue to be, significant. Where remobilisation requires changes to how services are delivered, additional expenditure is likely to be required. As this is a developing situation, it is difficult to anticipate the budgetary implications.
- The current fragility of provider organisations in the home care and care homes sector may require action and investment to secure sustainability in these important services

**Fiona O'Donnell**  
Chair

**Alison MacDonald**  
Chief Officer

**Claire Flanagan**  
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 Integration Joint Board.

Signed on behalf of East Lothian Integration Joint Board

**Fiona O'Donnell**

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 2020 and the transactions for the year then ended.

**Claire Flanagan**  
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 2019/20.

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. That is they are paid a fixed annual amount which is considered to represent payment for one day a week. Those non-executive members of the NHS Lothian Board, who are also Chairs or Vice Chairs of IJBs, are given an additional 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 was also the Vice Chair of East Lothian IJB, has received an additional day's remuneration specifically for his role as Chair of the IJB in 2019/20. This remuneration is £8,584 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 Alison MacDonald. Alison has a joint role as Director of Health and Social Care for East Lothian Council and the Joint Director of the East Lothian Partnership. As in previous years it has been agreed, 50% of total remuneration is to be shown in the accounts of the IJB as the remuneration as the Chief Officer of the IJB.

#### Chief Finance Officer

The Chief Finance Officer of the IJB is Claire Flanagan. 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 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 as a Finance Business Partner. 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 for 2018/19 £</b>	<b>Senior Employees Salary, Fees &amp; Allowances</b>	<b>Total for 2019/20 £</b>
33,273	Alison MacDonald, Chief Officer	48,004
11,030	Claire Flanagan, Chief Finance Officer	23,781
16,104	David King, Chief Finance Officer	n/a
13,920	David Small, Chief Officer	n/a

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.

#### **Pension Disclosure**

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	
	For year to 31/03/2020 £000	For year to 31/03/2019 £000		at 31/03/2020 £000	at 31/03/2019 £000
Alison MacDonald	13	12	Pension	21	18
			Lump Sum	37	34
Claire Flanagan	9	8	Pension	13	11
			Lump Sum	24	22
David King	n/a	7	Pension	n/a	37
			Lump Sum	n/a	110
David Small	n/a	15	Pension	n/a	47
			Lump Sum	n/a	142

### Disclosure by Pay Bands

Pay band information is not separately disclosed as all staff pay information has been disclosed in the information above.

### Exit Packages

The IJB did not support nor did it direct to be supported by its partners for any exit packages during 2019/20.

**Fiona O'Donnell**  
Chair

**Alison MacDonald**  
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



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- 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 revised 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 2019/20 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 2020, but noted areas for further development. These improvements are reflected below.

### **Action Plan**

During 2019/20, areas identified with scope for improvement included the following:

- Monitoring of Direction setting to ensure Directions covering all devolved functions for the IJB are reviewed to ensure that all Directions are formally included within the new Change Board governance structures;
- Consistency in the development of Change Board terms of reference and a clear methodology for identifying and assigning the Golden Threads to the Change Board projects; and
- A review of the arrangements in place for projecting social care expenditure growth in the later years of the financial plan.

The implementation by Management of agreed actions to address the weaknesses identified should provide assurance that the system of internal control is operating as intended.

It is our opinion, subject to the weaknesses outlined above, that reasonable assurance can be placed on the overall adequacy and effectiveness of the IJB's framework of governance, risk management and control for the year to 31 March 2020.



**Fiona O'Donnell**  
Chair of the IJB

**Alison MacDonald**  
Chief Officer



## **Independent auditor's report**

### **Independent auditor's report to the members of the East Lothian Integration Joint Board and the Accounts Commission**

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

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

I certify that I have audited the financial statements in the annual accounts of the East Lothian Integration Joint Board for the year ended 31 March 2020 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (the 2019/20 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the East Lothian Integration Joint Board as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

##### **Basis for opinion**

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is four years. I am independent of the East Lothian Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the East Lothian Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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

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

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





### **Risks of material misstatement**

I report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

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

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

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the East Lothian Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

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

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

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

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

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

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material





misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

## Report on other requirements

### Opinions on matters prescribed by the Accounts Commission

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

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

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

### Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

### Conclusions on wider scope responsibilities

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

## Use of my report

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Gillian Woolman (MA, FCA, CPFA)  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN



### **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 the Movement in Reserves Statement.

<b>2018/19</b>			<b>2019/20</b>
<b>Net Expenditure</b>		<b>Note</b>	<b>Net Expenditure</b>
<b>£000</b>			<b>£000</b>
2,641	Community AHPS		3,295
8,465	Community Hospitals		9,953
2,269	District Nursing		2,393
15,491	General Medical Services		16,550
1,450	Health Visiting		1,625
6,357	Mental Health		7,437
8,838	Other		10,013
20,762	Prescribing		21,031
3,227	Resource Transfer		3,226
23,924	Older People		24,049
3,083	Physical Disabilities		3,321
15,328	Learning Disabilities		17,363
2,587	Planning and Performance		2,663
24,918	Share of pan Lothian Health Services		26,154
20,477	Set Aside		22,118
<b>159,817</b>	<b>Cost of Services</b>		<b>171,191</b>
161,589	Taxation and Non-Specific Grant Income	<b>6</b>	171,817
<b>1,772</b>	<b>Surplus or (Deficit) on Provision of Services</b>		<b>626</b>
<b>1,772</b>	<b>Total Comprehensive Income and Expenditure</b>		<b>626</b>



### Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the East Lothian IJB

	2018/19 Total £000	2019/20 Movement £000	2019/20 Total £000
<b>General Reserves</b>			
Surplus on Provision of Service	1,077	716	1,793
<b>Earmarked Reserves</b>			
Surplus on Provision of Service	695	(90)	605
<b>Total Usable reserves</b>	<b>1,772</b>	<b>626</b>	<b>2,398</b>
<b>Unusable Reserve</b>			
Employee Statutory Adjustment Account	0	0	0
<b>Balance as at 31 March 2020</b>	<b>1,772</b>	<b>626</b>	<b>2,398</b>

#### Reserves

The reserves are classified as either Useable or Unusable Reserves

The Integration Joint Board is permitted to set aside future amounts of reserves for future policy purposes. These reserves normally comprise funds that are set aside for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies. They are created by appropriating amounts out of revenue balances. When expenditure to be funded from a reserve is incurred, it is charged to the appropriate service in that year and thus included in the Comprehensive Income and Expenditure Statement. Movements in reserves are reported in the Movement in Reserves Statement.

#### Useable Reserves

East Lothian IJB has both a general reserve which can be used to mitigate financial consequences of risks and other events impacting on the IJB's resources and an earmarked reserve the monies within this fund are earmarked for specific purposes. East Lothian IJB has an earmarked reserve which can be used to mitigate financial consequences of risks and other events impacting on the specific project budget. The monies within this being the Primary Care Improvement Fund, the Action 15 funding to support implementation of Scottish Government's Mental Health Strategy and other locally committed programmes.

<b>Earmarked Reserves</b>	<b>£000</b>
Primary Care Improvement Fund	235
Action 15 - Scottish Government Mental Health Strategy	50
Locally Committed programmes	320
<b>Committed Project Funds</b>	<b>605</b>



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In addition to the Earmarked reserves held by East Lothian IJB, there is another £126k in respect of Primary Care Improvement Funding that is held by Scottish Government.

**Unusable Reserve**

East Lothian IJB's only unusable reserve is the Employee Statutory Adjustment Accounts which is required by legislation.



### **Balance Sheet**

The Balance Sheet shows the value, as at 31 March 2020, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.

<b>2018/19</b>		<b>Notes</b>	<b>2019/20</b>
<b>Total</b>			<b>Total</b>
<b>£000</b>			<b>£000</b>
	<b>Current Assets</b>		
1,772	Short Term Debtors		2,573
	<b>Current Liabilities</b>		
0	Short Term Creditors		(175)
<b>1,772</b>	<b>Total Assets less current Liabilities</b>		<b>2,398</b>
	<b>Capital and Reserves</b>		
695	Earmarked Reserves		605
1,077	General Reserves		1,793
<b>1,772</b>	<b>Total Reserves</b>	<b>MIRS</b>	<b>2,398</b>
		<b>Note 5</b>	

The unaudited accounts were issued on 30/06/2020 and the audited accounts were authorised for issue on 17/09/2020.

**Claire Flanagan**  
Chief Finance Officer



## **Notes to the Financial Statements**

### **1. Significant Accounting Policies**

#### General Principles

The Financial Statements summarises the IJB's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020.

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 2019/2020, 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 principles 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 partner. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the Balance Sheet.



The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor on the IJB's Balance Sheet. Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet.

### 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 2020.

### Reserves

The IJB's reserves are classified as either Useable or Unuseable Reserves.

The IJB's only Useable 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 reserves of £2,398,000 at 31 March 2020.

The IJB's only Unuseable 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 2019/20 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’ opinion 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 2020 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. The IJB has not had any claims made against it in 2019/20 nor is it aware of any claims pending. However, 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. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### 4. Short Term Debtors

The IJBs short term debtors are broken down as follows:

	2018/19	2019/20
	£000	£000
Funding due from NHS Lothian	1,471	2,272
Funding due from East Lothian Council	301	126
<b>Total</b>	<b>1,772</b>	<b>2,398</b>

Amounts owed by the East Lothian Council is stated on a net basis; that is the creditor balances relating to expenditure obligations incurred but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

### 5. Reserves

The IJB's useable reserve is broken down as follows:

	2018/19	2019/20
	£000	£000
<b>Earmarked Reserves</b>		
Scottish Government Mental Health Strategy - Action 15	164	50
Scottish Government Primary Care Improvement Plan Fund	219	235
Midlothian and East Lothian Drug and Alcohol Partnership	312	-
Locally Committed Programmes		320
	<b>695</b>	<b>605</b>
<b>General Reserves</b>	<b>1,077</b>	<b>1,793</b>
<b>Total Reserves</b>	<b>1,772</b>	<b>2,398</b>

In addition to these reserves the Scottish Government are holding £126k for the Primary Care Improvement Plan.

### 6. Taxation and Non-Specific Grant Income

2018/19		2019/20
£000		£000
45,058	Contributions from East Lothian Council	47,284
116,531	Contributions from NHS Lothian	124,533
<b>161,589</b>	<b>Total</b>	<b>171,817</b>

The contributions received by East Lothian IJB represent the funding provided by the Partners (East Lothian Council and NHS Lothian).



The funding contribution from the NHS Board shown above includes £21,663k in respect of the set aside resources and £26,239k in respect of East Lothian's share of pan Lothian health services resources.

### Corporate Service

Included in the above costs are the following corporate services:

2018/19		2019/20
£000		£000
47	Staff (Chief Officer)	48
6	CNORIS	6
25	Audit Fee	26
<b>78</b>	<b>Total</b>	<b>80</b>

### 7. 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.

2018/19		2019/20
Net Expenditure		Net Expenditure
£000		£000
115,060	NHS Lothian	123,732
(3,226)	Resource Transfer	(3,226)
(6,216)	Social Care Fund	(6,216)
<b>105,618</b>	<b>Total</b>	<b>114,290</b>
44,757	East Lothian Council	47,459
3,226	Resource Transfer	3,226
6,216	Social Care Fund	6,216
<b>54,199</b>	<b>Total</b>	<b>56,901</b>

Both Resource Transfer and the Social Care fund are resources which are part of the NHS Lothian Budget and are shown as expected there in but these funds are used to deliver social care service supplied by East Lothian Council.

### 8. VAT

The IJB is not a taxable entity 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.



## Appendix 1

Set Aside budget relates to services provided by large hospitals on behalf of the IJB. The principle is illustrated in the diagram below.

### What is a set aside budget?

The budgets of integration authorities (IAs) are composed of two elements:

- Social care
- Health care – including primary and community healthcare, as well as some hospital care

The majority of integration authorities (IAs) have a 'set aside' budget. This relates to unscheduled acute hospital care.

### How is the set aside budget agreed?

When setting the budget, the integration authority agrees with the NHS health board partner how much it expects to need for unscheduled acute hospital care. To do this, the partners use hospital data on levels of activity.

For IAs using the "set aside" approach, the agreed amount remains within the NHS rather than being paid to the IA (like the rest of the NHS contribution). This "set aside" budget should still remain under the control of the IA.



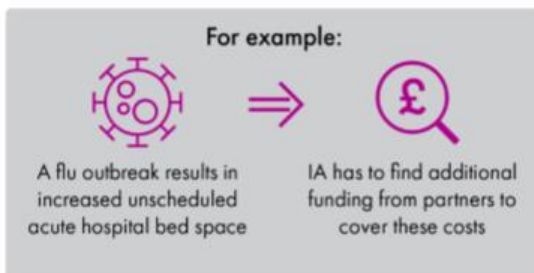
### What can change the set aside budget?

#### In year

During the year, actual **unscheduled acute activity** might be higher or lower than anticipated.

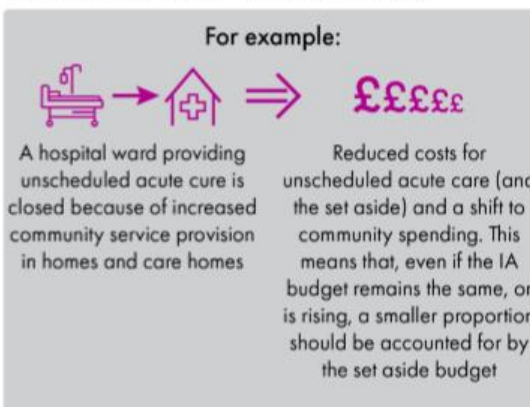
If activity is higher, the IA needs to agree with partners how these additional costs will be met.

If activity is lower, the IA should be able to decide how to spend the difference between actual and anticipated costs.



#### Longer term

Over the longer term, changes to how services are delivered should also be aimed at reducing demand for unscheduled acute care and – in turn – the set aside budget.



Source - Scottish Government Health and Sport Committee report in October 2019 "Looking ahead to the Scottish Government Health Budget 2020-21: When is hospital bad your health? "





Our Ref: CF/BR/S1014  
Date: 17 September 2020

## Appendix 2

Gillian Woolman  
Audit Director  
Audit Scotland  
102 West Port  
Edinburgh  
EH3 9DN

Dear Gillian

### East Lothian Integration Joint Board Annual Accounts 2019/20

1. This representation letter is provided in connection with your audit of the annual accounts of the East Lothian Integration Joint Board for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the financial reporting framework, and for expressing other opinions on the remuneration report, management commentary and annual governance statement.
1. I confirm to the best of my knowledge and belief and having made appropriate enquiries of the Audit and Risk Committee, the following representations given to you in connection with your audit of the East Lothian Integration Joint Board's annual accounts for the year ended 31 March 2020.

### General

2. The East Lothian Integration Joint Board and I have fulfilled our statutory responsibilities for the preparation of the 2019/20 annual accounts. All the accounting records, documentation and other matters which I am aware are relevant to the preparation of the annual accounts have been made available to you for the purposes of your audit. All transactions undertaken by the East Lothian Integration Joint Board have been recorded in the accounting records and are properly reflected in the financial statements.

3. I confirm that the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. I am not aware of any uncorrected misstatements other than those reported by you.

### **Financial Reporting Framework**

4. The annual accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (2019/20 accounting code), mandatory guidance from LASAAC, and the requirements of the Local Government (Scotland) Act 1973, the Local Government in Scotland Act 2003 and The Local Authority Accounts (Scotland) Regulations 2014.
5. In accordance with the 2014 regulations, I have ensured that the financial statements give a true and fair view of the financial position of the East Lothian Integration Joint Board at 31 March 2020 and the transactions for 2019/20.

### **Accounting Policies & Estimates**

6. All significant accounting policies applied are as shown in the notes to the financial statements. The accounting policies are determined by the 2019/20 accounting code, where applicable. Where the code does not specifically apply, I have used judgement in developing and applying an accounting policy that results in information that is relevant and reliable. All accounting policies applied are appropriate to the East Lothian Integration Joint Board's circumstances and have been consistently applied.
7. The significant assumptions used in making accounting estimates are reasonable and properly reflected in the financial statements. Judgements used in making estimates have been based on the latest available, reliable information. Estimates have been revised where there are changes in the circumstances on which the original estimate was based or as a result of new information or experience.

### **Going Concern Basis of Accounting**

8. I have assessed the East Lothian Integration Joint Board's ability to continue to use the going concern basis of accounting and have concluded that it is appropriate. I am not aware of any material uncertainties that may cast significant doubt on the East Lothian Integration Joint Board's ability to continue as a going concern.

### **Fraud**

9. I have provided you with all information in relation to
  - my assessment of the risk that the financial statements may be materially misstated as a result of fraud
  - any allegations of fraud or suspected fraud affecting the financial statements
  - fraud or suspected fraud that I am aware of involving management, employees who have a significant role in internal control, or others that could have a material effect on the financial statements.

## **Laws and Regulations**

10. I have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

## **Related Party Transactions**

11. All material transactions with related parties have been appropriately accounted for and disclosed in the financial statements in accordance with the 2019/20 accounting code. I have made available to you the identity of all the East Lothian Integration Joint Board's related parties and all the related party relationships and transactions of which I am aware.

## **Remuneration Report**

12. The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014, and all required information of which I am aware has been provided to you.

## **Management commentary**

13. I confirm that the Management Commentary has been prepared in accordance with the statutory guidance and the information is consistent with the financial statements.

## **Corporate Governance**

14. I confirm that the East Lothian Integration Joint Board has undertaken a review of the system of internal control during 2019/20 to establish the extent to which it complies with proper practices set out in the Delivering Good Governance in Local Government: Framework 2016. I have disclosed to you all deficiencies in internal control identified from this review or of which I am otherwise aware.
15. I confirm that the Annual Governance Statement has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016 and the information is consistent with the financial statements. There have been no changes in the corporate governance arrangements or issues identified, since 31 March 2020, which require to be reflected.

## **Balance Sheet**

16. All events subsequent to 31 March 2020 for which the 2019/20 accounting code requires adjustment or disclosure have been adjusted or disclosed.

Yours sincerely

Claire Flanagan  
Chief Finance Officer



