

EAST AYRSHIRE

Health & Social Care Partnership

Annual Accounts 2015/16

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



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INTRODUCTION

This publication contains the Annual Accounts for the first year of East Ayrshire Integration Joint Board (IJB) for the year ended 31 March 2016.

The Management Commentary provides an overview of the key messages in relation to the IJB's financial planning and performance for the 2015/16 financial year and how this has supported delivery of the IJB's core objectives. This commentary also provides an indication of the challenges and risks which may impact upon the finances of the IJB in the future as we strive to meet the health and social care needs of the people of East Ayrshire.

EAST AYRSHIRE IJB

In accordance with the Public Bodies (Joint Working) (Scotland) Act 2014, East Ayrshire Council and NHS Ayrshire and Arran prepared an Integration Scheme for the area of the local authority. The Integration Scheme between the two parent organisations was approved by Scottish Ministers on 3 March 2015, and the Scottish Ministers by order established the East Ayrshire IJB as a body corporate on 1 April 2015 as part of the establishment of the framework for the integration of health and social care in Scotland. Its purpose is to improve the wellbeing of families, our communities and of people who use health and social care services within East Ayrshire. In addition, the IJB provides specific health care services across Ayrshire. The inaugural meeting of the East Ayrshire IJB took place on 2 April 2015.

East Ayrshire covers an area of 490 square miles and is home to 122,440 people spread over both urban and rural communities. The population of East Ayrshire accounts for 2.3% of the total population of Scotland. The population aged 16 to 29 years accounts for 16.7% of the total which is less than the Scottish average 18.3%. Persons aged 60 and over make up 25.3% of the population which is larger than the 24% Scottish average for this age group. Significant inequalities exist within and between our communities. The Scottish Index of Multiple Deprivation highlights that 20% (1 in 5) of East Ayrshire residents live in the 0-15% most deprived areas of Scotland and we have the tenth largest proportion of population categorised as most deprived. The integration of health and social care provides an important framework to address health and wellbeing inequalities and supports the 2020 vision for fully integrated health and social care services.

On 2 April 2015 the East Ayrshire Integration Joint Board membership was confirmed, including voting and non-voting members and stakeholder members. The IJB accepted the Integration Scheme and agreed to exercise the decision making functions of the Council in relation to Council services and NHS Ayrshire and Arran services (through the Local Scheme of Delegation) delegated to the Board and agreed to provide assurance to the relevant Council and NHS Committees on effective operational arrangements in relation to professional and care governance, corporate governance and employee relations.

The parent organisations of the IJB (East Ayrshire Council and NHS Ayrshire and Arran) each nominated four voting members to the Board – four elected members from East Ayrshire Council, and four non Executive Directors from NHS Ayrshire and Arran. In addition there is employee and trade union representation, as well as representatives of carers and people who use our services, the third and independent sectors, medical, clinical and social work professionals. The current Chair of the IJB is Ian Welsh OBE, who is an NHS non Executive

Director, with Councillor Douglas Reid as Vice Chair. The Director of Health and Social Care, Eddie Fraser is the lead professional advisor to the IJB in his role as Chief Officer. The operational structure is divided into three services: Community and Health Care Services, Children's Health, Care and Criminal Justice Services and Primary Care and Out of Hours Services. The IJB Strategic Plan 2015/16 outlines the vision for the East Ayrshire Health and Social Care Partnership as well as the core objectives and services.

OBJECTIVES AND STRATEGY OF THE IJB

The main purpose of integration is to improve the wellbeing of families, our communities and of people who use health and social care services; particularly those whose needs are complex and involve support from health and social care at the same time. In East Ayrshire integration is also intended to support the Community Planning Partnership in addressing the overall wellbeing agenda including tackling inequalities, and in particular health inequalities.

The partnership will deliver positive outcomes for our residents by ensuring that children and young people get the best start in life, that people live healthier, longer lives and are supported to be independent and have choice and control no matter who they are or where they live.

The Integration Scheme is intended to achieve National Health and Wellbeing Outcomes prescribed by Scottish Ministers in Regulations under section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014 namely:

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

NHS Ayrshire and Arran and East Ayrshire Council agreed that Children's and Family Health and Social Work and Criminal Justice Social Work services should be included within functions and services to be delegated to the IJB, therefore specific National Outcomes for Children and Criminal Justice are also included.

National Outcomes for Children are:

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

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

- Community safety and public protection;
- The reduction of re-offending; and
- Social inclusion to support desistance from offending.

The vision for the integration of health and social care is to produce better outcomes for people through services that are planned and delivered seamlessly from the perspective of the patient, service user or carer. This is supported by the Integration Planning and Delivery Principles detailed in section 4 and section 31 of the Public Bodies (Joint Working) (Scotland) Act 2014 which sets out how services should be planned and delivered to achieve the National Outcomes. These outcomes must be at the heart of planning for the population and embed a person centred approach, alongside anticipatory and preventative care planning. In this context, the vision for the East Ayrshire Health and Social Care Partnership is:

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

PERFORMANCE MANAGEMENT AND REPORTING

The IJB has embedded a performance management culture throughout the Partnership. It has created a wide range of performance information to manage services and target improvements for the people of East Ayrshire. This has been supported by our performance management systems which analyse data, track progress and identify actions. Regular and robust performance information is provided to our communities, IJB Members and operational managers. Benchmarking is used to compare our performance with other organisations to support change and improvement. Performance reporting which links to locality priorities outlined within the Strategic Plan will be further developed over the course of the next twelve months.

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

The performance of the IJB in its first year has been recognised at a UK-wide level. On 2 March 2016, East Ayrshire Health and Social Care Partnership, along with East Ayrshire Council, received national recognition at the UK-wide Annual Improvement and Efficiency Awards. The Partnership picked up gold and silver awards for Transformation in Health and Social Care. The gold award went to Lilyhill Gardens assisted living housing development in recognition of the innovative approach in creating new housing that supports individuals with disabilities to live a more independent life. The silver award went to our 'Thinking Differently' team within the

Partnership who use a range of approaches including Self Directed Support, SMART supports (technology enabled care) and anticipatory care planning to allow individuals and families to take greater control of their own care.

ANNUAL ACCOUNTS

The Annual Accounts for 2015/16 are set out on pages 22 to 23 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*). The Statement of Accounting Policies on pages 24 to 28 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the IJB's financial performance. An explanation of each of the financial statements which follow and their purpose is shown at the top of each statement.

FINANCIAL PERFORMANCE 2015/16

Financial information is part of the performance management framework with regular reporting of financial performance to the IJB and the IJB Audit and Performance Committee. This section provides a summary of the main elements of our financial performance for 2015/16.

(a) Partnership Revenue Expenditure 2015/16

The IJB at its inaugural meeting on 2 April 2015 formally approved the Due Diligence report for 2015/16. This report outlined the due diligence exercise carried out to consider the sufficiency of the budget provided for the Partnership by the Health Board and the Council.

The Due Diligence report outlined risks going forward into 2015/16, particularly around the achievement of cash releasing efficiency savings against a backdrop of increasing demand for services (including demographic pressures and prevalence of long term conditions).

The Due Diligence report highlighted an approved annual budget of £205.767m for 2015/16. The revised £211.029m annual budget reflects a number of additional funding items allocated over the course of the financial year. These additional items include additional Scottish Government funding to offset the cost of specific initiatives and non-recurring departmental balances brought-forward from 2014/15 to offset attributable costs in 2015/16.

Over the course of the 2015/16 financial year the Partnership successfully mitigated these risks through ongoing monitoring and review, to ensure the impact on resources in respect of increased demand and other unplanned activity changes were outlined in Financial Management Reports to the IJB and the Audit and Performance Committee. This included reporting of progress against approved cash releasing efficiency savings.

Partnership services saw continued demand growth in 2015/16. This increased demand coupled with the requirement to deliver cash releasing efficiency savings represented a significant budget pressure for the Partnership over the course of the financial year. Work has been undertaken to mitigate the impact of these budget pressures through ongoing review of care packages and models of care to maximise efficiency, whilst ensuring that health and social care service users' needs are met. In addition, previously approved efficiency savings have been re-phased to future financial years.

Expenditure for the 2015/16 financial year is £0.458m less than the budget delegated to the IJB. This comprises less than budgeted expenditure of £0.442m on services managed within East

Ayrshire Council and £0.016m on services managed within NHS Ayrshire and Arran. Whilst it was originally agreed that overspends and underspends were the responsibility of the partner organisations in 2015/16, East Ayrshire Council has agreed that the underspend on Council managed services will be retained by the IJB to offset expenditure in future financial years. Commitments have been identified against this balance of funding in respect of a time limited funding contribution towards supported accommodation for care leavers £0.232m and expenditure on client equipment and adaptations £0.155m. The £0.016m underspend on NHS managed services will revert to NHS Ayrshire and Arran. The following table highlights financial performance by IJB Service Division for 2015/16:

Service Division	Annual Estimate 2015/16 £m	Actual to 31/3/16 £m	Variance (Favourable) / Adverse £m
Core Services			
LEARNING DISABILITIES	15.813	16.396	0.583
MENTAL HEALTH	5.331	5.609	0.278
ADDICTION	2.074	1.971	(0.103)
ADULT SUPPORT & PROTECTION	0.406	0.406	0.000
OLDER PEOPLE	36.041	36.152	0.111
PHYSICAL DISABILITIES	2.380	2.324	(0.056)
SENSORY	0.170	0.178	0.008
SERVICE STRATEGY	4.846	4.959	0.114
TRANSPORT	0.442	0.442	0.000
HEALTH IMPROVEMENT	0.156	0.116	(0.040)
COMMUNITY NURSING	4.072	4.161	0.089
PRESCRIBING	24.579	24.579	0.000
GENERAL MEDICAL SERVICES	15.262	15.262	(0.000)
INTEGRATED CARE FUND	2.470	2.470	0.000
	114.041	115.025	0.983
Non District General Hospitals			
EAST AYRSHIRE COMMUNITY HOSPITAL	2.832	2.935	0.102
KIRKLANDSIDE HOSPITAL	1.152	1.345	0.193
	3.984	4.279	0.295
Lead Partnership Services			
STANDBY SERVICES	0.256	0.256	0.000
PRIMARY CARE (INCLUDING DENTAL)	64.406	64.223	(0.183)
PRISON AND POLICE HEALTHCARE	2.986	2.930	(0.055)
WAR PENSIONER	1.224	1.224	0.000
OTHER LEAD SERVICES	0.143	0.113	(0.031)
	69.015	68.746	(0.269)
Children's Services			
CHILDREN & FAMILIES / WOMEN'S SERVICES	22.100	20.690	(1.410)
JUSTICE SERVICES	1.748	1.755	0.007
HEALTH VISITING	2.150	2.080	(0.070)
	25.998	24.525	(1.473)
Funded Elements			
JUSTICE SERVICES GRANT	(2.009)	(2.003)	0.006
	(2.009)	(2.003)	0.006
TOTAL	211.029	210.571	(0.458)
UNDERSPEND RELATING TO EAC - RETAINED BY IJB	0.000	0.442	0.442
UNDERSPEND RETURNED TO NHS AYRSHIRE & ARRAN	0.000	0.016	0.016
	211.029	211.029	0.000

The net expenditure highlighted in the Statement of Income and Expenditure within the Annual Accounts at Section 5 is £202.807m for the year. The preceding table highlights net expenditure of £210.571m for the year and the following table highlights that the £7.764m variance is represented by the following:

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

	Net Expenditure 2015/16 £m
Annual Accounts: net cost of provision of services	202.807
Management Accounts: net cost of provision of services	210.571
	(7.764)
Represented by:	
Lead Partnership contributions for Primary Care services	(46.573)
Lead Partnership contributions for Specialist Mental Health and Allied Health Professionals services	19.450
Large Hospital Set Aside	19.359
Total	(7.764)

A number of services experienced budget pressures over the course of the 2015/16 financial year:

1. Learning Disabilities

The additional costs primarily relate to additional care package costs after taking cognisance of re-phasing of the approved 2015/16 £0.983m efficiencies from reablement and review. New models of care provision have been implemented which are having a positive impact in terms of offsetting new service demand pressures.

2. Mental Health

The additional costs primarily relate to additional care package costs within both residential and care at home settings.

Reviews of adult care packages in Learning Disabilities and Mental Health, as well as Physical Disabilities are ongoing. Efficiencies are being achieved however these efficiencies are being consumed by additional demand and increasing costs of existing care packages. East Ayrshire Council has agreed to reduce a previously agreed saving in relation to efficiencies from reablement and review. This allowed the IJB to reinstate the £0.983m budget for this element of Council managed services for 2016/17. Continuing and future demand for care packages is a significant financial pressure for the IJB going forward.

3. Community Nursing

The additional costs reflect challenges in delivering cash releasing efficiency savings as

demand for community health and care services increases. The £0.089m additional cost is after taking account of a non-recurring contribution toward unscheduled care costs from Integrated Care Fund slippage of £0.214m.

4. Non District General Hospitals

The additional costs at both East Ayrshire Community Hospital and Kirklandside Hospital primarily relate to increased staffing costs due to high sickness absence levels and patients who require higher levels of care. The promoting attendance policy is being applied at both hospitals and work is continuing to review the model of care provision.

Budget pressures in these services have been offset by savings in Children and Families services. These savings are primarily due to staff turnover and vacancies associated with maternity leave, as well as reduced expenditure on secure accommodation and outwith authority placements. The outwith placements underspend of £0.645m reflects work undertaken to reduce costs in order to achieve planned savings of £1.300m in future financial years (£0.800m in 2016/17 and a further £0.500m in 2017/18). This will be challenging given the unpredictable nature of demand for services.

(b) The Balance Sheet

The Balance Sheet on pages 22 and 23 summarises the IJB's short term assets and liabilities as at 31 March 2016.

FINANCIAL OUTLOOK, RISKS AND PLANS FOR THE FUTURE

The East Ayrshire Health and Social Care Partnership, like all others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. A financial plan has been developed for Council managed services for 2016/17 which should ensure that the IJB operates within the resource available by proactively addressing the funding challenges presented while at the same time delivering effective services to the residents of East Ayrshire. Additional funding of £250m was announced for Health and Social Care Partnerships for 2016/17 to address social care pressures, as well as providing funding to offset the costs of the national Living Wage and reduced income through increased charging thresholds. The financial plan reflects the agreement with East Ayrshire Council on the Partnership's £6.22m share of this increased investment by the Scottish Government. Despite this additional funding, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding anticipated for the foreseeable future. The delegated budget for NHS managed services was formally approved by NHS Ayrshire and Arran on 21 June 2016. This includes a requirement to make further cash releasing efficiency savings. Due diligence is being carried out on the 2016/17 budget to ensure that the IJB has sufficient resources to deliver agreed Strategic Planning outcomes.

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

- Socio-economic and health inequalities prevalent in East Ayrshire;
- Increased demand for services alongside reducing resources;
- The impact of Welfare Reform on the residents of East Ayrshire;
- The wider financial environment which continues to be challenging; and
- Political uncertainty including local government elections in 2017, as well as the financial powers arising from the Scotland Act 2012 and recommendations arising from the Smith Commission.

The IJB Strategic Plan 2015/16 to 2017/18 first annual review was presented to the IJB on 24 March 2016. The Strategic Plan sets out the Partnership's ambitions and priorities for the next three years, including how it will engage with local communities and partners to deliver successful outcomes with particular emphasis on:

- Health inequality
- Supporting people with long-term conditions
- Care for older people
- Alcohol and drug misuse
- Technology enabled care

- Choice and control
- Workforce

In the review process, the vision set out in the Strategic Plan was endorsed. The values were viewed as remaining relevant having a good fit with parent bodies, encapsulating the purpose of the Partnership. The priorities and programmes outlined in the Strategic Plan were considered to be correct and consistent with the refreshed needs assessment.

Further opportunities for taking forward the Strategic Plan related to the potential offered by multi-disciplinary and cross-sector working at a locality level together with wider participation and engagement at a locality level. The benefits of new technology, streamlining processes and sharing resources also featured as opportunities. Engagement on the first annual review highlighted legislative, policy and regulatory changes which require to be reflected in the plan.

The first annual review of the Strategic Plan 2015/16 to 2017/18 preserves stability in the plan and does not require a replacement plan. The first annual review confirms progress and reiterates and reinforces the direction set by the initial IJB Strategic Plan. The review updates and refreshes the policy drivers for the plan.

CONCLUSION

Prudent financial management and medium term financial planning has allowed the IJB to successfully deliver outcomes and manage its financial affairs in a challenging financial and operating environment. The Partnership has successfully overseen the delivery of all core services and initiated a significant change programme designed to provide more person centred models of care, deliver on early intervention and prevention priorities and achieve planned cash releasing efficiencies. The IJB's financial position at 31 March 2016 reflects the collective efforts of service managers, directorate management teams and Corporate Finance staff in maintaining sound financial management processes throughout the year.

We would like to acknowledge the significant effort of all the staff across the IJB who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the favourable financial position at 31 March 2016.

WHERE TO FIND MORE INFORMATION

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

<https://www.east-ayrshire.gov.uk/SocialCareAndHealth/EastAyrshireHealthandSocialCarePartnership.aspx>

Signed on behalf of East Ayrshire Integration Joint Board.

Eddie Fraser
Chief Officer

Ian Welsh OBE
Chair of the IJB

Craig McArthur CPFA
Chief Finance Officer

SECTION 2: STATEMENT OF RESPONSIBILITIES

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

RESPONSIBILITIES OF THE IJB

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In East Ayrshire IJB that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Ensure that the Annual Accounts are prepared in accordance with legislation (The Local Authority (Scotland) Regulations 2015) 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 for signature.

I can confirm that these Annual Accounts were approved for signature by the Integration Joint Board at its meeting on 18 August 2016.

Signed on behalf of East Ayrshire Integration Joint Board.

Ian Welsh OBE
Chair of the IJB

RESPONSIBILITIES OF THE CHIEF FINANCE OFFICER

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

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

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice and legislation;
- 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 Annual Accounts give a true and fair view of the financial position of East Ayrshire IJB at the reporting date and the transactions of East Ayrshire IJB for the year ended 31 March 2016.

Craig McArthur CPFA
Chief Finance Officer
18 August 2016

SECTION 3: ANNUAL GOVERNANCE STATEMENT

The IJB has adopted a Local Code of Corporate Governance (the Local Code) consistent where appropriate with the CIPFA and SOLACE framework “Delivering Good Governance in Local Government Framework”. The Annual Governance Statement explains how East Ayrshire IJB complies with the Local Code of Corporate Governance and meets the requirements of the Code of Practice for Local Government Accounting in the UK which details the requirement for an Annual Governance Statement. This statement sets out the framework within which the IJB has put in place proper financial arrangements for the governance of the IJB’s affairs thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal control are in place.

SCOPE OF RESPONSIBILITY

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

The IJB is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk. In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes a system of internal controls. This is designed to manage risk but cannot eliminate the risk of failure to achieve policies and deliver on aims and objectives. The arrangements for governance can therefore only provide reasonable and not absolute assurance of effectiveness.

The IJB complies with the requirements of the CIPFA Statement on “*The Role of the Chief Financial Officer in Local Government 2010*”. The IJB’s Chief Finance Officer (Section 95 Officer) has overall responsibility for the IJB’s financial arrangements, and is professionally qualified and suitably experienced to lead the IJB’s finance function and to direct finance staff.

The IJB complies with the requirements of the Public Sector Internal Audit Standards (PSIAS) effective from 1 April 2013. These are supported by the CIPFA Local Government Application Note for the United Kingdom Public Sector Internal Audit Standards (April 2013) and the CIPFA Statement on “*The Role of the Head of Internal Audit in Public Service Organisations 2010*”. The IJB’s Chief Internal Auditor has responsibility for the IJB’s Internal Audit function and is professionally qualified and suitably experienced to lead and direct the IJB’s Internal Audit staff.

Elected Members and officers of the IJB are committed to the concept of sound governance and the effective delivery of IJB services. The Audit and Performance Committee which acts as the IJB’s Audit Committee operates in accordance with CIPFA’s *Audit Committee Principles in Local Authorities in Scotland* and *Audit Committees: Practical Guidance for Local Authorities*. During 2015/16 the Audit and Performance Committee was chaired by a voting member of the IJB.

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

Internal Auditor has responsibility to review independently and report to the Audit and Performance Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS. In addition the Internal Audit sections of both partner organisations are subject to annual review by External Audit to ensure their conformance with the PSIAS.

This statement explains how the IJB has complied with the Framework and also meets the requirements of The Local Authority Accounts (Scotland) Regulations 2015 which requires all relevant bodies to prepare an Annual Governance Statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

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

THE GOVERNANCE FRAMEWORK

The main features of the governance framework that was in place during 2015/16 are outlined below:

- The IJB, comprising all IJB Board Members was the key decision making body. The IJB established an Audit and Performance Committee to consider all matters in relation to internal and external audit, financial management, risk management and performance.
- Strategic decision making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, code of conduct for IJB Members and financial regulations. The IJB is responsible for the operational oversight of the integrated services and through the Chief Officer will be responsible for the operational management of the integrated services. Work is progressing to finalise a detailed scheme of delegation for the Partnership.
- The IJB's purpose and vision is outlined in the IJB Strategic Plan 2015-18 which links closely to the East Ayrshire Community Planning Partnership and the Single Outcome Agreement and is underpinned by an annual action plan and performance indicators. The Strategic Plan was developed during the course of the 2014/15 shadow year with the full engagement of stakeholders through the Strategic Planning group and was approved by the IJB at its inaugural meeting on 2 April 2015. The Strategic Plan included a supporting Action Plan which linked with the Wellbeing Delivery Plan of the Community Plan 2015-30 and takes full cognisance of integrated delivery principles and national health and wellbeing outcomes as required by the Public Bodies (Joint Working) (Scotland) Act 2014. Progress reports on the delivery of the Strategic Plan were provided to the IJB and the Audit and Performance Committee of the IJB. The first annual review of the Strategic Plan was approved by the IJB on 24 March 2016 and presented to the NHS Board on 23 May 2016 and to East Ayrshire Council on 26 May 2016.

- The first annual review of the Strategic Plan is supported by Service Improvement Plans for 2016/17. Service Improvement Plans are a key mechanism for setting out service level contributions to the delivery of the corporate objectives of the Partnership's parent bodies in line with the Community Plan 2015-30. The Service Improvement Plans cover the following service areas:
 - Children's Health, Care and Justice
 - Community Health and Care Services
 - Primary Care and Out of Hours Community Response
- The Performance Management Strategy focuses firmly on facilitating a performance management culture throughout the IJB. Regular reporting to Board Members is a key component of performance management. Partnership Performance Monitoring Reports have been presented to the IJB Audit and Performance Committee during 2015/16 and these will be further developed over the course of the next twelve months. Guidance for Health and Social Care Partnership Performance Reports published by the Scottish Government in March 2016 sets out the minimum requirements for Partnerships to consider when developing their annual performance reports. The aim is to provide an assessment of performance in planning and carrying out integrated functions. The reporting system to be put in place will present regular reports to the IJB and the IJB Audit and Performance Committee on assessment of performance against National Health and Wellbeing Outcomes, integration delivery principles and how the Strategic Plan is contributing towards meeting performance outcomes. The reports will include performance against key measures of those outcomes over current and preceding years, financial performance and the significant decision-making of the IJB. This is in accordance with the Integration Scheme which specifies that the IJB must establish arrangements to provide assurance about the quality of services commissioned through both direct service provision and also procurement. The quality of service delivery is measured through performance targets, improvement measures and reporting arrangements designed to address organisational and individual care risks, promote continuous improvement and ensure that all professional and clinical standards, legislation and guidance are met.
- The IJB has adopted a Code of Conduct for all of its Board Members and employees. The initial IJB Partnership Risk Register was reviewed by the Partnership's Risk Management Committee on 3 September 2015. The updated Partnership Risk Register was published as part of the Strategic Plan in April 2016.
- The purpose of risk management is to establish programmes and processes that support the IJBs objectives while protecting its assets, employees, income and reputation from loss or harm. The IJBs approach to risk management is well embedded with a Health and Social Care Partnership Risk Register. Significant progress has been made to finalise the three main service Risk Registers which will align to the over-arching Partnership Risk Register. The Partnership Management Team meets as the Risk Management Committee on a quarterly basis. The NHS Head of Occupational Health and Safety and the Council's Risk Manager attend these meetings.
- A pan-Ayrshire Risk Management Strategy document has been developed through the Strategic Planning and Operational Group and is currently out for consultation. This Risk Management Strategy will be submitted to the IJB for approval once it has been finalised.
- The IJB has in place a development programme for Board Members. Development programmes are in place for the Partnership Management Team and managers across the Partnership. A performance and professional development scheme is in place for all employees, the aim of which is to focus employees on their performance and development to effectively contribute towards achieving service and strategic objectives.

- Internal Audit has recommended that a formal Scheme of Delegation is approved for the Health and Social Care Partnership and work is being progressed to finalise this.
- Locality planning arrangements are in place which are multi-disciplinary and multi-sectoral and allow for different local needs to be taken into account in strategic planning. Multi-member wards are the focus of localities for planning purposes within the Health and Social Care Partnership and these are aggregated up to the four localities. Locality arrangements allow sufficient flexibility to enable stakeholder, locality and communities of interest participation in the strategic planning process in accordance with the Community Empowerment (Scotland) Act 2015.

INTERNAL FINANCIAL CONTROL

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

- Financial Regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Measurement of financial and other performance against target;
- Regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets, and;
- Formal project management disciplines, as appropriate.

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

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

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

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

The IJB's financial management arrangements conform to the governance requirements of the CIPFA statement 'The role of the Chief Financial Officer in Local Government (2010).

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

The Internal Audit function of East Ayrshire IJB is responsible for the independent appraisal of the IJB's internal systems of control. IJB internal audit resources are drawn from the parent bodies internal audit services. Both of these services were reviewed by external audit in year and found to operate in accordance with the Public Sector Internal Audit Standards (PSIAS). The section undertook an annual programme of work for 2015/16 as submitted to the IJB Audit and Performance

Committee on 17 June 2015.

Internal Audit aims to give reasonable assurance on the IJB's systems of internal control using a risk-based programme of work. All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations. Internal Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. The Internal Audit Annual Report is to be shared with the relevant committees of the partner organisations.

REVIEW OF EFFECTIVENESS

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

The Chief Internal Auditor reports directly to the IJB Audit and Performance Committee on all audit matters with the right of access to the Chief Officer, Chief Finance Officer and the Chair of the Audit and Performance Committee.

In addition to regular reports to the IJB Audit and Performance Committee, the Chief Internal Auditor prepares an annual report to the Audit and Performance Committee including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control. The Internal Audit Annual Report 2015/16 was presented to the IJB Audit and Performance Committee on 2 August 2016.

Internal Audit aims to give reasonable assurance on the IJB's systems of internal control using a risk based programme of work. On the basis of Internal Audit work completed in 2015/16, the IJB's established internal control procedures were generally found to operate as intended to meet management's requirements for the areas reviewed by Internal Audit. On the basis of selective testing of key controls, it can be concluded that, in the main, controls were generally operating as expected during the period under review. A number of recommendations have been made by Internal Audit to further improve controls through action plans developed with management to address improvements. Internal Audit's overall opinion based on the work carried out and in line with PSIAS requirements is that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's framework of governance, risk management and control in the year to 31 March 2016.

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

2015/16 GOVERNANCE DEVELOPMENTS

The IJB in partnership with NHS Ayrshire and Arran and East Ayrshire Council successfully established an integrated Health and Social Care Partnership in April 2015. During the 2014/15 shadow year, the Shadow Integration Board (SIB) established its senior management structure

and approved the Integration Scheme and Strategic plans for submission to the Scottish Government. Approval was received and the East Ayrshire Integration Joint Board was formally established on 1 April 2015 and had its inaugural meeting on 2 April 2015. The new integrated partnership combines the resources and expertise from local authorities, the NHS and a number of other stakeholders to deliver key services where they are needed most. The IJB is satisfied that proper due diligence has been carried out in respect of funds delegated in 2015/16 to the Health & Social Care Partnership. The use of these delegated funds have been closely monitored during 2015/16 and will continue to be monitored on an on-going basis in future financial years.

In order to strengthen governance arrangements around the IJB's change programme and to ensure that this aligns to the health and wellbeing outcomes set out in the Integration Scheme and Strategic Plan, the Strategic Planning Group was established during the shadow year. This group has senior representation from all IJB services, parent bodies, as well as third and independent sector partners and ensures that there is oversight of all significant IJB transformation projects through the wellbeing delivery action plans / improvement agenda.

ASSURANCE

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2015/16 provides reasonable and objective assurance that any significant risk impacting on our principal objectives will be identified and actions taken to avoid or mitigate their impact. Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.

Signed on behalf of East Ayrshire Integration Joint Board.

Eddie Fraser
Chief Officer
18 August 2016

Ian Welsh OBE
Chair of the IJB
18 August 2016

SECTION 4 – REMUNERATION REPORT

INTRODUCTION

The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) require local authorities and IJBs in Scotland to prepare a Remuneration Report as part of their annual statutory accounts.

Local Authority (Scotland) Accounts Advisory Committee (LASAAC) Accounting for Integration Joint Boards guidance highlights that only the Chief Officer is regarded an employee of the IJB. Remuneration report regulations require that employees earning more than £0.050m are disclosed. Officers and staff other than the Chief Officer are not regarded as employees of the IJB and on this basis do not feature in the remuneration report. Remuneration for such officers, including that paid by the employing partner for the performance of IJB related tasks, may feature in the remuneration report of the employing partner.

INTEGRATION JOINTBOARD

The voting members of the Integration Joint Board are appointed by NHS Ayrshire and Arran and East Ayrshire Council.

The professional advisors to the IJB are non-voting members. These are identified as follows:

- The Chief Officer of the IJB
- The Chief Finance Officer (Section 95 officer) of the IJB
- The Chief Social Work Officer
- A Public Health Consultant
- A General Medical Practitioner
- A Medical Practitioner who is not a GP
- A Registered Nurse either employed by the NHS Board or by a GP

The latter four post holders are on the nomination of the NHS Board.

Provided they are not a councillor or a non-executive director of the NHS Board the following posts are also professional advisors to the IJB:

- Lead Allied Health Professional
- Medical Clinical Director
- Nursing Clinical Director

The IJB is required to appoint stakeholder members who are non-voting members. These comprise at least one representative of the following groups all of whom must be operating within the area of the IJB:

- Staff working within an integrated function
- Third Sector bodies carrying out health or social care activities
- Service users
- Unpaid carers

Nominations were sought from Partnership representative and constituency bodies and were approved by the IJB.

SENIOR OFFICERS

The IJB does not directly employ any staff. All Partnership officers are employed by either NHS Ayrshire and Arran or East Ayrshire Council, and remuneration for senior staff is reported through the employing organisation.

The IJB approved the appointment of the Chief Officer at its meeting on 2 April 2015. A joint Human Resources Working Group was established between NHS Ayrshire and Arran and the three Ayrshire Councils to develop bespoke recruitment processes for the Chief Officer posts. The Chief Officer was appointed by the IJB in consultation with the Health Board and Council. The remuneration of the Chief Officer was set by East Ayrshire Council and NHS Ayrshire and Arran following evaluation through the Council's job evaluation procedures and the NHS National Evaluation Committee. This evaluation included the need to recruit, retain and motivate suitably able and qualified staff and is set by reference to national arrangements. The Chief Officer is employed by East Ayrshire Council and seconded to the Integration Joint Board in accordance with section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services circular CO/148 sets out the appropriate salary scales for the 2015/16 financial year.

The IJB approved the appointment of the Chief Finance Officer at its meeting on 2 April 2015. The role of the Chief Finance Officer for the IJB is carried out by the East Ayrshire Council Head of Finance and ICT. The Council meets the full cost of this remuneration.

This report contains information on the IJB Chief Officer's remuneration.

REMUNERATION POLICY

The IJB does not pay allowances or remuneration to the voting board members. Voting board members are remunerated by their parent organisation and receive non taxable expenses from their parent organisation. The level of expenses claimed by voting board members in 2015/16 is not material. This Remuneration section of the report highlights the voting board members on the IJB.

A Policy has been developed to ensure that all IJB members are fairly reimbursed for expenditure incurred in performing their duties. This policy applies only to representative members who are not already covered by the expenses policies of NHS Ayrshire and Arran or East Ayrshire Council. Expenses will only be reimbursed where they are wholly, exclusively and necessarily incurred on IJB business. The members' expenses policy was approved by the IJB on 20 August 2015.

REMUNERATION

The Chief Officer received the following remuneration in the year:

Name and Post Title	Salary, Fees and Allowances £m	Taxable Expenses £m	Total Remuneration 2015/16 £m
Eddie Fraser - Chief Officer	0.108	0.000	0.108

PENSION BENEFITS

Pension entitlement for the Chief Officer for the year to 31 March 2016 is shown in the table below, together with the contribution made by the employing body to this pension during the year:

Name and Post Title	In-year Pension Contributions for Year to 31 March 2016 £m	Accrued Pension Benefits as at 31 March 2016 £m
Eddie Fraser - Chief Officer	0.021	Pension : 0.042 Lump Sum: 0.086

The Chief Officer is a member of the Strathclyde Pension Fund which is a defined benefit pension scheme. Pension entitlements/liabilities in respect of the Chief Officer lie with East Ayrshire Council rather than the IJB and consequently there is no inclusion of liabilities within the IJB Balance Sheet.

VOTING BOARD MEMBERS

The voting Members of the East Ayrshire IJB and their parent organisations are listed in the following table:

Voting Board Members
Ian Welsh OBE – NHS Ayrshire and Arran - Chair of the IJB
Councillor Douglas Reid – East Ayrshire Council - Vice Chair of the IJB
Hazel Borland - NHS Ayrshire and Arran
Councillor Tom Cook - East Ayrshire Council
Alison Graham - NHS Ayrshire and Arran
Councillor Iain Linton - East Ayrshire Council
Councillor Maureen McKay - East Ayrshire Council
Alistair McKie - NHS Ayrshire and Arran

Signed on behalf of East Ayrshire Integration Joint Board.

Eddie Fraser
Chief Officer
18 August 2016

Ian Welsh OBE
Chair of the IJB
18 August 2016

SECTION 5: ANNUAL ACCOUNTS

I) MOVEMENT IN RESERVES STATEMENT FOR YEAR ENDED 31 MARCH 2016

The Movement in Reserves Statement shows the movement in the year on the reserves held by the IJB.

2015/16	Note	£m
Balance at 1 April 2015		0.000
Movement in Reserves during 2015/16:		
(Surplus) / Deficit on provision of services		(0.442)
Other comprehensive income and expenditure		0.000
Total comprehensive income and expenditure		(0.442)
Balance at 31 March 2016:		
Earmarked reserves	9	(0.155)
Usable reserves	9	(0.287)
Total reserves		(0.442)

The Reserves balance for the year relates to savings on reduced expenditure on budgets delegated to the IJB by East Ayrshire Council. The Council has agreed that this balance can be retained by the IJB to offset expenditure in future financial years.

II) STATEMENT OF INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 MARCH 2016

The Statement of Income and Expenditure shows the income received from and expenditure delegated back to the Health Board and Council for the delivery of services.

	Gross Expenditure 2015/16 £m	Gross Income 2015/16 £m	Net Expenditure 2015/16 £m
Health Services	115.694	0.000	115.694
Social Care Services	87.367	(2.032)	85.335
Education Services	0.918	0.000	0.918
Other Housing Services	1.302	0.000	1.302
Services commissioned by IJB	205.281	(2.032)	203.249
Cost of provision of services	204.839	(2.032)	202.807
(Surplus) / Deficit on provision of services	(0.442)	0.000	(0.442)

III) BALANCE SHEET AS AT 31 MARCH 2016

The Balance Sheet is a snapshot of the value at the reporting date of the assets and liabilities recognised by the IJB. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

	Note	31 March 2016 £m
Current Assets		
Short term debtors	7	0.442
Current Liabilities		
Short term creditors	8	0.000
Net Assets		0.442
Net Reserves		0.442

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2016 and its income and expenditure for the year then ended.

The unaudited Annual Accounts were issued on 2 June 2016 and the audited Annual Accounts were authorised for issue on 18 August 2016.

Craig McArthur CPFA
Chief Finance Officer
18 August 2016

SECTION 6: NOTES TO THE ANNUAL ACCOUNTS

Note 1: Accounting Policies

1. General principles

The East Ayrshire Integration Joint Board is formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Joint Venture between East Ayrshire Council and Ayrshire and Arran Health Board.

Integration Joint Boards (IJBs) are specified as section 106 bodies under the Local Government (Scotland) Act 1973 and as such are required to prepare their Annual Accounts in compliance with the Code of Practice on Accounting for Local Authorities in the United Kingdom.

The Annual Accounts summarise the Integration Joint Boards transactions for the 2015/16 financial year and its position at the year end of 31 March 2016.

2. Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- All known specific and material sums payable to the IJB have been brought into account.
- Supplies are recorded as expenditure when they are consumed. Expenses in relation to services received are recorded as expenditure when the service is received rather than when payments are made.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

3. Going Concern

The accounts are prepared on the going concern basis, which provides that the entity will continue in operational existence for the foreseeable future.

4 Accounting Convention

The Accounts are prepared on a historical cost basis.

5 Funding

The Integration Joint Board receives contributions from its funding partners namely East Ayrshire Council and NHS Ayrshire and Arran to fund its services. Expenditure is incurred in the form of charges for services provided to the IJB by these partners.

6 Post Balance Sheet Events

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts is authorised for issue. Two types of events can be identified:

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts is adjusted to reflect such events
- Non-adjusting events: Those that are indicative of conditions that arose after the reporting period and the Statements are not adjusted to reflect such events. Where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect

Events taking place after the date of authorisation for issue are not reflected in the Annual Accounts.

7. Material Items of Income and Expense

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the IJB's financial performance.

8. Related Party Transactions

Related parties are organisations that the IJB can control or influence or who can control or influence the IJB. As partners in the Joint Venture of East Ayrshire Integration Joint Board, both East Ayrshire Council and NHS Ayrshire and Arran are related parties and material transactions with those bodies are disclosed in note 12 in line with the requirements of IAS 24 Related Party Disclosures.

9. Support services

Support services were not delegated to the IJB and are provided by the Council and the Health Board free of charge as a 'service in kind'. These arrangements were outlined in the Provision of Corporate Support Services report to the IJB on 24 March 2016. The list of support services provided to the IJB by East Ayrshire Council and NHS Ayrshire and Arran is summarised as follows:

- Employee and Customer Services
 - Human Resources
 - Business and Resourcing
 - Organisational Development
 - Customer Services
- Finance and ICT
 - Financial Services (including the Chief Finance Officer)
 - Information Technology Services
- Internal Audit (including the Chief Internal Auditor)
- Legal and Democratic Services

- Legal Services
- Procurement Services
- Information Services
- Committee Services
- Property and Risk
 - Asset / Property Management
 - Office Accommodation
 - Professional Design Services
 - Risk and Safety Management
 - Civil Contingencies and Business Continuity

10. Provisions, contingent assets and liabilities

Provisions

Provisions are made where an event has taken place that gives the IJB a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Income and Expenditure Statement in the year that the IJB becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision held in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent assets and liabilities

A contingent asset or liability arises where an event has taken place that gives the IJB a possible obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the IJB. Contingent liabilities or assets also arise in circumstances where a provision would otherwise be made but, either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts where they are deemed material.

11. Clinical and Medical Negligence

The Integration Joint Board provides clinical services to patients under the statutory responsibility of NHS Ayrshire and Arran. In connection with this it is responsible for any claims for medical negligence arising within the services it commissions, up to a certain threshold per claim. For claims in excess of this threshold the IJB is a member of the Clinical Negligence and Other Risks Indemnity Scheme (CNORIS) established by the Scottish Government which reimburses costs to members where negligence is established.

The IJB makes a provision for any claims notified by the NHS Central Legal Office according to the value of the claim and the probability of settlement. Where a claim is not provided for in full the balance is included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets. There are no entries in respect of claims in the 2015/16 Annual Accounts.

12. Reserves

Reserves are created by appropriating amounts out of revenue balances in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year so as to be included within the Income and Expenditure Statement. Movements in reserves are reported in the Movements in Reserves Statement. The Reserves Strategy for the IJB was approved on 24 March 2016.

13. Corresponding Amounts

The Integration Joint Board was formally established on 1 April 2015 and hence the period to 31 March 2016 is its first year of operation. Consequently there are no corresponding amounts for previous years to be shown.

14. Segmental Reporting

Expenditure on services commissioned by the IJB from its partner agencies is analysed over Core Services, Non District General Hospitals, Lead Partnership Services and Children's Services within the financial ledgers of East Ayrshire Council and NHS Ayrshire and Arran. The table within the Financial Performance section of the Management Commentary on pages 4 to 8 of the Annual Accounts provides a breakdown of the headings which form the segmental reporting requirements of the IJB.

15. VAT

The IJB is not VAT registered. The VAT treatment of expenditure in the IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

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

Where The NHS is the provider, expenditure incurred will include irrecoverable VAT as generally

the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as income from the Commissioning IJB.

Note 2: Accounting Standards issued not adopted

The Code requires the disclosure of information relating to the impact of accounting changes that will be required by new accounting standards that are not yet due to be adopted. The changes that are covered by the Code are those that arise as a result of CIPFA/LASAAC's development programme for the Code.

The proposals for change include a number of narrow scope amendments to International Financial Reporting Standards (IFRSs). These largely comprise clarifications of the provisions of individual standards and include amendments to:

- **IAS 1: Presentation of Financial Statements, under the International Accounting Standards Board Disclosure Initiative:** The amendments clarify the existing requirements of IAS 1 standards and will support the IJBs in improving the presentation on the financial statements. There will be no material impact on the information provided within the financial statement, i.e. no changes to the reported information in the net cost of services or the surplus or deficit on the provision of services.
- **Amendment to IFRS11 Joint Arrangements:** This is a technical change in the accounting for acquisitions of interests in joint operations. No material impact on the IJB's accounts is expected as a result of this change.
- **Annual improvements to IFRSs 2010-2012 cycle:** These improvements provide clarification of amendments made to IAS24: Related Party Disclosures. The IJB is required to disclose amounts incurred for the provision of key management personnel services that are provided by a separate management entity. There is expected to be no material impact on the IJB's accounts as a result of this change.
- **Annual improvements to IFRSs 2010-2014 cycle:** These improvements will have no direct impact upon IJB financial reporting; and
- **Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement and the introduction of new Expenditure and Funding Analysis:** This change requires IJBs to report on the same basis on which they are organised. The new Expenditure and Funding Analysis will provide a direct reconciliation between the IJB budget (and funding) and the CIES, in a way that is accessible to users of the accounts. There will be no material impact in the IJB accounts as a result of this change however in the 2016/17 accounts, the comparative 2015/16 figures will be restated to reflect the new format.

In all cases detailed above, implementation is required from 1 April 2016 or beyond and there is therefore no impact on the 2015/16 Annual Accounts.

Note 3: Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the partner organisations have had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts 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' opinions that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 13.

Note 4: Assumptions made about the future and other major sources of estimation uncertainty

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 2016 for which there is a significant risk of material adjustment in the forthcoming financial year.

Note 5: Material items of income and expense

Where material items are not disclosed on the face of the Income and Expenditure Statement, *The Code* requires a disclosure of the nature and amount of material items. In 2015/16 there were no material items of income and expense requiring additional disclosure.

Note 6: Post Balance Sheet events

The audited Annual Accounts were authorised for issue on 18 August 2016 at the meeting of the IJB. Where events which took place before this date provided information about conditions which existed at 31 March 2016, the Annual Accounts and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date have not been reflected in the Annual Accounts and notes.

Note 7: Short Term Debtors

	2015/16 £m
NHS Ayrshire and Arran	0.000
East Ayrshire Council	0.442
Total	0.442

Note 8: Short Term Creditors

	2015/16 £m
NHS Ayrshire and Arran	0.000
East Ayrshire Council	0.000
Total	0.000

Note 9: Reserves

The Movement in Reserves Statement within the Annual Accounts highlights a reserves balance of £0.442m as at 31 March 2016. Earmarked funding commitments have been identified of £0.155m on client equipment and adaptations in 2016/17. This results in a usable reserves balance of £0.287m as at 31 March 2016. A further commitment has been identified against this usable reserves balance of £0.232m in respect of a time limited funding contribution towards supported accommodation for care leavers.

Note 10: External Audit Costs

The IJB has incurred costs of £0.017m in respect of fees payable to Audit Scotland with regard to external audit services carried out in 2015/16.

Note 11: Grant income

All specific and non-specific departmental grants credited to services and included in resources delegated to the IJB are grants to the parent organisations and are included in the accounts of East Ayrshire Council and NHS Ayrshire and Arran.

Note 12: Related Party Transactions

The East Ayrshire IJB was established on 1 April 2015 as a body corporate and had its inaugural meeting on 2 April 2015. In the 2015/16 financial year the following transactions were made with NHS Ayrshire and Arran Health and East Ayrshire Council relating to integrated health and social care functions:

Income - payments for integrated functions	2015/16 £m
NHS Ayrshire and Arran	(127.992)
East Ayrshire Council	(75.257)
Total	(203.249)

Expenditure - payments for delivery of integrated functions	2015/16 £m
NHS Ayrshire and Arran	115.694
East Ayrshire Council	87.113
Total	202.807

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

The tables below highlight that this is due to accounting adjustments to reflect expenditure incurred in respect of funds which transfer between the partner organisations. The £12.421m which transfers from NHS Ayrshire and Arran to East Ayrshire Council includes Resource Transfer funding which offsets community based services funded from savings attributable to permanent NHS bed closures, as well as a number of other earmarked funding transfers including Alcohol and Drugs Partnership funding and the Integrated Care Fund. The £0.123m payment from East Ayrshire Council to NHS Ayrshire and Arran relates to Delayed Discharge funding which offsets the cost of NHS community based services.

NHS Ayrshire and Arran	2015/16 £m
Payments for delegated functions	127.992
Funding transfers to East Ayrshire Council	(12.421)
Funding transfers from East Ayrshire Council	0.123
Payments for delivery of integrated functions	115.694

East Ayrshire Council	2015/16 £m
Payments for delegated functions	74.815
Funding transfers from NHS Ayrshire and Arran	12.421
Funding transfers to NHS Ayrshire and Arran	(0.123)
Payments for delivery of integrated functions	87.113

Note 13: Contingent assets and liabilities

A review of potential contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2016.

SECTION 7: INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of East Ayrshire Integration Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of East Ayrshire Integration Joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Movement in Reserves Statement, Statement of Income and Expenditure, Balance Sheet and the related notes. The financial reporting framework that has been applied in their presentation 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 2015/16 (the 2015/16 Code).

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 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Practice approved by the Accounts Commission for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the East Ayrshire Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of affairs of East Ayrshire Integration Joint Board as at 31 March 2016 and of the income and expenditure of East Ayrshire Integration Joint Board for the year then ended;
- have been properly prepared in accordance with the IFRSs as adopted by the European Union, as interpreted and adapted by the 2015/16 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 (Scotland) Act 2003.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014; and
- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Annual Governance Statement has not been prepared in accordance with Delivering Good Governance in Local Government; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Fiona Mitchell-Knight FCA
Assistant Director, Audit Services
Audit Scotland
4th Floor, The Athenaeum Building
Nelson Mandela Place
Glasgow, G2 1BT
18 August 2016

SECTION 8: GLOSSARY OF TERMS

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

Accounting Period

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

Accruals

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

Asset

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

Audit of Accounts

An independent examination of the IJB's financial affairs.

Balance Sheet

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

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Consistency

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

Contingent Asset/Liability

A Contingent Asset/Liability is either:

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

Creditor

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

Debtor

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

Defined Benefit Pension Scheme

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

Entity

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

Post Balance Sheet Events

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

Exceptional Items

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

Government Grants

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

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards.

IRAG

Integration Resources Advisory Group

LASAAC

Local Authority (Scotland) Accounts Advisory Committee

Liability

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

Provisions

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

PSIAS

Public Sector Internal Audit Standards.

Related Parties

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

Remuneration

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

Reserves

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

Revenue Expenditure

The day-to-day expenses of providing services.

Significant Interest

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

SOLACE

Society of Local Authority Chief Executives.

The Code

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

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

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

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

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



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