



West Lothian



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**WEST LOTHIAN INTEGRATION JOINT BOARD**  
**ANNUAL ACCOUNTS**  
**2016/17**



# CONTENTS

Accounts of West Lothian Integration Joint Board (IJB) for the period to 31 March 2017, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom.

## Annual Accounts

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

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

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

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

We certify that we have audited the financial statements in the annual accounts of West Lothian Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Board as at 31 March 2017 and of its result on the provision of services 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 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

#### **Basis of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Board in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of the Chief Finance Officer for the financial statements**

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

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

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

## **Independent auditor's report to the members of West Lothian Integration Joint Board and the Accounts Commission for Scotland (continued)**

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

### **Other Information in the annual accounts**

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

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

### **Report on other requirements**

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

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

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

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

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

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

We are required by the Accounts Commission to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- there has been a failure to achieve a prescribed financial objective.

We have nothing to report in respect of these matters.



Stephen Reid,  
for and on behalf of Ernst & Young LLP  
10 George Street, Edinburgh. EH2 2DZ  
Date: 28 September 2017

## **MANAGEMENT COMMENTARY**

### **Introduction**

The Public Bodies (Joint Working) (Scotland) Act 2014 established the legal framework for integrating health and social care in Scotland. The West Lothian Integration Joint Board (IJB) was established as a body corporate by order of Scottish Ministers on 21 September 2015 and is a separate and distinct legal entity from West Lothian Council and NHS Lothian. The arrangements for the IJBs operation, remit and governance are set out in the Integration Scheme which has been approved by West Lothian Council, NHS Lothian and the Scottish Government.

Functions and associated budget resources for relevant IJB functions, per the approved Integration Scheme, were delegated to the IJB from 1 April 2016 for the financial year 2016/17.

The Management Commentary outlines the key messages on the IJB's planning and performance for the year 2016/17 and how this has supported the delivery of the IJB's strategic priorities. The commentary also looks forward, outlining the 2017/18 financial plan and future financial considerations over the medium term. In addition, key risks and challenges are set out that will need to be managed to best meet the needs of the West Lothian population going forward.

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

The IJB's primary purpose is to set the strategic direction for the delegated functions through the development of a Strategic Plan. This arrangement builds on the previous Community Health and Care Partnership arrangements that had successfully operated in West Lothian over a number of years for health and social care functions. The IJB is delegated relevant health and social care functions and budget resources from the council and NHS Lothian to enable it to plan the delivery of delegated functions at an overall health and social care level and deliver on strategic outcomes. The IJB is responsible for the strategic commissioning of health and social care services across client groups and functional areas and gives directions to the council and NHS Lothian as to the functions to be operationally delivered by them and the resources available to them to deliver the functions. This arrangement recognises that the IJB does not employ any staff directly delivering services and does not hold cash resources or operate a bank account of its own.

Under the legislation and as part of the approved Integration Scheme, the IJB is delegated responsibility for a wide range of health and social care functions including adult social care, primary care and community health services, a range of hosted services including Oral Health and Learning Disabilities. A range of acute hospital services largely relating to unscheduled care are also delegated to the IJB.

The IJB meets on a six weekly basis and comprises eight voting members, made up of four elected members appointed by West Lothian Council and four NHS Lothian non-executive directors appointed by NHS Lothian. A number of non-voting members of the Board including the IJB Director and Chief Finance Officer, and service and staffing representatives are also on the Board as advisory members.

### **West Lothian information**

In preparing the Strategic Plan a comprehensive review of all health, social and economic data relevant to integration planning was carried out. An important aspect of this is understanding the needs of the West Lothian population. West Lothian currently has a population of over 177,000 which accounts for 3.3% of the total population of Scotland. Of this population 19.8% are children (0 – 15 years), 59.4% are aged between 16 to 59 years and 20.8% are aged 60 years and over.

It is estimated that West Lothian's population will grow by 12% by 2037, increasing the total population to 196,664. However, the growth in the older age group populations will be very significant over this period with the 65 – 74 years group increasing by 57% and the over 75 age group increasing by 140%. The growth in the West Lothian over 75 age group is the highest forecast growth across all Scottish local authority areas. At the same time, growth in the 25 – 49 age group will decrease by 3.6% while the 50 – 64 age group will decrease by 8.3%.

West Lothian also has a higher proportion of people living in the most deprived areas than other parts of Lothian and health indicators show a clear link between decreasing affluence leading to poorer health. While life expectancy is increasing, there is an inequality gap in life expectancy of up to 10 years between the most affluent and most deprived communities in West Lothian.

The projected increase in the population of older age groups will place a significantly increased strain on health and social care services and will present a significant challenge. In particular, increased demands on General Practice, unscheduled hospital admissions and community care will be substantial challenges in West Lothian to be addressed through IJB planning for future service delivery.

The Public Bodies (Joint Working) (Scotland) Act 2014 and the West Lothian Integration Scheme stress the importance of the IJB acting as a means of ensuring progress on integration and improved joint working across council delivered social care services and NHS delivered health care services. An effective working relationship and consistent understanding of future care models from planning through to operational delivery will be an essential requirement across the IJB, NHS Lothian and West Lothian Council in order to meet future challenges.

### **Organisational Developments and Performance**

It has been recognised both nationally and locally that whilst health and care needs of individuals are closely intertwined, there is scope to further improve the coordination and integration of services. The way health and social care services are delivered can have a significant impact on shifting the balance of care from hospital to community care, reducing health inequalities and reducing emergency admissions and delayed discharge.

Taking account of West Lothian's needs, the Strategic Plan aims to deliver the Scottish Government's nine national health and wellbeing outcomes for integration. These are the high level outcomes of health and social care integration which integration will be measured against, and are noted below.

- People are able to look after and improve their own health and wellbeing and live in good health longer
- 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
- People who use health and social care services have positive experiences of those services, and have their dignity respected
- Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services
- Health and social care services contribute to reducing health inequalities
- People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their health and wellbeing
- People who use health and social care services are safe from harm
- 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
- Resources are used effectively and efficiently in the provision of health and social care services

Strategic commissioning of IJB functions is a key means of assessing and forecasting needs, linking investment to agreed outcomes, considering options, planning the nature, range and quality of future services and working in partnership to put these in place. During 2016/17 strategic commissioning plans have been prepared and approved by the IJB for elderly, learning disability, physical disability and mental health client groups.



To achieve the best possible outcomes for people living in West Lothian, the following key principles informed the plans with the objective of ensuring a long term strategic approach to commissioning was achieved:

- To implement outcomes based approach to the commissioning of care and support services
- To commission health and social care services which meet the needs and outcomes of individual service users which are personalised and offer more choice
- To commission quality services which achieve best value
- To work with our strategic partners and colleagues within the council and NHS to ensure a strategic approach to the commissioning of services
- To ensure transparency and equality when commissioning services and appropriate stakeholder involvement and consultation which includes service users, their carers and providers
- Positively engage, consult and communicate with the Independent and voluntary sectors
- To ensure the approved procurement procedures are adhered to

Based on these plans, the IJB commissions service delivery through NHS Lothian and West Lothian Council and receives the necessary information to allow it to monitor and report on performance of the services it has commissioned.

The Scottish Government in partnership with COSLA have also agreed service delivery areas that will be tracked across IJBs to measure performance under integration. These areas take account of the Scottish Government Health and Social Care Delivery Plan published in December 2016. The areas that will be measured as a means of reviewing progress on integration are:

1. Unplanned Admissions
2. Number of bed days for unscheduled care
3. Accident and Emergency Performance
4. Delayed Discharge Performance
5. End of Life Care
6. Shifting the balance of spend across institutional and community services

Taking account of this, West Lothian IJB has agreed a local Health and Social Care Delivery Plan which will set out target outcomes against each of the six performance areas at a West Lothian level. Local actions, objectives, performance measures and timescales are set out in the Plan as a structured basis for achieving the progress and outcomes required and updates on progress will be regularly reported to the IJB.

The IJB has a strong performance management culture in partnership with NHS Lothian and West Lothian Council. A wide range of performance information is used to provide the IJB with regular reports on the delivery of commissioned services and progress against associated targets and outcomes. Close joint working arrangements are in place between the IJB, NHS Lothian and West Lothian Council to ensure robust and accurate information on strategic and operational performance is provided. Performance is reported at a number of levels, including to the Integration Strategic Planning Group, the IJB and to the Health and Social Care Partnership Senior Management Team.

The West Lothian IJBs first Annual Performance Plan has been published and covers the 2016/17 financial year. It includes a number of key achievements during 2016/17 including progress on the Frailty Programme including the introduction of an integrated Frailty Hub, work towards the redesign of mental health services, increased roll out of Technology Enabled Care and delivery of the living wage for all social care workers. The 2016/17 Annual Performance Report is available using the link below.

[West Lothian IJB Annual Performance Report-201617](#)

## **Financial Performance 2016/17**

Financial information is part of the performance management framework with regular reporting of financial performance to the IJB. This section summarises the main elements of financial performance for 2016/17.

### **Expenditure on IJB Delegated Functions**

Financial management, governance and accountability arrangements for IJB delegated functions are set out in the West Lothian Integration Scheme, and also by the IJB Financial Regulations approved by the IJB on 23 March 2016.

A financial assurance process was undertaken on 2016/17 funding contributions made available by NHS Lothian and West Lothian Council. Through this, baseline pressures of £2.935 million were identified in the NHS budget contribution to the IJB for 2016/17 with the council contribution assessed as representing a balanced budget contribution.

During the year the IJB worked closely with NHS Lothian to identify measures to mitigate the funding shortfall in the NHS Lothian contribution and at the year end the full value of the pressure had reduced to £1.840 million with this balance being funded by NHS Lothian through their achievement of an overall breakeven position. The NHS health services expenditure therefore matched income from NHS Lothian. In addition, council care services expenditure at the year end also matched income from West Lothian Council allowing the IJB to achieve a balanced position for 2016/17.

IJB delegated services saw continued demand growth during 2016/17. Within community care, both elderly care home and care at home demands /expenditure increased significantly reflecting a growing elderly population who are living longer with more complex needs. Growth in demands within learning and physical disability care also increased significantly reflecting an increasing shift in the balance of care from health to community care in line with integration objectives.

Within health delivered services, by far the most significant pressure related to GP prescribing which resulted in an overspend of £2.86 million. Substantial work has been undertaken to improve the prescribing budget position for 2017/18 including prioritisation of additional funding and the introduction of a new effective prescribing fund of £2 million for 2017/18 across Lothian. Mental Health was also a significant pressure in 2016/17 largely due to ongoing difficulties in recruiting nurse posts which is resulting in high agency and nurse bank costs. Options to mitigate this are also being progressed.

The Health figures include expenditure and income for non-cash limited services such as community opticians, community pharmacists and community dentists. NHS Boards receive non-cash limited budgets for such items, whereby the Scottish Government will adjust the NHS Board budget for any over or under spends at the year end.

These are however still NHS Board budgets and for the purposes of the IJB accounts it has been agreed by the Scottish Government and CIPFA that they should be included in the delegated budget and services within the IJB's remit.

The spend and income associated with West Lothian IJB non-cash limited services in 2016/17 was £18.222 million.

Both West Lothian Council and NHS Lothian have confirmed there will be no charge to the IJB for central administration functions they provide in support of the IJB.

It will be important moving forward to 2017/18 and future years that expenditure is managed within the financial resources available and this will require close partnership working between the IJB as service commissioner, and NHS Lothian and West Lothian Council as providers of services.

## **Future Financial Plans and Outlook**

The 2017/18 budget contributions from NHS Lothian and West Lothian Council have been taken account of in Directions issued to Partners for 2017/18. While the council contribution represents a balanced budget position, the NHS Lothian contribution represents a funding shortfall compared to forecast expenditure of £1.5 million. Taking account of this, it will be crucial that early action is taken to identify options to manage this pressure to ensure a balanced position is achieved for 2017/18.

The IJB has a statutory responsibility for delegated health and social care functions in relation to the strategic planning of future health and social care delivery. Plans for this are developed via the health and social care management and staff supporting the IJB. The IJBs strategic plan and strategic commissioning plans will help inform decisions around prioritisation of resources, new models of service delivery and disinvestment decisions, all of which will be necessary in the medium term financial planning process associated with health and social care services.

As part of the agreed IJB Directions to NHS Lothian and West Lothian Council, there is a requirement for the partners to work with the IJB on the preparation of a medium term financial strategy for IJB delegated functions. This reflects that strategic planning of future service delivery and financial planning are intrinsically linked. An informed approach to future service delivery must take account of assumptions around available resources as resource availability will be a key determinant in shaping future service delivery.

With regard to future years, health and social care services will be faced with significant challenges to meet demands and operate within tight fiscal constraints for the foreseeable future. This is reflective of recent Audit Scotland reports including NHS in Scotland 2016 and Social Work in Scotland which both highlight that funding is not keeping pace with demands and that significant changes to how care services are delivered will be required as current models are unsustainable going forward.

Significant risks over the medium terms can be summarised as follows:

- The wider financial environment, which continues to be challenging with a high degree of volatility in the economy, including uncertainties around Brexit
- Increased demand and expectations around services alongside reducing resources
- The impact of demographic changes particularly relevant to West Lothian which is forecast to have the highest growth in Scotland in the over 75 years age group
- Additional costs associated with new legislative and policy requirements are not accompanied with adequate additional funding resources
- Failure to implement new models of care necessary to allow effective care to be delivered within resources available and in line with the IJBs Strategic Plan

The risks above further highlight the requirement for robust financial planning which is integrated with strategic planning and commissioning plans. Based on Directions issued to partners and ongoing discussions, it is anticipated that a financial strategy over a minimum three year period will be developed over the course of 2017.

## **Conclusion**

The first year of West Lothian Integration Joint Board having responsibility for delegated functions and resources has been both challenging and rewarding. The IJB has successfully overseen the delivery of all core services and the development and implementation of major service changes such as the Frailty programme, mental health redesign and the introduction of the living wage for social care workers.

There has been increased joint working across health and social care to integrate service delivery in areas such as supporting older people to stay in their homes and to return home from hospital as soon as possible. A local West Lothian Health and Social Care Delivery Plan has been developed setting out the transformational journey across care services that will allow key integration outcomes to be achieved over the medium term.

Prudent financial management and close joint working with NHS Lothian and West Lothian Council has allowed the IJB to successfully deliver on a range of outcomes and manage delegated financial resources within a challenging financial and operating environment.

The pace of change will continue to be challenging and a joined up approach to strategic and financial planning will be key to ensuring the future delivery of quality care services to the West Lothian population is managed within available resources.

We would like to acknowledge the significant effort of all the NHS Lothian and West Lothian Council staff supporting the IJB in its first full year of operation and look forward to building on the progress that has been made during 2016/17.



**Martin Hill**

Chair

26 September 2017



**Jim Forrest**

Chief Officer

26 September 2017



**Patrick Welsh**

Chief Finance Officer

26 September 2017.

## **STATEMENT OF RESPONSIBILITIES**

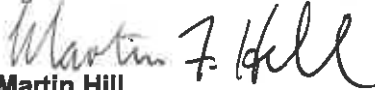
### **Responsibilities of the Integration Joint Board**

The Integration Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the West Lothian IJB Audit, Risk and Governance Committee at its meeting on 26 September 2017

Signed on Behalf of West Lothian Integration Joint Board



**Martin Hill**

Chair of West Lothian Integration Board

26 September 2017

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

The Chief Financial Officer is responsible for the preparation of the Integration Joint Board's Annual Accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

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

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

The chief financial officer has also:

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

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



**Patrick Welsh**  
Chief Finance Officer  
26 September 2017

## 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 and all other sections of the Remuneration Report will be reviewed by Ernst and Young LLP and any apparent material inconsistencies with the audited financial statements will be considered as part of their audit report.

### Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by West Lothian Council and NHS Lothian. 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. The details of the Chair and Vice Chair appointments and any expenses paid by the IJB are shown below.

<b>Taxable Expenses 2016/17 £</b>	<b>Name</b>	<b>Post(s) Held</b>	<b>Nominated by</b>	<b>Taxable Expenses 2016/17 £</b>
Nil	Frank Toner	Chair April 2016 to September 2016	West Lothian Council	Nil
Nil	Danny Logue	Chair October 2016 to March 2017	West Lothian Council	Nil
Nil	Julie McDowell	Vice Chair April 2016 to May 2016	NHS Lothian	Nil
Nil	Martin Hill	Vice Chair June 2016 to March 2017	NHS Lothian	Nil
<b>Nil</b>	<b>Total</b>			<b>Nil</b>

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for the Chair or Vice Chair. The other voting members of the IJB during 2016/17 are noted below.

John McGinty – West Lothian Council

Anne McMillan – West Lothian Council

Alex Joyce – NHS Lothian

David Farquharson – NHS Lothian (April to August 2016)

Lynsay Williams - NHS Lothian (From August 2016)

Susan Goldsmith – NHS Lothian (From August 2016)

#### **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**

The remuneration of the Chief Officer is set by NHS Lothian and a contract of employment is in place with NHS Lothian. In line with the Public Bodies (Joint Working) (Scotland) Act 2014, the Chief Officer is regarded as an employee of the Integration Joint Board when undertaking duties for the Board in relation to delegated functions. This is assumed at 100% of the Chief Officer's time and this is reflected in the Integration Joint Board remuneration report.

#### **Other Officers**

No other staff are appointed by the IJB under a similar legal regime. Taking this into account, other officers, including the Chief Finance Officer, are not regarded as employees of the Integration Joint Board. Therefore, such officers do not feature in the Integration Joint Board remuneration report but may feature, as relevant, in the remuneration report of the employing partner.

<b>Total 2015/16 £</b>	<b>Senior Employees</b>	<b>Salary, Fees &amp; Allowances £'000</b>	<b>Compensation for Loss of Office £'000</b>	<b>Total 2016/17 £'000</b>
12	Jim Forrest Chief Officer	100	Nil	100
12	<b>Total</b>	<b>100</b>	<b>Nil</b>	<b>100</b>
<b>94</b>	<b>2015/16 Full Year Equivalent</b>			

In respect of officers' pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.



The IJB 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 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.

Senior Employee	In Year Pension Contributions		Accrued Pension Benefits		
	For Year to 31/03/16 £'000	For Year to 31/03/17 £'000		Difference from 31/03/16 £'000	As at 31/03/17 £'000
Jim Forrest	3	14	Pension	5	53
Chief Officer			Lump sum	15	157
<b>Total</b>	<b>3</b>	<b>14</b>	<b>Pension</b>	<b>20</b>	<b>210</b>

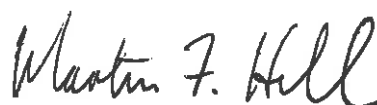
#### Disclosure by Pay Bands

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

Number of Employees in Band 2015/16	Remuneration Band	Number of Employees in Band 2016/17
1	£90,000 - £94,999	0
0	£95,000 - £99,999	0
0	£100,000 - £104,999	1



**Jim Forrest**  
Chief Officer  
26 September 2017



**Martin Hill**  
Chair  
26 September 2017

## **IJB DRAFT ANNUAL GOVERNANCE STATEMENT**

### **Corporate Governance**

The governance framework is the systems, processes, culture and values by which the Board is directed and controlled. It encompasses the activities through which it is accountable to, engages with and leads the West Lothian community in relation to its statutory functions. These are the arrangements put in place to ensure that the intended outcomes for West Lothian residents and other stakeholders are defined and delivered. These arrangements must always be used in the public interest.

The Board and its members, voting and non-voting, have overall responsibility for good governance arrangements – for establishing its values, principles and culture, for ensuring the existence and review of an effective governance framework, and for putting in place monitoring and reporting arrangements. Corporate governance is an essential back-office corporate service necessary to assist the effectiveness of setting, monitoring, achieving and reporting on priorities and outcomes, both national and local.

Whilst retaining its responsibility and overview of those arrangements, the Board has entrusted the delivery of some of those tasks to committees and to officers employed by West Lothian Council and NHS Lothian who serve and support the Board. That delegation does not remove or negate the responsibility of all the Board's members for governance.

### **Governance framework**

The framework is made up of corporate documents, policies and procedures which are designed to guide and assist the Board in doing its business in accordance with the law and with proper standards and principles; ensuring that public money is safeguarded and used economically, efficiently and effectively; and fulfilling its statutory duty to promote the national health and well-being outcomes and the integration planning and delivery principles.

The statutory relationship amongst the Board, the council and the health board is a complex one. The Integration Scheme contains the agreement reached between the council and the health board in seeking to have the Board established. It cannot be changed without going through a formal statutory review process. The Board's governance arrangements provide the additional guidance and control necessary to make that relationship work for the benefit of service users and other stakeholders.

### **Code of Corporate Governance**

The Board is subject to the accounting and audit regime which applies to Scottish local authorities. The codes and guidance which relate to the governance aspects of that regime recommend, but do not require, the adoption of a local code of corporate governance. They recommend that the local code is built around a set of over-arching principles. Below each of those is a set of sub-principles, and then more detailed standards and examples of evidence that supports an assessment of compliance.

The Board has not yet adopted such a code. The Integration Scheme contained an undertaking by the council and the health board to approach the Board's corporate governance arrangements through such a formal code. The Board has committed, through a decision of its Audit Risk & Governance Committee, to having its own local code and this will be reported to the Committee in October 2017.

In the meantime, the Board's governance arrangements can be found in a series of formal and adopted constitutional documents and procedures. They are designed and intended to comply with the same over-arching principles which will shape its local code. Its compliance with those governance arrangements can be evidenced from those documents and procedures and from a number of significant reports, recommendations and decisions dealt with by the Board and its committees during the year. These elements of the Board's governance framework are dealt with below.

## **System of internal control**

A significant part of the governance framework is its system of internal control (financial and other). It is an ongoing process designed to identify risks to the achievement of the Board's objectives; to evaluate the likelihood of those risks occurring; to consider the potential impact of the risks; and to manage them effectively. Those controls can never eliminate risk or failure to achieve objectives entirely – they can only provide reasonable and not absolute assurance. The design, development and management of the system of internal control is undertaken by the Director (the Board's Chief Officer) who is, by law, the only member of the Board's staff. The Director is assisted by officers who are employed by the council or by the health board but provide service and support to the Board as part of their employment duties.

The system of internal financial control is designed to provide assurance on the effectiveness and efficiency of operations and the reliability of financial reporting. It too is based on a framework, which includes financial regulations and a system of management supervision, delegation and accountability that is supported by regular management information, administrative procedures and segregation of duties. Its key elements include a documented internal control framework relating to financial processes, procedures and regulations; a comprehensive budgeting and monitoring framework; scrutiny of periodic and annual financial and operational performance reports; performance management information; and project management disciplines.

Reporting to members on the effectiveness of the system of internal control is carried out by the Board's Internal Auditor. The outcome of that review and recommendations were considered by and approved by the Audit Risk & Governance Committee.

The report provided details of the risk based audits undertaken for the Board, and the conclusions arising from that work. Those reports had all been submitted to the Board's Audit, Risk and Governance Committee in the course of the year. None of the audits concluded that control was unsound.

In relation to the audit of the Board's governance arrangements, it was concluded that control required improvement. It was though recognised that there was a process in place to ensure that all of the requirements of the Integration Scheme are either in place or are being progressed.

## **Governance documents**

Although the Board does not yet have its own local code of corporate governance, it has adopted the key documents which support and inform governance arrangements and which provide evidence against which compliance with such a local code can be assessed. These are as follows.

The Integration Scheme was a statutory requirement to be agreed by the council and the health board and approved by the Scottish Ministers. It contains undertakings and explanations of issues which were specified by statute and is the basis for the Board's operations.

The Board's Standing Orders provide the rules for meetings of the Board and its committees. They comply with the relevant legislation and ensure that Board meetings take place in accordance with an agreed calendar of meetings, and that Board members and the public receive advance notice of meetings and reports in accordance with legislation. They require agendas, reports and minutes to be published on the internet and govern how meetings are run, requiring that meetings take place in public except where exclusion is justified on the basis of a very short and narrow list of exceptions which are themselves built in to Standing Orders. They also reserve significant decisions to the Board itself and provide that any committees must have with formal remits, powers and membership and must be subject to Standing Orders themselves.

The Board has approved a Scheme of Delegations to Officers which is a formal record of the decision-making powers and responsibilities which it has delegated to the Chief Officer and other officers supporting it. The Scheme distinguishes between policy matters and other issues, and recognises that not all decision-making can be undertaken directly by the Board and its members.

The Board has adopted Financial Regulations under which its Chief Finance Officer will operate its accounting and audit arrangements. They call for regular budget-monitoring and financial assurance reports to the Board.

The Board has approved detailed terms of reference for its Strategic Planning Group, Audit Risk & Governance Committee, Appointments Committee and Health & Care Governance Group. They set out their remits, powers, membership and meeting arrangements. The two committees must also comply with the Board's Standing Orders. Meetings therefore take place in public unless there is a basis in Standing Orders to exclude the public. Minutes of meetings are reported to the Board for information.

The Board has adopted a formal Code of Conduct for its members which meets statutory requirements and has been approved by the Scottish Ministers. It maintains and publishes its Register of Members' Interests with which all Board members comply

Role descriptions were agreed by the Board for each of Director, Chief Finance Officer, Internal Auditor and Standards Officer. Those posts were appointed by the Appointments Committee in 2015/16 and the job descriptions remain in place for those four significant officer positions

The Board established a Health & Care Governance Group to control health and clinical care governance for the Board and make advice and recommendations to the Board.

The Board, through its Strategic Planning Group, established its locality planning groups and their relationship with the group and the Strategic Plan.

The Board approved its Participation and Engagement Strategy after extensive and lengthy consultation with users and through the Strategic Planning Group.

The Board approved its Risk Policy and Risk Strategy after presentations and reports to the Board, the Strategic Planning Group and to the Audit Risk & Governance Committee to inform the final approved documents

The Board's Internal Audit Charter was approved by the Audit Risk & Governance Committee on 6 January 2017.

### **Governance procedures**

The Board has established administrative arrangements and procedures to ensure effective and full implementation and use of these governance documents and to safeguard against governance failures. These are as follows.

An annual timetable of meetings for the Board and the Audit Risk & Governance Committee is agreed in advance by those bodies and can only be changed by them.

Standing Orders guarantee a minimum number of Board meetings each year, and prevent meetings being cancelled once scheduled.

Reports are presented to the Board and its committees on a template designed to ensure that relevant and sufficient information is provided to members for decision-making purposes.

The Board and its committees and groups maintain a forward work plan and/or running action note to ensure agreed actions are captured and monitored and work flow is planned and controlled to meet statutory and other timescales and deadlines.

Agendas and reports for meetings are prepared in consultation with the Chair and Vice-Chair to ensure a close link between the management and delivery responsibilities of officers and the strategic and oversight responsibilities of the Board and its members

Standing Orders guarantee public access to meeting papers and meetings except in a small number of specified cases when the Board or committee (not the Chair) may agree to exclude the public.

Procedures have been agreed by the Board to ensure that its members and its officers meet the duties they carry under the ethical standards in public life legislation. Those cover the Register of Interests, making declarations of interest and briefings, training sessions and an annual report. The Standards Officer's appointment has been approved by the Standards Commission.

The Directions issued by the Board to the council and health board in relation to their delivery of the integrated functions are styled in a way to ensure that all the statutory requirements in legislation (for example, covering all of those functions each year, applying the Strategic Plan, financial control) and guidance (for example, securing best value) are met.

Minutes of the Strategic Planning Group and the Board's committees and groups are reported to the Board for information.

A planning cycle was agreed to ensure periodic reviews take place of care group commissioning plans.

#### **Performance scrutiny**

The Board must publish a statutory performance report within 4 months of the end of any financial year. It requires information from the council and the health board in relation to their performance of the integrated functions which have been specified in Directions issued by the Board. That also means that regular and periodic information is required to allow service performance to be assessed continuously and to inform the annual report. That information is provided with reference to a list of agreed indicators and from that the Board maintains its own performance records against the commitments and outcomes given in its Strategic Plan.

Those reports are considered at Board meetings and so all members are aware of performance information and concerns.

#### **Financial scrutiny and assurance**

The Board's Financial Regulations call for quarterly budget monitoring reports to be presented to the Board. They also call for at least an annual financial assurance report to the Board to enable it to proceed with the budgetary process, the publication of its annual financial statement and issuing Directions to the council and health board. These reports have been and will continue to be made as required.

#### **Risk**

Risks and the developing Risk Register were periodically reported to and were considered at the Board, the Strategic Planning Group and Audit Risk & Governance Committee Meetings. These reports were in addition to the process followed leading to the approval of the Board's Risk Strategy and Policy.

### **Significant governance decisions**

The Board and its committees have engaged in matters relating to and required by good governance through consideration of reports and decisions in a wide variety of issues. These are a sample:-

- Public Sector Duty and Equalities Mainstreaming Report
- Monitoring implementation of Integration Scheme undertakings
- Continuing attention to Board members induction and training
- Internal audits of strategic planning, and financial assurance
- Chief Social Work Officer's Annual Report
- Adult Support and Protection Committee Biennial Report
- Review of Board and Strategic Planning Group Membership
- Strategic Plan Impact Assessment
- Strategic Plan Annual Review
- Consideration of the system of internal control the annual governance statement and the Board's unaudited accounts
- Reporting to the Board on the audited accounts and the external auditors' report

These examples of the activity of the Board and its committees illustrate the Board's commitments to making decisions in an environment of good governance arrangements.

### **Audit Risk & Governance Committee**

The Audit Risk & Governance Committee monitors the independence and effectiveness of the Internal Audit service provided by the council and its Audit, Risk and Counter Fraud Manager. To ensure the required degree of independence it is given assurance in relation to non-internal audit functions through the internal audit manager of Falkirk Council. The committee approves an annual audit plan and receives reports about its completion. It considers reports brought forward in relation to the work planned and any reactive work required.

The reports contain a conclusion as to the soundness of control based on the investigation carried out and whether controls are satisfactory or require improvements. They set out improvement actions which have been agreed with officers. The findings, actions and times for completion are presented for committee approval.

The committee also receives reports in relation to governance matters, principally reports issued by the Accounts Commission and/or Audit Scotland in relation to the Board or the health and care sector as a whole. The committee also receives the annual report on corporate governance and the annual governance statement for approval.

Formal arrangements have been made and approved for liaison and information sharing with the Internal Auditors for the health board, the council and the other IJBs in the health board area.

## **Officer activity**

The Board is required to operate a professional and objective internal audit service. The council's Audit Risk and Counter Fraud Manager is appointed as the Board's Internal Auditor. Internal audit is an independent appraisal function which examines and evaluates systems of financial and non-financial control. Internal audit operates in accordance with the "Public Sector Internal Audit Standards: Applying the IIA International Standards to the UK Public Sector" (PSIAS). An annual audit plan is prepared based on an assessment of risk and is approved by the Audit & Governance Committee. Internal audit reports are issued to the committee in relation to the outcome of significant proactive and reactive reports. There is annual reporting to the committee of internal audit activities and to give assurance about the independence, effectiveness and soundness of the service.

The legislation which applies to the Board in relation to accounting and finance matters requires the Board to appoint a Chief Financial Officer. That role is to be performed in accordance with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) as set out in the Application Note to Delivering Good Governance in Local Government: Framework. The CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010) sets out the requirement for the Chief Financial Officer to be professionally qualified and sets out the criteria for qualification. The Board has appointed its Chief Financial Officer who fulfils these criteria and operates in accordance with the Board's Financial Regulations, reporting regularly to the Board on budgetary performance and compliance and on financial assurance. The Chief Finance Officer produces the Board's annual financial statement. The role is undertaken in accordance with the relevant statutory rules, guidance and standards.

Risk management is supervised on the officer side of the council by the Board's Internal Auditor. Risk management is also embedded at a service level in the senior management team who are responsible for the delivery of the Board's integrated functions. The management team monitor, assess and mitigate risk at service level as a matter of routine at their management team meetings. That process continues at lower levels in each service's management structure. Risk assessment and monitoring and the progress towards agreed actions are carried out using Covalent.

Similarly, management teams routinely monitor performance, utilising the high-level performance indicators which are reported publicly as well as lower level management performance indicators.

## **Matters of concern from 2015/16**

The annual governance statement for 2015/16 identified areas of concern and for improvement. They have been addressed as follows:-

- The process for assessing and addressing outstanding areas of compliance with the integration scheme has been put in place by the Audit Risk & Governance Committee and was due to be reported again in June 2017. The committee has received periodic progress reports on the agreed actions and they will continue to be pursued until complete
- An Annual Audit Plan was agreed through the Audit Risk & Governance Committee for 2015/16 and has been done again for 2016/17. That will be done on a recurring annual basis
- A strategy and policy for monitoring and reporting risk was developed and finalised and is being implemented
- Procedures for recording, monitoring and reporting on service and financial performance were developed and approved
- A process has been put in place to secure compliance with the statutory regulations in relation to the council's unaudited accounts, annual governance and other statements and audited accounts and external auditor report

- Progress has been made in securing compliance with a number of statutory regimes, and arrangements were developed by the Board throughout the year in relation to data-sharing, freedom of information, complaints procedures. They should be concluded in 2017/18
- A programme of orientation and induction sessions and visits was put in place

Many of these issues are comprised in the review being undertaken of compliance with the Integration Scheme and so any outstanding issues shall be monitored, reported and actioned through that process.

#### **Further areas to be addressed**

The Board should ensure that it approves a local code of corporate governance in 2017/18 which complies with the 2016 CIPFA/SOLACE Framework and Guidance. Completion of that is already timetabled and will be monitored through the Audit Risk & Governance Committee.

The ongoing work to secure compliance with the Integration Scheme should be progressed and brought to a conclusion. Completion of that should address a number of issues which require to be finalised in the interests of good governance.

Following the local government elections in May 2017 the Board has new council-appointed voting members. Work should take place in relation to their induction and orientation and integration into the Board and to ensure their compliance with the code of conduct.

The Board will publish its first meaningful statutory performance report in the summer of 2017. The process for the production of the report and its effectiveness and statutory compliance should be reviewed.

A process should be established for an annual report from the Board's Clinical Director to be presented in the same manner as is the Chief Social Work Officer's annual report

The Board is subject to a duty to achieve best value. That is the same best value duty as the council, and the health board has its own best value duty based on guidance and direction. A plan should be developed to ensure that the Board complies with that duty.

Subject to committee approval, actions should be developed for the progress and completion of work for these issues and implementation will be reported to and monitored by the Audit Risk & Governance Committee.

#### **Assurance**

Based on the governance framework and arrangements already described, the Board, the council, the health board and the West Lothian community can be assured that, although there are areas for improvement, the Board's corporate governance standards have been progressed throughout 2016/17 and compliance with the Integration Scheme is ongoing through review and updates to the Audit, Risk and Governance Committee.



### Comprehensive Income and Expenditure Statement

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

The figures within the income and expenditure account above take account of all relevant accounting entries to reflect the year end income and expenditure recorded in the ledgers for NHS Lothian and West Lothian Council in respect of West Lothian IJB functions for 2016/17.

The figures have been prepared in line with appropriate accounting policies required to provide a true and fair view in accordance with annual accounts requirements

2015/16				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
4	0	4	Health Services	176,526	0	176,526
4	0	4	Social Care Services	60,556	0	60,556
6	0	6	Corporate Expenditure	28	0	28
14	0	14	Cost of Services	237,110	0	237,110
	(14)	(14)	Taxation and Non-Specific Grant Income		(237,110)	(237,110)
14	(14)	0	Surplus or Deficit on Provision of Services	237,110	(237,110)	0
		0	Surplus / Deficit on Provision of Services			0

### Balance Sheet

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

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

The unaudited accounts were issued on 27 June 2017 and the audited accounts were authorised for issue on 26 September 2017.



**Patrick Welsh**

**Date: 26 September 2017**

**Chief Finance Officer**

## **Notes to the Annual Accounts**

### **1. ACCOUNTING POLICIES**

#### **1.1 General Principles**

The West Lothian Integration Joint Board is formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a joint venture between West Lothian Council and NHS Lothian.

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

The Annual Accounts summarise the Integration Joint Boards transactions for the 2016/17 financial year and its position at the year end of 31 March 2017.

#### **1.2 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.
- Suppliers 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.

#### **1.3. Going Concern**

The Accounts are prepared on a historical cost basis, which provides that the entity will continue in operational existence for the foreseeable future.

#### **1.4 Accounting Convention**

The accounts are prepared on a historical cost basis.

#### **1.5 Funding**

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

#### **1.6 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 are 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.

### **1.7 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.

### **1.8 Related Party Transactions**

Related parties are organisations the IJB can control or influence or who can control or influence the IJB. As partners in the Joint Venture of West Lothian IJB, both West Lothian Council and NHS Lothian are related parties and material transactions with those bodies are shown in line with the requirements of IAS 24 Related Party Disclosures.

### **1.9 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'. This is consistent with VAT advice and means that support services to the IJB are outside the scope of VAT. This arrangement was set out in a report to the IJB on 16 February 2016. The list of support services provided to the IJB by West Lothian Council and NHS Lothian is summarised as follows:

- Human Resources
- Internal Audit and Risk Management
- Information Technology
- Buildings Accommodation
- Property / Facilities Management
- Learning and Development
- Health and Safety
- Committee Services
- Procurement Services
- Financial Services
- Corporate Communications
- Legal Services

## **1.10 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.

## **2. 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 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. A review of potential contingent assets and liabilities has been undertaken for the IJB and none have been identified at 31 March 2017.

### 3. SEGMENTAL REPORTING

Expenditure on services commissioned by the IJB from its partner agencies is analysed over Adult Social Care, Core Health Services, Hosted Health Services, Set Aside Acute Services and Children's Service within the financial ledgers of West Lothian Council and NHS Lothian. The table below sets this out.

<b>Health Services</b>	<b>Unaudited Budget £000</b>	<b>Actual Expenditure £000</b>	<b>Variance £000</b>
<b>Core Services</b>			
Community AHPS	3,474	3,439	35
Community Hospitals	3,100	3,188	(88)
District Nursing	3,041	2,830	211
GMS	25,144	25,121	23
Mental Health	12,689	13,323	(634)
Other	15,149	13,515	1,634
Prescribing	33,544	36,402	(2,858)
Resource Transfer	6,782	6,782	0
<b>Total</b>	<b>102,923</b>	<b>104,600</b>	<b>(1,677)</b>
<b>Hosted Services</b>			
Public Health	263	252	11
Strategic Programmes	(18)	0	(18)
AHP Dietetics	582	594	(12)
AHP Other	146	140	6
AHP Podiatry	671	620	51
AHP Rehabilitation	900	855	45
GMS	2,130	2,135	(5)
Learning Disabilities	3,270	3,271	(1)
Lothian Unshed. Care Serv.	2,206	2,205	1
Mental Health & Wellbeing	649	647	2
Oral Health Services	3,446	3,390	56
Other	(521)	(581)	60
Psychology Service	1,345	1,347	(2)
Rehabilitation Medicine	1,083	1,050	33
Sexual Health	1,132	1,109	23
Substance Misuse	1,482	1,649	(167)
UNPAC	1,368	1,375	(7)
<b>Total</b>	<b>20,134</b>	<b>20,058</b>	<b>76</b>

<b>Set Aside Services</b>	<b>Unaudited Budget £000</b>	<b>Actual Expenditure £000</b>	<b>Variance £000</b>
A & E (Outpatients)	4,077	4,201	(124)
Cardiology	6,279	6,237	42
Diabetes	453	515	(62)
Endocrinology	171	166	5
Gastroenterology	2,123	2,037	86
General Medicine	9,664	9,845	(181)
Geriatric Medicine	5,427	5,334	93
Infectious Disease	3,063	3,022	41
Management	546	584	(38)
Rehabilitation Medicine	743	793	(50)
Respiratory Medicine	170	171	(1)
Therapies	549	590	(41)
Wgh Surgery	143	152	(9)
<b>Total</b>	<b>33,408</b>	<b>33,647</b>	<b>(239)</b>
<b>Non Cash Limited Services</b>			
Dental	9,743	9,743	0
Ophthalmology	3,340	3,340	0
Pharmacy	5,138	5,138	0
<b>Total</b>	<b>18,221</b>	<b>18,221</b>	<b>0</b>
Additional Contribution from NHS Lothian	1,840	0	1,840
<b>Total Health Services</b>	<b>176,526</b>	<b>176,526</b>	<b>0</b>
<b>Social Care Services</b>			
Learning Disabilities	14,576	14,733	(157)
Physical Disabilities	6,038	5,941	97
Mental Health	3,221	3,176	45
Older People Assess & Care	28,155	28,460	(305)
Care Homes & HWC	7,635	7,900	(265)
Contracts & Commissioning Support	5,589	4,653	936
Other Social Care Services	(4,630)	(4,279)	(351)
<b>Total Adult Social Care Services</b>	<b>60,584</b>	<b>60,584</b>	<b>0</b>
<b>TOTAL ALL SERVICES</b>	<b>237,110</b>	<b>237,110</b>	<b>0</b>

#### 4. 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 IJB has no reserves at 31 March 2017 based on the first financial year functions and resources have been delegated.

#### 5. CORPORATE EXPENDITURE

	2016/17 £'000	2015/16 £'000
Audit Fee	25	5
CNORIS Fee	3	1
<b>Total</b>	<b>28</b>	<b>6</b>

Note – the corporate expenditure is shown within the segmental reporting expenditure and funding table.

#### 6. SHORT TERM DEBTORS

	2016/17 £'000	2015/16 £'000
Central Government Bodies	0	0
Other Local Authorities	0	6
<b>Total</b>	<b>0</b>	<b>6</b>

#### 7. SHORT TERM CREDITORS

	2016/17 £'000	2015/16 £'000
Central Government Bodies	0	6
Other Local Authorities	0	0
<b>Total</b>	<b>0</b>	<b>6</b>

#### 8. RELATED PARTY TRANSACTIONS

In the 2016/17 financial year the following transactions were made with NHS Lothian and West Lothian Council relating to integrated health and social care functions. In 2015/16, there were no financial transactions made relating to health and social care functions as functions were not delegated until 1 April 2016.

Income – payments for integrated functions	2016/17 £'000	2015/16 £'000
NHS Lothian	(176,526)	(4)
West Lothian Council	(60,584)	(10)
<b>Total</b>	<b>(237,110)</b>	<b>(14)</b>

Expenditure – payments for delivery of integrated functions	2016/17 £'000	2015/16 £'000
NHS Lothian	176,526	4
West Lothian Council	60,584	10
<b>Total</b>	<b>237,110</b>	<b>14</b>