

WEST LOTHIAN INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS
2017/18



CONTENTS

Accounts of West Lothian Integration Joint Board (IJB) for the period to 31 March 2018, 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 2017/18.

Annual Accounts

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

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 (the "IJB") for the year ended 31 March 2018 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 2017/18 (the 2017/18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the IJB as at 31 March 2018 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 IJB 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 Standard, 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.

Conclusions relating to going concern basis of accounting

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

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

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

Responsibilities of the Chief Finance Officer and IJB's Audit, Risk and Governance Committee for the financial statements

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

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

The IJB's Audit, Risk and Governance Committee is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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) 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.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and 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, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

In our opinion, the audited 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 audited 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.



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28 September 2018

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 IJB's 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.

The Management Commentary outlines the key messages on the IJB's planning and performance for the year 2017/18 and how this has supported the delivery of the IJB's strategic priorities. The commentary also looks forward, outlining the 2018/19 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. 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 for the operational delivery of functions and the resources available to them for this. 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

An important aspect of planning health and social care functions is understanding the needs of the West Lothian population. West Lothian has a growing population. By 2026, it is estimated that West Lothian will have a population of 191,979, an increase of 6.6% on the 2016 population, the 6th highest percentage change in population size of the 32 local authority areas in Scotland. An estimated 2.2% of this increase will be due to natural change (i.e. more births than deaths) and 4.4% due to net migration. The average age of the population is increasing as the baby boomer generation ages and more people are expected to live longer. The 75 and over age group is projected to see the largest percentage increase (46%) which will place increasing demands on health and social care.

Over a third of the West Lothian elderly population report that they have one or more long term condition. With long term condition prevalence increasing with age, only 5.6% of those over 85 years report that they considered themselves to be in good health. The growth in the elderly population is having a significant impact on demand with increasing complexity and frailty.

The physical, mental and social wellbeing of the local population is influenced by the wider determinants of health, including deprivation, employment, education, housing and the environment. Approximately 41% (75,000) of the West Lothian population live in the most deprived quintiles and for almost every health indicator there is a clear gradient showing progressively poorer health and decreasing affluence and influence which has a direct impact on demand and complexity across General Practice, unscheduled hospital admissions and community care. It will be important to take account of this 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 is an essential requirement across the IJB, NHS Lothian and West Lothian Council in order to meet future challenges.

Organisational Developments and Performance

It is 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 IJB has a Strategic Plan which 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

A core suite of integration indicators are used to demonstrate progress in achievement of the national health and wellbeing outcomes above. In addition to this, the IJB uses a Balanced Scorecard

approach incorporating the integration indicators as well as relevant Local Delivery Plan indicators and other measures to monitor performance

The Scottish Government in partnership with COSLA have 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 are 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 an agreed West Lothian Health and Social Care Delivery Plan which sets 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 are regularly reported to the IJB. A performance update against these objectives is submitted to the Scottish Government on a six monthly basis.

Performance in respect of delayed discharges continues to be challenging with main contributing factors being Care at Home and Care Home capacity. Daily multidisciplinary meetings have been established to support discharge planning. The rehabilitation pathway is being reviewed to streamline activity and support a discharge to assess model building on successful project in stroke pathway. The care at home contract is due for renewal in 2019 and preparations are underway with procurement on the tendering process.

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 on a quarterly basis to the Integration Strategic Planning Group and the IJB, and on a monthly basis to the Health and Social Care Partnership Senior Management Team.

The West Lothian IJB's first Annual Performance Plan was published in July 2018. The draft 2017/18 Annual Performance report was reported to the IJB for consideration at its meeting on 26 June 2018 and agreed it would be approved for publication by the Chief Officer. The finalised 2017/18 Annual Performance Report is available using the link below.

http://www.westlothianchcp.org.uk/media/27410/West-Lothian-IJB-Annual-Performance-Report-201718/pdf/West_Lothian_IJB_Annual_Performance_Report_2017_18.pdf

Review of Strategic Plan

As noted, the Strategic Plan takes account of the integration delivery principles and the national health and wellbeing outcomes. The Act also includes provision for review of the Strategic Plan and this is undertaken on an annual basis. Based on the most recent review of the Strategic Plan, the Board have agreed that a new Strategic Plan should be developed to drive forward the transformational change required in health and social care. Since the previous Strategic Plan was agreed in early 2016, it has become evident that the strategic and financial challenges impacting on

performance and delivery require the Strategic Plan to be refreshed, and the objective is that a new Strategic Plan will be brought to the IJB for approval in December 2018.

It is proposed that the Strategic Plan will cover a five year period which will be consistent with the five year financial plan period for IJB functions. This will allow for integrated strategic and financial planning over 2018/19 to 2022/23.

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. It is further intended that strategic commissioning plans will be reviewed during 2018/19 to ensure that the strategic and financial challenges are fully reflected.

Financial Performance 2017/18

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 2017/18.

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.

A financial assurance process was undertaken on the funding contributions for 2017/18 made available by NHS Lothian and West Lothian Council. Through this, baseline pressures of £2.200 million were initially identified in the Health budget contribution to the IJB for 2017/18, 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 £1.790 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 2017/18.

IJB delegated services saw continued demand growth during 2017/18. 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 increasing needs and a 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 set aside acute hospital services where there was an overspend of £1.398 million. Junior medical staffing pressures relating to seven day working, non-compliant rotas and the use of locum staff to cover rotas was a major contributing factor to the overspend. In addition, difficulties in recruiting and the resulting requirement for agency staff in Accident and Emergency and General Medicine areas has also been a key contributing factor. 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, and pressures in this area, while still evident, have reduced substantially.

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 2017/18 was £18.282 million.

Both West Lothian Council and NHS Lothian have confirmed that 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 2018/19 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 operational providers of services.

Future Financial Plans and Outlook

The 2018/19 budget contributions from NHS Lothian and West Lothian Council have been taken account of in Directions issued to Partners for 2018/19. While the council contribution represents a balanced budget position, the NHS Lothian contribution represents a funding shortfall compared to forecast expenditure of £1.953 million (equivalent to 1.3% of the Health contribution). Taking account of this, it will be crucial that early action is taken to identify options to manage this pressure and ensure a balanced position is achieved for 2018/19.

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 team and council and NHS Lothian staff supporting the IJB. The IJB's 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. In line with the Board's agreed approach to IJB financial planning, budget plans have been and continue to be developed across IJB health and social care functions with the objective that overall health and social care considerations are taken into account in joint IJB / Partner financial planning.

Taking account of this a draft five year financial plan was reported to the Board on 26 June 2018. Based on current planning assumptions, IJB resources are estimated to increase by £13 million over the five year period to 2022/23. Based on inflationary and demand growth assumptions, this is estimated to result in a requirement for £34.5 million of budget savings to be achieved over the five year period to control spend within the assumptions of available funding. At this stage, £21.2 million of saving options have been identified against this requirement and work is progressing to identify further savings using a robust project management approach.

The nature of medium to long term financial planning means that identifying expenditure and funding growth for future years is challenging and uncertain. However, it is widely acknowledged by bodies such as Audit Scotland and CIPFA that a short-term annual budgeting process is not conducive to

achieving the aims consistent with planning to meet future demands and prioritising resources to achieve this.

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

- The wider financial environment continues to be challenging, with a high degree of volatility in the economy and uncertainties around Brexit
- Increased demand and expectations around services alongside constrained resources
- The impact of demographic changes is 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 may not be accompanied with adequate additional funding resources
- Failure to implement new models of care which are necessary to shift the balance of care, and allow effective care to be delivered within the resources available and in line with the IJBs Strategic Plan

IJB Risk Management

In accordance with the Risk Management Strategy approved by the IJB, all agreed risks are reported to the IJB Senior Management Team every two months, to the IJB Audit, Risk and Governance Committee every 6 months, and to the IJB annually. In addition, an update on all risks categorised as high are reported to each meeting of the Audit, Risk and Governance Committee.

Key aspects used in the reporting of IJB risks are the internal controls in place to reduce the level of risk and updates on risk action measures which are intended to further reduce the level of risk.

Conclusion

The second year of West Lothian Integration Joint Board having responsibility for delegated functions and resources has seen the review and development of strategic planning, performance reporting and the introduction of medium term financial planning. 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 approval of revised eligibility thresholds for social care.

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.

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 that 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 in supporting the IJB and look forward to building on the progress that has been made during 2017/18.

Martin Hill

Martin Hill

Chair

24 September 2018

Jim Forrest

Jim Forrest

Chief Officer

24 September 2018

Patrick Welsh

Patrick Welsh

Chief Finance Officer

24 September 2018

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 24 September 2018

Signed on Behalf of West Lothian Integration Joint Board

Martin Hill

Martin Hill

Chair of West Lothian Integration Board
24 September 2018

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 2018 and the transactions for the year then ended.

Patrick Welsh

Patrick Welsh
Chief Finance Officer
24 September 2018

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.

Name	Post(s) Held	Nominated by
Danny Logue	Chair April 2017 to May 2017	West Lothian Council
Harry Cartmill	Chair June 2017 to August 2017 Vice Chair September 2017 to March 2018	West Lothian Council
Martin Hill	Vice Chair April 2017 to August 2017 Chair September 2017 to March 2018	NHS Lothian

There were no IJB specific expenses recorded for voting members of the IJB during 2016/17 or 2017/18. Any expenses claimed by voting members are paid through the relevant IJB Partner organisation. 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 2017/18 are noted below.

John McGinty – West Lothian Council (April to June 2017)

Anne McMillan – West Lothian Council (April to June 2017)

Frank Toner – West Lothian Council (April to June 2017)

Alex Joyce – NHS Lothian

Lynsay Williams - NHS Lothian

Damian Timson – West Lothian Council (From June 2017)

George Paul – West Lothian Council (From June 2017)

Dave King – West Lothian Council (From June 2017)

Susan Goldsmith – NHS Lothian (April to September 2017)

Martin Connor – NHS Lothian (From October 2017)

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 and the Chief Finance Officer are regarded as employees of the Integration Joint Board when undertaking duties for the Board in relation to delegated functions. Both the Chief Officer and Chief Finance Officer also have operational roles with NHS Lothian and / or West Lothian Council and it is estimated that approximately 50% of their time is associated with their IJB duties. For the purposes of the IJB remuneration report and transparency of their salary costs, 100% of their remuneration has been shown.

Other Officers

Total 2016/17 £000	Senior Employees	Salary, Fees & Allowances £000	Compensation for Loss of Office £000	Total 2017/18 £000
100	Jim Forrest Chief Officer	103	Nil	103
57	Patrick Welsh Chief Finance Officer	63	Nil	63
157	Total	166	Nil	166

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 31/03/17 £000	For Year to 31/03/18 £000		Difference from 31/03/17 £000	As at 31/03/18 £000
Jim Forrest Chief Officer	14	15	Pension	3	56
			Lump sum	9	167
Patrick Welsh Chief Finance Officer	12	13	Pension	2	17
			Lump sum	1	22
Total	26	28	Pension	15	262

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 2016/17	Remuneration Band	Number of Employees in Band 2017/18
1	£55,000 - £59,999	0
0	£60,000 - £64,999	1
1	£100,000 - £104,999	1

Jim Forrest

Jim Forrest
Chief Officer
24 September 2018

Martin Hill

Martin Hill
Chair
24 September 2018

IJB ANNUAL GOVERNANCE STATEMENT

Corporate Governance

Corporate governance is comprised of the systems, processes, culture and values by which the Board is directed and controlled, and the activities through which it is accountable to, engages with and leads the West Lothian community. It is the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. Public sector public governing bodies and individuals working for them must try to achieve their entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

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 (especially its Audit, Risk & Governance Committee) and to its Director 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.

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. The governance 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 the statutory duty to secure best value.

Structure and powers

The Board is a statutory body established by the Scottish Parliament. It is responsible for the integrated functions delegated to it by the council and the health board. It makes a strategic plan for delivery of the health and social care services which go along with the integrated functions. It receives financial contributions from the council and health board, and to a small extent directly from the Scottish Government. It then directs the council and the health board in how they should deliver the integrated functions on its behalf and allocates financial resources to allow them to do so. The Board has responsibility for adult and older people's health and social care services. Those for children and young persons and criminal justice services, are delivered directly by the council and the health board through separate voluntary partnership working arrangements.

The Board has delegated some of its responsibilities to other internal bodies:-

- It established an Appointments Committee to fill the posts of Director, Chief Financial Officer, Internal Auditor and Standards Officer. It has not had to meet in 2017/18

- It established an Audit Risk & Governance Committee with scrutiny powers in relation to risk management, corporate governance and internal and external audit reports. It meets quarterly and the public has access to its meetings and meeting papers
- It established the Strategic Planning Group in accordance with legislation and guidance which again meets in public in relation to development, review and progressing the strategic plan
- It established a Health and Care Governance Group, chaired by a Board member, to provide a focus for clinical and social care issues and concerns and to advise the Board where appropriate

All of the Board's activities are carried out within the terms of relevant legislation, guidance and the statutory Integration Scheme. Its decision-making is carried out Standing Orders and other internal rules and procedures which are reviewed on a three-year cycle. They are principally made up of:-

- Standing Orders, governing the way Board and committee meetings are conducted
- Remits and procedural rules for committees and working groups
- Scheme of Delegation to Officers setting out the responsibilities and powers allocated to senior officers
- Financial Regulations which set the rules and procedures for financial, budget and treasury management
- Strategic Plan, Annual Financial Statement and Directions

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. Performance management and reporting arrangements have been under review during the year.

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.

The Board has adopted a revised Risk Management Strategy. 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.

The Board

The Board's membership and operating arrangements are controlled by statute. Board decisions are made by eight voting members, four from each of the council and the health board. It also has non-voting members who are senior council or health board professionals or are representatives of the users and providers of health and social care services.

There have been significant changes to the Board's voting members during the year. Those were mainly a result of the local government elections in May 2017. Health board members have changed as well. Induction and development sessions have taken place. In accordance with the Integration Scheme, the Chair was taken by a health board member in September 2017 with a council member taking the position of Vice-Chair. At the same time the position of Chair and Vice-

Chair of the Audit Risk & Governance Committee switched between the council and the health board.

The Board continues to meet approximately every six weeks. It maintains a Work Plan which is reviewed at every meeting. Its work has been assisted by a series of Board development sessions outside the constraints of a formal meeting when discussions could take place about issues of growing or particular concern and the long-term plans for the Board and its work. The Board deals with significant strategic and financial decisions and monitors and oversees financial and service performance and risk monitoring arrangements. It meets in public except in very strictly defined circumstances. All of its meetings in the year were open to the public.

Management

Under the terms of the governing legislation the Board only has one member of staff – its Director (Chief Officer). The Director was recruited on the formal establishment of the Board. He heads the joint management team and staff responsible for delivering the integrated services in accordance with Board directions. He is accountable to the Board, but also to the Chief Executives of the council and the health board. The Director is a non-voting Board member.

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 (2016). It 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 Financial Officer produces the Board's annual financial statement. The role is undertaken in accordance with the relevant statutory rules, guidance and standards. The Chief Financial Officer is a non-voting Board member.

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 Risk & 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.

Risk management is supervised on the officer side of the council by the 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.

Under the ethical standards legislation the Board requires to appoint a Standards Officer. The Standards Officer is responsible for ensuring the Board and its members meet their obligations under ethical standards legislation and the Board's Code of Conduct. The Board has appointed a Standards Officer who maintains the Board members' Register of Interest and advises on Code of Conduct issues and concerns. His appointment was approved by the Scottish Ministers in 2016.

The council has to appoint a senior officer with social work qualifications and experience to the statutory role of Chief Social Work Officer. The post carries the significant responsibility for statutory delivery of social care services and the right to have direct access to the council and its elected members. The Chief Social Work Officer is a non-voting member of the Board and the Board's Standing orders ensure a similar right of access to the Board and Board members in relation to areas of professional concern. The health board has appointed an officer to a similar post in relation to health care. The holder of that post is also a non-voting member of the Board. The Board's Standing orders give the same right of access to the Board and Board members as the Chief Social Work Officer has.

The Director leads a joint/integrated management team made up of officers and employees of council and health board. The Board does not have the legal power to employ staff.

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 (risk management) 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, both programmed and reactive work.

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 the external auditors' Annual Plan. Its remit has been amended this year to enable it to consider the external audit annual report and audited accounts prior to their consideration and approval by the Board itself.

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.

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

The Internal Audit Annual Report for 2016/17 provides 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 committee in the course of the year. Areas of concern or where control was found to require improvement were identified and those have been incorporated into and referred to in this statement.

System of internal control

A significant part of the Board's 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 are undertaken by officers who support the Board and approved where required by the Board or its Audit, Risk & Governance Committee.

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 is based on a framework, which includes financial regulations and a system of management supervision, delegation and accountability, 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 the Board on the effectiveness of the system of internal control is a statutory requirement carried out by the Board's Internal Auditor. It is included in his Internal Audit Annual Report in June each year. Its consideration precedes and informs this statutory annual governance statement which requires approval by the Board and incorporation into the annual accounts and financial statements.

Based on internal audit investigations and reports throughout the year he has identified areas where improvements are required and confirmed that recommendations would be followed up and reported. The Audit, Risk & Governance Committee is informed of agreed actions and deadlines for completion. It seeks assurances from responsible officers on progress through follow-up reports where so advised. Following the review for 2017/18 the Internal Auditor's conclusion is that the framework of governance, risk management and control requires improvement. That conclusion is based on the outcomes of his audits of performance management and workforce planning, as follows:-

- The audit of workforce planning was considered by the committee in January 2018. The Head of Health undertook to liaise with the Director and NHS Lothian Chief Officer and provide an update to the March meeting of the committee and agreed that the Internal Auditor would provide an update report at the December 2018 meeting of the committee. At its March meeting the committee noted the progress made on the development of the Plan and the most recent iterations of the parent organisations' workforce plans. It also noted that the publication of the third and final part of the relevant guidance from the Scottish Government was due for publication in early 2018. As decided by the committee, progress will be monitored through the report due to at its meeting in December 2018
- The committee considered the audit report on performance management in June 2017. It was advised that a review of performance management reporting arrangements was ongoing. That would involve developing clear targets and performance measures and the use of a balanced scorecard format due for adoption at the October Board meeting. That was not brought to the Board until its December meeting. The Board noted and accepted the outcome of the review and the targets and balanced scorecard proposed to be used. It was agreed that performance reports would be updated in accordance with availability of data and brought on quarterly basis to the Board for discussion.

Code of Corporate Governance

The Board's governance arrangements are assessed and reported in accordance with statutory requirements and under a Framework and accompanying Guidance for Scotland called "Delivering Good Governance in Local Government", produced by CIPFA/SOLACE in 2016. Its annual governance statement in 2016/17 was produced in accordance with the Framework. For 2017/18 a new Local Code of Corporate Governance has been developed and adopted under that Framework and Guidance as well.

The Code adopts the seven over-arching principles from the Framework which are:-

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social, and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of its leadership and the individuals within it
- Managing risks and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Each of those principles is broken down into sub-principles and then separate elements to allow a more focused approach to the components of each. A list of sources of evidence is included and the Board's actions and performance over the year are assessed to determine where it exceeds, meets or fails to meet the required standards. Areas of concern are picked out and reported on through the annual reporting process. Actions are identified and allocated and progress monitored through reporting to Board and committee. The Code is used to inform the drafting and approval of the annual governance statement.

Matters of concern from 2016/17 – progress and completion

Issues of concern noted in governance reporting in 2016/17 are found in the external audit annual report, the internal audit annual report and the annual governance statement.

The external audit report made comments and recommendations in relation to five governance matters. Four of those have been completed during the year (journal/ledger processing; remuneration report disclosures; budget-monitoring; and medium-term performance indicators). One was only partially complete at the year end, in relation to financial planning and sustainability. At that time, a Five Year Plan for Board functions was in preparation. It will be presented to the Board on 26 June 2018 for approval and will be updated, reviewed and refreshed thereafter.

The Internal Audit annual report gave rise to four concerns (audit standards; performance management; service level agreements for council services; and reporting on an external assessment of internal audit services). They were all progressed and completed during the year. Some further actions are however required in relation to performance management as highlighted by this year's Internal Audit annual report.

The annual governance statement for last year highlighted six areas to be addressed (adopting a Local Code of Corporate Governance; ensuring compliance with the Integration Scheme; induction of new Board members; statutory annual performance report procedures; annual report by Clinical Director; and securing the Board's best value duty). Four of those were completed during the year. One was partially completed (ensuring compliance with the Integration Scheme). One was incomplete (best value duty). Those two areas should be programmed for action and completion in the coming year and completion monitored by the Audit Risk & Governance Committee.

Matters to be considered in 2018/19

Based on consideration of progress on concerns in 2016/17, the Internal Audit Annual Report and assessment against the Local Code of Corporate Governance these are the issues of concern that the Board is recommended to address in 2018/19.

- The Internal Audit Annual Report concluded that the IJB's framework of governance, risk management and control required improvement. This related to outstanding work on workforce planning and performance management to be completed
- A procedure and framework should be developed and approved through which the Board can demonstrate compliance with its statutory duty to secure best value
- The Board should ensure it has complied with the requirements of the General Data Protection Regulation and the Data Protection Act 2018
- The Board should consider how it engages with its partner organisations and how the Board members are made aware of relevant developments and joint working. That should cover the Board's role in the Community Planning Partnership, liaison with the council and the health board at officer and member level, and the relationship with the other Lothian IJBs
- The incomplete action arising from last year's statement should be completed
- Arrangements for succession planning should be considered to ensure continuity at Board and officer level, in particular in relation to the Board's professional advisers and non-voting members
- Building on the process carried out by the Audit Risk & governance Committee, the Board should assess its own effectiveness and areas for improvement and those for its committees and other bodies
- The Board should review and ensure its compliance with all of the various regulatory regimes to which it is subjected. Those cover a range of requirements from the public sector equality duty to climate change duties
- As part of its work on performance management arrangements the Board should explore and report on benchmarking with other IJBs
- Matters arising from the external audit report should be added as appropriate when the Board has approved its annual accounts for signature

In addition, the way the new Code of Corporate Governance was applied will be reviewed to reflect on lessons from its first year of use.

Conclusion and assurance

Based on the governance framework, arrangements and review already described, the Board and the West Lothian community can be assured that the Board's corporate governance standards have been substantially met in 2017/18. There are however areas for improvement which should be addressed by officers and referred to Audit Risk & Governance Committee for monitoring and control. Consideration should be given as to whether any of those matters require formal recognition or reassessment in the Board's Risk Register.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This statement shows the cost of providing services for the year according to accepted accounting practices.

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 2017/18.

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.

2016/17			2017/18			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
176,526	0	176,526	Health Services	185,904	0	185,904
60,556	0	60,556	Social Care Services	64,430	0	64,430
28	0	28	Corporate Expenditure	27	0	27
<hr/>						
237,110	0	237,110	Cost of Services	250,361	0	250,361
0	(237,110)	(237,110)	Taxation and Non-Specific Grant Income	0	(250,361)	(250,361)
<hr/>						
237,110	(237,110)	0	Surplus or Deficit on Provision of Services	250,361	(250,361)	0
<hr/>						
			Surplus / Deficit on			
			0			0
			Provision of Services			
<hr/>						

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 2017 £000	Notes	31 March 2018 £000
0		0
0		0
<u>0</u>		<u>0</u>
<u>0</u>		<u>0</u>
<u>0</u>		<u>0</u>
<u>0</u>		<u>0</u>

The unaudited accounts were issued on 26 June 2018 and the audited accounts were authorised for issue on 24 September 2018.

Patrick Welsh

Patrick Welsh
Chief Finance Officer
24 September 2018

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 2018 and its income and expenditure for the year then ended.

The Annual Accounts summarise the Integration Joint Boards transactions for the 2017/18 financial year and its position at the year end of 31 March 2018.

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 2018.

3. PARTNER EXPENDITURE ANALYSIS

The following analysis sets out the expenditure incurred by the IJB's partners on areas delegated to them by the IJB. This information is provided to the Board throughout the year to enable them to monitor the spend on delegated functions. The total expenditure incurred by the Partners is met by the payments made by the IJB in respect of delegated functions.

Health Services	Unaudited Budget £000	Actual Expenditure £000	Variance £000
Core Services			
Community AHPS	3,551	3,526	25
Community Hospitals	2,178	2,403	(225)
District Nursing	2,997	2,808	189
GMS	25,540	25,539	1
Mental Health	13,177	13,545	(368)
Other	18,812	18,724	88
Prescribing	36,767	37,116	(349)
Resource Transfer	6,782	6,782	0
Total	109,804	110,443	(639)
Hosted Services			
AHP Services	2,227	2,177	50
GMS – Hosted	2,060	2,129	(69)
Learning Disabilities	3,157	3,375	(218)
Lothian Unshed. Care Serv.	2,124	2,124	0
Oral Health Services	3,396	3,278	118
Other	1,562	1,452	110
Psychology Service	1,579	1,547	32
Rehabilitation Medicine	843	775	68
Sexual Health	1,159	1,157	2
Substance Misuse	3,253	3,294	(41)
UNPAC	1,341	1,145	196
Total	22,701	22,453	248
Set Aside Services			
A & E (Outpatients)	4,082	4,527	(445)
Cardiology	4,124	4,105	19
Gastroenterology	1,211	1,489	(278)
General Medicine	6,788	6,994	(206)
Geriatric Medicine	4,812	4,742	70
Infectious Disease	2,634	2,508	126
Junior Medical	4,621	5,069	(448)
Other	2,357	2,517	(160)

Rehabilitation Medicine	751	803	(52)
Respiratory Medicine	1,947	1,972	(25)
Total	33,327	34,726	(1,399)

Non Cash Limited Services

Dental	9,831	9,831	0
Ophthalmology	3,409	3,409	0
Pharmacy	5,042	5,042	0
Total	18,282	18,282	0

Additional Contribution from NHS Lothian	1,790	0	1,790
Total Health Services	185,904	185,904	0

	Unaudited Budget £000	Actual Expenditure £000	Variance £000
Social Care Services			
Learning Disabilities	16,058	15,896	162
Physical Disabilities	6,397	6,419	(22)
Mental Health	3,162	3,299	(137)
Older People Assess & Care	29,460	29,167	293
Care Homes & HWC	10,001	10,295	(294)
Contracts & Commissioning Support	5,434	5,035	399
Other Social Care Services	(6,055)	(5,654)	(401)
Total Adult Social Care Services	64,457	64,457	0
TOTAL ALL SERVICES	250,361	250,361	0

4. RESERVES

The IJB holds no reserves at 31 March 2018. No reserves were held in prior years, consequently there is no requirement for a movement in reserves statement.

5. CORPORATE EXPENDITURE

	2017/18 £'000	2016/17 £'000
Audit Fee	24	25
CNORIS Fee	3	3
Total	27	28

Note – the corporate expenditure is shown within the Partner Expenditure Analysis and funding table.

6. RELATED PARTY TRANSACTIONS

In the 2017/18 financial year the following transactions were made with NHS Lothian and West Lothian Council relating to integrated health and social care functions.

Income – payments for integrated functions	2017/18 £'000	2016/17 £'000
NHS Lothian	(185,904)	(176,526)
West Lothian Council	(64,457)	(60,584)
Total	(250,361)	(237,110)

Expenditure – payments for delivery of integrated functions	2017/18 £'000	2016/17 £'000
NHS Lothian	185,904	176,526
West Lothian Council	64,457	60,584
Total	250,361	237,110