
WEST LOTHIAN INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS
2018/19

CONTENTS

Accounts of West Lothian Integration Joint Board (IJB) for the period to 31 March 2019, 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

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 Integration Joint Board") for the year ended 31 March 2019 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 2018/19 (the 2018/19 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of the West Lothian Integration Joint Board as at 31 March 2019 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 2018/19 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)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. 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 were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is three years. We are independent of the Integration Joint 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 Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the Integration Joint Board. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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 Integration Joint Board's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Chief Finance Officer and West Lothian Integration Joint Board 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 Integration Joint Board's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The Integration Joint Board'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.

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

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

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

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.

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

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.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

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

Use of our report

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

Stephen Reid, *for and on behalf of Ernst & Young LLP*
Ernst & Young LLP
Atria One
144 Morrison Street
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September 2019

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 2018/19 and how this has supported the delivery of the IJB's strategic priorities. The commentary also looks forward, outlining the 2019/20 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.

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, and 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. There are a number of non-voting members of the Board who are advisory members, including the IJB Director, Chief Finance Officer, and other service and staffing representatives. The existing IJB Director will retire on 13 September 2019 and following the recruitment process undertaken, Alistair Short has been appointed to the post and will take up the role from 30 September 2019.

West Lothian information

An important aspect of planning health and social care functions is understanding the needs of the West Lothian population. West Lothian faces a growing and ageing population over the lifetime of this plan and beyond. Over the next five years, West Lothian's population is expected to increase by 10,000 to approximately 192,000. Over the same period, the over 75 years population is expected to increase by 25%.

Growth in the elderly population will be the most significant in Scotland, with the 65-74 age group increasing by 34.8% and persons aged 75 and over increasing by 119.7% by 2041.

Healthy life expectancy is the number of years an individual is expected to live in good health. The difference between healthy life expectancy and life expectancy highlights the length of time an individual is expected to live in poor health. Although female life expectancy is higher than that of males, more years are spent in poorer health.

Almost one in four (23.3%) of people living in West Lothian report having a limiting long-term physical or mental health condition. A long term condition can have a significant impact on quality of life and ability to carry out day to day activities and is defined as any condition which has lasted or is expected to last at least 12 months.

Almost three quarters (73.8%) of people in West Lothian rate their general health as 'very good' or 'good' and 5.3% rate their general health as 'bad' or 'very bad'. The presence of one or more long term conditions increases significantly with age and has a direct impact on the person's perception of their general health, with only 5.6% of those over 85 years reporting they are in 'very good health'.

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% 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 an updated 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 provided six-monthly progress updates on integration of health and social care to the Scottish Government during 2018/19 and agreed objectives against each of the indicators for 2019/20. The updated 2019/20 objectives were agreed by the IJB on 12 March 2019 and future performance monitoring will be aligned to these objectives.

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

The [2018/19 Annual Performance report](#) was approved by the IJB on 26 June 2019 and was published on 31 July 2019. This document sets out a review of the IJBs performance during 2018/19 and outlines what has been achieved against the priorities set out in the IJB Strategic Plan.

The key challenge in terms of performance during 2018/19 was in respect of delayed discharges with main contributing factors being Care at Home and Care Home capacity. An Integrated Discharge Hub was established during 2018/19 which has co-located health and social work teams. The integration of these teams has allowed for a more joined up and streamlined approach to decision making which has reduced often lengthy referral processes and by the end of March 2019 had contributed to a significant improvement in delayed discharge (DD) performance. This is set out in the table below.

Delayed Discharge Census	October 2018	March 2019	Change over Period
*Standard Delays	67	27	Reduced by 59.7%
*Code 9 Delays	4	2	Reduced by 50%
Hospital Bed Days	2,211	1,338	Reduced by 39.5%

*Standard Delays relate to where a person remains in hospital after treatment is complete and is waiting for appropriate care arrangements to be made for safe discharge.

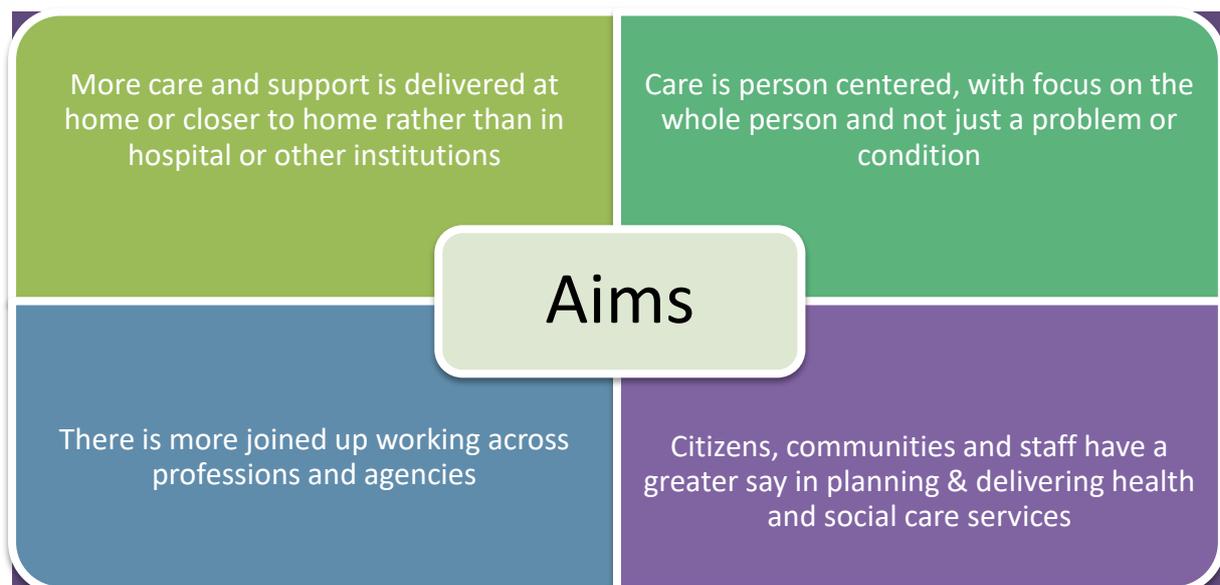
*Code 9 Delays relate to where it is acknowledged that discharge arrangements are more complex due to the specific care needs of the person.

Substantial work has been undertaken on developing new care at home contract arrangements and it is intended the new contract arrangements will be in place for 1 October 2019. A key objective in developing the new care at home contract arrangements has been to maximise the capacity available to meet West Lothian's increasing elderly population within available resources.

Updated Strategic Plan

Significant work was undertaken during 2018/19 to produce a new Strategic Plan. This reflected the Board's decision that strategic and financial challenges impacting on service performance and delivery required the existing Strategic Plan to be reviewed. The development of the new Strategic Plan was subject to a two stage consultation process with the public and scrutiny by the Strategic Planning Group before being approved by the Board on 23 April 2019.

The new Strategic Plan covers the period 2019/20 to 2022/23 and sets out how the IJB intends to deliver its vision to increase wellbeing and reduce health inequalities across all communities in West Lothian, and to deliver the nine national health and wellbeing outcomes through agreed strategic priorities and transformational change programmes. The Plan's key strategic vision and aims are set out below.



Based on the strategic intentions outlined in the Plan, updated Strategic Commissioning Plans are currently being developed for specific care groups taking account of the medium term financial planning framework. The Strategic Commissioning Plans will provide more detail on future service delivery plans and transformation that will support an informed approach to planning and prioritising future service delivery.

Financial Performance 2018/19

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 2018/19.

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 2018/19 made available by NHS Lothian and West Lothian Council. This included reviewing the adequacy of the contributions compared to the anticipated cost of providing health and social care services. Through this, baseline pressures of approximately £2 million were initially identified in the Health budget contribution to the IJB for 2018/19, 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 was £1.947 million with this balance being funded by NHS Lothian through their achievement of an overall breakeven position. The NHS health services expenditure was therefore fully funded through income from NHS Lothian. In addition, Mental Health Action 15 funding allocated to IJBs from the Scottish Government of £190,000 has been carried forward and established as an earmarked IJB reserve.

In terms of council care services, there was an underspend against the budgeted council contribution of £796,000 and a funding reduction was agreed by the council to enable the year end expenditure on social care functions to match the funding contribution from West Lothian Council. In addition, 2018/19 Alcohol and Drug Partnership funding allocated to IJBs from the Scottish Government of £290,000 has been carried forward and established as an earmarked IJB reserve. The adjustments to IJB funding agreed by NHS Lothian and West Lothian Council allowed the IJB to achieve the position reported in the 2018/19 financial statements is set out in the table below.

West Lothian IJB 2018/19 Funding and Expenditure			
Delegated Health Functions – NHS Lothian	Final Agreed Contribution £'000	Actual Spend £'000	Variance £'000
Core West Lothian Health Services	115,334	115,624	(290)
Share of Pan Lothian Hosted Services	20,783	20,649	134
Share of Acute Hospital Services	30,982	32,583	(1,601)
Non-Cash Limited Services	19,322	19,322	0
Agreed Additional 2018/19 Funding Contribution	1,947	0	1,947
Health Functions - Total	188,368	188,178	190
Delegated Social Care Functions – West Lothian Council			
Adult Social Care Services	64,629	63,543	1,086
Agreed Reduction to 2018/19 Funding Contribution	(796)	0	(796)
Social Care Functions	63,833	63,543	290
TOTAL	252,201	251,721	480

IJB delegated services saw continued growth in demand during 2018/19. Within community care, elderly care home 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 services where there was an overspend of £1.601 million. Junior medical staffing pressures relating to the cost of discretionary points and ongoing 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 nursing 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 2018/19 including prioritisation of additional funding and this resulted in spend being managed within available 2018/19 budget resources. There remain significant risks around prescribing volumes and units going forward and this will require to be closely monitored. Acute drugs are also emerging as an increasing financial risk.

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 2018/19 was £19.321 million (2017/18 - £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 2019/20 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

2019/20 Budget

The 2019/20 budget contributions from NHS Lothian and West Lothian Council have been taken account of in Directions issued to Partners for 2019/20. While the council contribution represents a balanced budget position, the NHS Lothian contribution represents a funding shortfall compared to forecast expenditure of £2.067 million. Taking account of this, it will be crucial that action is taken during the year to identify options to manage this pressure and ensure a balanced position is achieved for 2019/20.

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.

Medium Term Financial Planning

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 an updated four year financial plan was reported to the Board on 23 April 2019. Based on current planning assumptions, IJB resources are estimated to increase by over £12.4 million over the four year period to 2022/23. Based on inflationary and demand growth assumptions, this is estimated to result in a budget gap of £26.3 million (£14.2 million for social care functions and £12.1 million for health functions) over the four year period compared to assumptions of available funding. At this stage, a total of £19 million of saving options have been identified against this requirement, split £14.2 million for social care functions and £4.8 million for health functions. Work is continuing to progress to identify further savings using a robust project management approach as well as monitor medium term funding and expenditure assumptions.

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 term 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. In terms of Brexit, updates on potential implications and risks were reported to the IJB Audit, Risk and Governance Committee on 6 March 2019 and to the Board on 13 August 2019. In terms of finance risks, any downturn in the economy following Brexit could potentially result in further public sector funding constraints while increased costs associated with supplies and services such as medicines are also a risk

- 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

The risks above are monitored upon as part of regular financial monitoring reports provided to the IJB which incorporate monitoring of in year and strategic financial risks. In addition, an updated medium term financial strategy will be reported to the IJB following the Scottish Budget announcement, anticipated in December 2019, and consideration with partners on implications for IJB funding and saving requirements. This will also take account of ongoing work to review assumptions on future care demands, impact of changes to service delivery models and further development of budget saving options.

IJB Risk Management

In accordance with the Risk Management Strategy approved by the IJB, the position with 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 the position and controls in place to manage all risks categorised as high are reported to each meeting of the Audit, Risk and Governance Committee. The IJB risks categorised as high are:

- Delayed Discharge – Risk that patients are not discharged in a timely manner resulting in suboptimal patient flow, impacting on poor patient and staff experience and poorer outcomes of care
- Sustainability of Primary Care – Risk that GP service provision will be disrupted, restricted or unavailable because of increasing capacity and demand issues as a result of population growth and / or GP practices experiencing difficulties in recruitment and retention of staff
- Inadequate Funding – Risk that funding is inadequate, or is not effectively prioritised, leading to failure to achieve strategic objectives
- Workforce Planning – Risk that lack of effective workforce planning leads to a failure to develop a sustainable workforce which has an adverse impact on performance and the ability of the IJB to achieve its strategic objectives

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.

Brexit could also potentially impact on areas such as workforce, supply of medicines and non clinical goods and services. Operational partner bodies have arrangements in place to identify and monitor Brexit risks and a West Lothian Health and Social Care Partnership

Brexit Group has been established to assess risks and develop mitigation actions with a focus on local business continuity arrangements leading up to 31 October 2019.

Conclusion

The third year of West Lothian Integration Joint Board having responsibility for delegated functions and resources has seen the review and development of a new Strategic Plan, as well as further development of performance reporting and 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 introduction of revised eligibility thresholds for social care.

There has been increased joint working across health and social care to integrate service delivery including through the Integrated Discharge Hub to support 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 2018/19.



Martin Hill
Chair



Jim Forrest
Chief Officer



Patrick Welsh
Chief Finance Officer

10 September 2019

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 Integration Joint Board on 10 September 2019

Signed on Behalf of West Lothian Integration Joint Board



Martin Hill
Chair of West Lothian Integration Board
10 September 2019

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 2019 and the transactions for the year then ended.



Patrick Welsh
Chief Finance Officer
10 September 2019

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 are shown below.

Name	Post(s) Held	Nominated by
Martin Hill	Chair	NHS Lothian
Harry Cartmill	Vice Chair	West Lothian Council

NHS Lothian remunerates its non-executive members on a notional day basis. That is, they are paid a fixed annual amount which is considered to represent payment for one day per week. Those non-executive members of the NHS Lothian Board, who are also Chairs or Vice Chairs of IJBs, are given an additional day's remuneration per week in recognition of the additional time required to undertake those roles. Martin Hill, as a non-executive member of NHS Lothian Board who is also the chair of West Lothian IJB, has received an additional day's remuneration specifically for his role as chair of the IJB in 2018/19. This remuneration is £8,416 per annum (£8,251 in 2017/18).

There were no IJB specific expenses recorded for voting members of the IJB during 2018/19 (£0 in 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 2018/19 are noted below.

West Lothian Council	NHS Lothian
Dave King	Martin Connor
George Paul	Alex Joyce
Damian Timson	William McQueen

In addition, on the 19 March 2019, Council agreed that Councillor Dom McGuire would replace Councillor Dave King as a voting member of West Lothian Integration Joint Board.

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.

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 within NHS Lothian and / or West Lothian Council and it is estimated, based on prior and current experience, that approximately 50% of their time is associated with IJB duties. For the purposes of the IJB remuneration report and transparency of their salary costs, 100% of their remuneration has been shown.

Total 2017/18 £'000	Senior Employees	Salary, Fees & Allowances £'000	Compensation for Loss of Office £'000	Total 2018/19 £'000
103	Jim Forrest Chief Officer	107	Nil	107
63	Patrick Welsh Chief Finance Officer	68	Nil	68
166	Total	175	Nil	175

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 31/03/18 £'000	For Year to 31/03/19 £'000		Difference from 31/03/18 £'000	As at 31/03/19 £'000
Jim Forrest Chief Officer	15	16	Pension	3	59
			Lump sum	10	177
Patrick Welsh Chief Finance Officer	13	14	Pension	3	20
			Lump sum	3	25
Total	28	30	Pension	19	281

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 2017/18	Remuneration Band	Number of Employees in Band 2018/19
1	£60,000 - £64,999	0
0	£65,000 - £69,999	1
1	£100,000 - £104,999	0
0	£105,000 - £109,999	1



Jim Forrest
Chief Officer



Martin Hill
Chair

10 September 2019

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. The Board, Board members and individuals working for and supporting them must try to achieve the Board'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 the Board's 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, so 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 Integration Scheme was amended in the course of the year to reflect additional statutory duties imposed under the Carers (Scotland) Act 2016.

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

- It established an Appointments Committee to fill the posts of Director, Chief Finance Officer, Internal Auditor and Standards Officer. It has not had to meet in 2017/18 or 2018/19 but met on 28 June 2019 to appoint the new Director who is due to take up his post role on 30 September 2019 after the retirement of the current Director
- 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 Clinical 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. The effective use of this Group is an issue identified for improvement and for action in the coming year
- In April 2019 the Board approved a revised strategic planning structure. It is designed around Planning & Commissioning Boards with remits designed to ensure delivery of the revised Strategic Plan 2019-23

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 under 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, working groups and the new Planning & Commissioning Boards
- 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 and its accompanying Annual Financial Statement

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. Although the Board considered the draft statutory performance report in June 2018 the deadline for its publication was missed and was noted in the external auditors' report for 2017/18.

The Board's Financial Regulations call for quarterly budget monitoring reports to be presented to the Board. They also call for regular periodic budget and financial assurance reports 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 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 some changes to the Board's voting members during the year but fewer than in the preceding year. Induction and development sessions have taken place. In accordance with the Integration Scheme, the Chair will be taken by a council member in September 2019 with a health board member taking the position of Vice-Chair. At the same time the position of Chair and Vice-Chair of the Audit, Risk & Governance Committee will switch 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. That is now accompanied at every meeting by an annual calendar of reporting and review deadlines. That arrangement was put in place for the Board and the Audit, Risk & Governance Committee as an improvement action arising from the deadline for publication of the statutory performance report being missed in 2018. The Board's 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.

The Board has developed its participation in the West Lothian Community Planning Partnership. The Board is a statutory community planning partner and is represented on the Community Planning Partnership Board by the Director. Periodic reports are brought to the Board to inform Board members of developments within the Partnership.

The Board now also participates in a newly-formed strategic partnership forum amongst the health board and the integration joint boards within the health board area. It aims to increase cooperation amongst the bodies involved and secure and promote efficient planning where there are common themes and pressures shared by all concerned.

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. His place and responsibilities are set out in the Board's Scheme of Delegations. 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 that qualification. The Board has appointed its Chief Finance 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. The Chief Finance Officer is a non-voting Board member. His place and responsibilities are set out in the Board's Scheme of Delegations. In accordance with its Best Value Framework adopted during the year, the Chief Finance Officer reports each year on the extent of the Board's delivery of its statutory best value duty. That informs both the Internal Auditor's review of the system of internal control and this annual governance statement.

The Board is required to operate a professional and objective internal audit service. The council's Audit, Risk & 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 Board by the Internal Auditor. Risk management is also embedded at a service level in the senior management team which is 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 the integrated management structure.

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. He plays a wider role in supporting the Board in meeting its expected and adopted standards of good corporate governance. He prepares this annual governance statement and reports to the Board when required on governance matters, including compliance with the Board's adopted Local Code of Corporate Governance.

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. Each delivers a formal annual report to the Board in connection with the discharge of their duties in relation to health and social care governance and statutory compliance.

The Director leads a 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. The present Director has intimated his retirement. Recruitment arrangements were agreed on a tripartite basis with council and health board, and an appointment to the post has been made from 30 September 2019. The head of the integrated council social care services resigned during the year. Her replacement has been appointed as both head of those services and Chief Social Work Officer. She is a non-voting member of the Board in that latter capacity. The head of integrated health services retired during the year and arrangements continue to appoint to that vacant post.

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 periodic 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. It approves the annual governance statement on behalf of the Board before the Board considers it as part of its unaudited accounts and financial and other statements.

The reports contain a conclusion as to the soundness of control based on the audit 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 enables 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. In 2018/19 it also received a report on progress against the governance issues identified for attention in last year's 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 Risk Management Annual Reports for council and health board for 2017/18 were reported to the committee during the year.

The Internal Audit Annual Report in June 2019 for 2018/19 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 or for the Board and incorporation into the annual accounts and financial statements.

Based on internal audit work and reports throughout the year the Internal Auditor identifies areas where improvements are required and confirms that recommendations will 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 2018/19 the Internal Auditor's conclusion is that the framework of governance, risk management and control is generally sound. His annual report notes that areas for improvement have been identified. It notes in particular that further audit work in relation to workforce planning has been included in the Internal Audit Plan for 2019/20.

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. In 2017/18 a new Local Code of Corporate Governance was developed and adopted under that Framework and Guidance. The annual governance statement was produced under that Framework for 2017/18 and is again this year.

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 Board'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; and 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.

For the first time the Chief Finance Officer has prepared a best value framework annual statement. It is part of the framework approved by the Board in September 2018 to enable it to gain the assurance it requires on the extent of its compliance with its statutory best value duty. That statement will be reported to Audit, Risk & Governance Committee in June 2019. Along with the Internal Auditor's review of the system of internal control and the Board's Code of Corporate Governance it informs and underpins this annual governance statement. The Chief Finance Officer has concluded and has certified that the Board's best value duties were substantially complied with in 2018/19.

Matters Arising from 2017/18 – progress and completion

Areas for improvement in governance terms for 2017/18 were picked up in the annual governance statement from the external auditors' annual report, the internal audit annual report and the Local Code of Corporate Governance. Those matters were reported regularly to the Director's senior management team throughout the year for monitoring. A report against progress was made to the Audit, Risk & Governance Committee in March 2019. Progress made since then has been noted and considered at management team meetings so that it can be reflected in this statement.

There were 13 such issues identified in the 2017/18 statement. Of those, 5 have been completed and 8 are ongoing and are yet to be completed. Not all of those still ongoing represent significant risks to the Board. The ones which are of most concern are:

- Workforce planning
- Engagement with partners and reporting to the Board
- Succession planning

These have been brought out in the course of populating the Local Code of Corporate Governance. They will continue to be monitored and progress reported to committee. The aim should be to bring those to a satisfactory conclusion in 2019/20.

Matters arising during 2018/19

In addition to the governance matters outstanding identified in the annual governance statement for 2017/18, other governance matters arose during the year and were recorded for action. Those arose from the external audit report for 2017/18, Board meetings, meetings of the Audit, Risk & Governance Committee and from external sources such as the Accounts Commission. Those were also reported regularly to the senior management team throughout the year for monitoring. They were included in the update report to the Audit, Risk & Governance Committee in March 2019. Progress made since then has been noted and considered at management team meetings so that it can be reported in this statement.

There were 11 new issues arising. Of those, 7 have already been completed, and 4 are ongoing and should be addressed during 2019/20. Not all of those still ongoing represent significant risks to the Board. The most significant matters to be implemented are:

- Concluding and implementing the review of the Strategic Plan
- Implementing actions agreed in response to the reports from external scrutiny bodies on the pace of change and integration of health and social care services

Matters to be considered in 2019/20

Based on consideration of progress on the matters of governance set out in the appendix, the Internal Auditor's review of the system of internal control, the Chief Finance Officer's Best Value Compliance Statement and information noted in the Local Code of Corporate Governance these are the issues that the Board is recommended to address in 2019/20:

- The matters outstanding from the annual governance statement for 2017/18, referred to and highlighted above
- The matters outstanding which arose during 2018/19, referred to and highlighted above
- Ensuring ongoing compliance with, or demonstrating compliance through reliance on council and health board policies and procedures, anti-fraud and corruption measures; whistle-blowing requirements; officer codes of conduct and avoidance of conflicts of interest; the place of ethical standards in contracts with third party providers; and officer performance appraisal arrangements
- Further development of a communications strategy to build the Board's profile, establish its presence as an independent legal entity, especially on the internet, and ensure and advertise the availability of information and services electronically
- Partnership working and reporting to the Board on it, with a view to contributing to the aims and outcomes of the community planning partnership and assisting the Board in achieving its own targets and outcomes with the assistance of others
- Ensuring continued compliance with statutory reporting and compliance regimes, especially GDPR and the Data Protection Act 2018
- Re-establishing the Board's Clinical and Care Governance group which will report to the board regularly and fulfil its role in assuring the Board that its clinical and care governance arrangements are complete and operate satisfactorily
- Keeping the new structure of Planning & Commissioning Boards under review to ensure their successful contribution to delivery of the Strategic Plan
- Workforce planning and development and Board member development, including succession planning for both
- Ensuring that the timetabled reviews of Standing Orders, Scheme of Delegations and other significant governance documents are completed timeously

Revitalising the clinical and care governance arrangements, and developing and implementing a communications strategy, are assessed as the most significant of these matters.

With respect to these matters, the IJB's Health and Care Governance Framework was approved by the Board on 26 June 2019, along with the IJB's Health and Care Governance Group's work plan for 2019/20. The IJB Health and Care Governance Group has been established and will meet on a two monthly basis.

In addition, a report on the development of the IJB's communication strategy was approved by the Board on 13 August 2019.

Conclusion and assurance

Based on the Board's governance framework described in this statement the Board and the West Lothian community can be assured that the Board's corporate governance standards have been substantially met in 2018/19.

There are however areas for improvement which should be addressed by officers and referred to Audit, Risk & Governance Committee for monitoring and control. Consideration will be given on an ongoing basis 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 2018/19.

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.

2017/18			2018/19			
Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000		Gross Expenditure £'000	Gross Income £'000	Net Expenditure £'000
185,904	0	185,904	Health Services	188,178	0	188,178
64,430	0	64,430	Social Care Services	63,515	0	63,515
27	0	27	Corporate Expenditure	28	0	28
250,361	0	250,361	Cost of Services	251,721	0	251,721
0	(250,361)	(250,361)	Taxation and Non-Specific Grant Income	0	(252,201)	(252,201)
250,361	(250,361)	0	(Surplus) or Deficit on Provision of Services	251,721	(252,201)	(480)

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the IJB's reserves. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices.

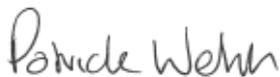
	General Fund Balance
	£'000
Opening Reserve Balance at 31 March 2018	0
Total Comprehensive Income and Expenditure Statement	(480)
(Increase) or Decrease in Reserves in 2018/19	(480)
Closing Reserve Balance at 31 March 2019	(480)

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 2018 £'000	Notes	31 March 2019 £'000
0	Short term Debtors	6
0	Current Assets	480
0	Short term Creditors	7
0	Current Liabilities	0
0	Provisions	2
0	Long-term Liabilities	0
0	Net Assets	480
0	Earmarked Reserves: General Fund	3
0	Total Reserves	480

The unaudited accounts were issued on 26 June 2019 and the audited accounts were authorised for issue on 10 September 2019.



Patrick Welsh
Chief Finance Officer
10 September 2019

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 2019 and its income and expenditure for the year then ended.

The Annual Accounts summarise the Integration Joint Boards transactions for the 2018/19 financial year and its position at the year end of 31 March 2019.

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 Critical Judgements and Estimation Uncertainty

In applying required accounting policies, it is considered there are no key estimates or judgements that impact on the 2018/19 financial statements

1.6 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.

1.7 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.

1.8 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.

1.9 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.

1.10 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

1.11 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 2019.

3. RESERVES

	2018/19 £'000	2017/18 £'000
Alcohol and Drug Partnership Funding	290	0
Mental Health Action 15 Funding	190	0
Total	480	0

4. CORPORATE EXPENDITURE

	2018/19 £'000	2017/18 £'000
Audit Fee	25	24
CNORIS Fee	3	3
Total	28	27

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

5. RELATED PARTY TRANSACTIONS

In the 2018/19 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	2018/19 £'000	2017/18 £'000
NHS Lothian	(188,368)	(185,904)
West Lothian Council	(63,833)	(64,457)
Total	(252,201)	(250,361)

Expenditure – payments for delivery of integrated functions	2018/19 £'000	2017/18 £'000
NHS Lothian	188,178	185,904
West Lothian Council	63,543	64,457
Total	251,721	250,361

Details of debtor and creditor balances with partner bodies are set out in subsequent notes (Notes 6 and 7)

6. SHORT TERM DEBTORS

	2018/19 £'000	2017/18 £'000
West Lothian Council	290	0
NHS Lothian	190	0
Total	480	0

7. SHORT TERM CREDITORS

	2018/19 £'000	2017/18 £'000
Central Government Bodies	0	0
Other Local Authorities	0	0
Total	0	0

8. PARTNER EXPENDITURE ANALYSIS

The following analysis sets out the expenditure incurred by the IJB's partners on areas delegated to them by the IJB. Information is provided to the Board throughout the year to enable them to review financial performance against funding contributions provided by partners for delegated functions.

Health Services	Unaudited Budget £'000	Actual Expenditure £'000	Variance £'000
Core Services			
Community AHPS	4,808	4,796	12
Community Hospitals	2,208	2,453	(245)
District Nursing	3,184	3,050	134
GMS	27,821	27,904	(83)
Mental Health	14,922	15,138	(216)
Other	19,052	19,228	(176)
Prescribing	36,367	36,273	94
Resource Transfer	6,972	6,782	190
Total	115,334	115,624	(290)
Hosted Services			
AHP Services	2,274	2,167	107
GMS – Hosted	2,308	2,308	0
Learning Disabilities	2,914	3,029	(115)
Lothian Unshed. Care Serv.	2,208	2,208	0
Oral Health Services	3,429	3,303	126
Other	1,607	1,609	(2)

	Unaudited Budget	Actual Expenditure	Variance
	£'000	£'000	£'000
Psychology Service	1,713	1,732	(19)
Rehabilitation Medicine	849	794	55
Sexual Health	1,198	1,186	12
Substance Misuse	1,247	1,284	(37)
UNPAC	1,036	1,029	7
Total	20,783	20,649	134

Set Aside Services

A & E (Outpatients)	4,183	4,867	(684)
Cardiology	1,631	1,610	21
Gastroenterology	1,139	1,051	88
General Medicine	6,707	7,293	(586)
Geriatric Medicine	4,981	4,935	46
Infectious Disease	2,455	2,563	(108)
Junior Medical	4,972	5,197	(225)
Other	2,137	2,234	(97)
Rehabilitation Medicine	777	826	(49)
Respiratory Medicine	2,000	2,007	(7)
Total	30,982	32,583	(1,601)

Non Cash Limited Services

Dental	10,317	10,317	0
Ophthalmology	3,463	3,463	0
Pharmacy	5,542	5,542	0
Total	19,322	19,322	0

*Agreed Additional Funding Contribution	1,947	0	1,947
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Total Health Services	188,368	188,178	190
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*Additional funding agreed with NHS Lothian to increase budget – expenditure funded by this budget included in service spend above

Social Care Services	Unaudited Budget £'000	Actual Expenditure £'000	Variance £'000
Learning Disabilities	17,826	17,737	89
Physical Disabilities	7,084	7,472	(388)
Mental Health	3,956	3,793	163
Older People Assess & Care	30,834	29,691	1,143
Care Homes & HWC	9,363	9,607	(244)
Contracts & Commissioning Support	3,213	3,138	75
Other Social Care Services	(7,647)	(7,895)	248
Total	64,629	63,543	1,086
*Agreed Reduction to Funding Contribution	(796)	0	(796)
Total Adult Social Care Services	63,833	63,543	290
TOTAL ALL SERVICES	252,201	251,721	480

*Reduction in funding agreed with West Lothian Council to reduce budget taking account of underspend against original budget contribution