

NORTH AYRSHIRE
Health and Social Care Partnership
INTEGRATION JOINT BOARD



Annual Accounts 2015/16

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Management Commentary

Introduction

This publication contains the financial statements for the first year of North Ayrshire Integration Joint Board (IJB) for the year ended 31 March 2016.

The Management Commentary outlines the key messages in relation to the IJB's financial planning and performance for the year 2015/16 and how this has supported delivery of the IJB's strategic priorities. This commentary also looks forward, outlining the future financial plans for the IJB and the challenges and risks that we will face as we strive to meet the needs of the people of North Ayrshire.

North Ayrshire IJB

Each of the three Ayrshire health and social care partnerships established their Integration Joint Boards on 1 April 2015. The IJB's purpose is to improve the health and wellbeing of local people, create support within our communities and deliver joined-up care pathways for people who use health and social care services, particularly those who have complex care needs.

North Ayrshire is home to 136,000 people and covers an area of 340 square miles and includes the islands of Arran, Great Cumbrae and Little Cumbrae. North Ayrshire provides a number of opportunities for those who live and work here. However we also face a number of significant challenges. North Ayrshire is one of the most deprived areas of Scotland. We have high levels of unemployment, significant number of people on low income and almost a third of our children live in poverty.

We know that the population of North Ayrshire is expected to fall significantly over the next 20 years, and we expect that there will be fewer people aged 65 and under, reducing the number of working age adults. We also expect that the number of people aged 65 to 74 will increase by 20 per cent, while the number of people aged 75 or over will almost double.

The IJB Strategic Plan seeks to address the increasing health inequalities in North Ayrshire and focuses on improving the efficiency and quality of the services being provided, putting individuals, families and communities at the heart of the plan.

North Ayrshire Health and Social Care Partnership (NAHSCP) has a vision that:

'All people who live in North Ayrshire are able to have a safe, healthy and active life'

This vision is supported by five strategic priorities. The Partnership has worked during 2015/16 to deliver these priorities-

Exhibit 1: Priorities and Structure



The IJB Strategic Plan is supported by a variety of service strategies, investment and management plans that aid day to day service delivery. These plans and strategies identify what the IJB wants to achieve, how it will deliver it and the resources required to secure the desired outcome. The Strategic Plan also works to support the North Ayrshire Community Planning Partnership's Single Outcome Agreement, the NHS Ayrshire & Arran Local Delivery Plan and delivery of the nine National Health and Wellbeing Outcomes set by the Scottish Government. This is vital to ensure that

our limited resources are targeted in a way that makes a significant contribution to our priorities.

Organisational Performance

Why make changes if you cannot see the difference made? Changes to services have to make a difference to people's lives and in North Ayrshire Health and Social Care Partnership we continually monitor our services and report and review them in various ways.

It is important that we report the right level of performance information at the right level of the organisation. In all of our performance monitoring and reporting, we show trend over time, where we are against target and how we compare with other geographical areas, where available. We monitor against all the agreed national indicators, including Local Government Benchmark Framework (LGBF), the NHS' Local Delivery Plan HEAT targets, HSCP national indicators, as well as a range of local defined measures. All reports comprise of a series of key performance indicators and key actions, which link directly back to our strategic plan. Where an indicator or action are off-track, a commentary is provided on steps being taken to improve performance.

Performance is reported at a number of levels within the organisation including reports to the Partnership's Performance and Audit Committee, the IJB and peer reviews with Chief Officers. We will produce our first Annual Performance Report in August 2016, and this will capture the main achievements on 2015/16 and our performance against national outcomes.

The Financial Plan

Strong financial planning and management needs to underpin everything that we do to ensure that our limited resources are targeted to maximise the contribution to our objectives. In 2015/16 this was supported by a balanced revenue budget to support the delivery of our strategic priorities.

For 2015/16 the IJB budgeted to deliver partnership services at a cost of £204.800m. During the year funding adjustments increased this budget to £210.858m.

The Annual Accounts 2015/16

The Annual Accounts report the financial performance of the IJB. The main purpose is to demonstrate the stewardship of the public funds that have been entrusted to the IJB for the delivery of its vision and strategic priorities. The requirements governing the format and content of IJBs' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The Annual Accounts 2015/16 have been prepared in accordance with this Code.

Financial Performance

Financial information is part of this performance management framework with regular reporting of financial performance to the IJB. This section summarises the main elements of our financial performance for 2015/16.

Partnership Revenue Expenditure 2015/16

In April 2014 a due diligence exercise was carried out to consider the sufficiency of the budget provided for the Partnership by NHS Ayrshire & Arran and North Ayrshire Council. Through this baseline budget pressures amounting to £3.520m were identified, £2.750m from Health and £0.770m from the Council.

During the year the Partnership successfully mitigated the full value of the Health baseline budget pressure through a combination of improved cost control and tighter absence management arrangements together with the use of one off monies received during the year for related activity. The health services expenditure therefore matched income from NHS Ayrshire & Arran.

Partnership services saw continued demand growth, particularly in Children and Families, Learning Disability and Physical Disability. The Partnership was able to reduce the cost of care services across all services but in many areas the increased demand led to in year overspends against the original approved 2015/16 funding. These were partially offset by early delivery of future savings around Older People services and income generation.

Services for Children with Disabilities emerged as a cost pressure for the Council late in 2014/15, after the 2015/16 budget had been set. This led to the significant £0.770m baseline budget pressure during 2015/16 which the Partnership was unable to address. In addition new legislative external cost pressures around Kinship Care payments also had a significant impact on the 2015/16 position for which full funded was not provided by Scottish Government, requiring this to be met from within existing resources.

A recovery plan was approved by the IJB on 10 March 2016 following which the Council agreed (Cabinet 29 March 2016) to fund £1.255m of the 2015/16 cost pressures on a one off basis.

However, the final outturn in respect of the Partnership increased to £2.109m which the Council has agreed to fully fund (Cabinet 24 May 2016).

It is important moving forward that expenditure is managed within the financial resources available and a full action plan has been developed to improve financial management moving forward.

Exhibit 2 details performance by IJB service for 2015/16. A number of services experienced significant in year budget pressures during 2015/16:

(1) Learning Disabilities £0.219m overspend

This overspend mainly relates to increased demand for services which has been partially offset by a reduction in the cost of care services which are reflective of individual need. The overspend has been further offset by increased income generation and vacancy management.

(2) Physical Disabilities £0.329m overspent

This overspend mainly relates to spend on equipment necessary to keep people safe in the community. There was an increased demand for services during 2015/16 which has been partially offset by a reduction in the cost of care services which are reflective of individual need and vacancy management.

(3) Prescribing £0.650m overspent

This overspend is due to the average cost of drugs increasing as a result of the short supply of

some items and a growth in price of some high cost drugs. Per the Integration Scheme, any overspends in this budget are funded by the NHS, - and additional funds have been provided by NHS to cover this expenditure.

(4) Children and Families £1.677m overspend

This service began the year with a baseline budget pressure of £0.770m linked to Children with Disabilities Services. This increased to £1.089m during the year reflecting increasing demand for services. During the year legislation was changed increasing the fees payable to Kinship Carer which created a further in year pressure of £0.250m. This pressure on budgets has been recognised as part of the 2016/17 revenue budget and additional investment has been targeted at this service area.

Exhibit 2: Financial Performance for 2015/16

	Budget	Actual	Variance	Notes
	£000	£000	(Fav) / Adv	
			£000	
Learning Disabilities	15,625	15,844	219	(1)
Older People	41,483	41,320	(163)	
Physical Disabilities	5,405	5,734	329	(2)
Mental Health Community Teams	5,436	5,437	1	
Addiction	2,362	2,253	(109)	
Community Nursing	3,754	3,761	7	
Prescribing	30,049	30,699	650	(3)
General Medical Services	17,344	17,164	(180)	
Resource Transfer, Change Fund, Criminal Justice	2,194	2,209	15	
Non District General Hospitals	6,561	6,496	(65)	
Lead Partnership Services – Mental Health	46,678	46,577	(101)	
Children and Families	26,669	28,346	1,677	(4)
Direct Overheads and Support Services	7,298	7,127	(171)	
TOTAL NET EXPENDITURE	210,858	212,967	2,109	
North Ayrshire Council Funding	84,674	86,783	(2,109)	
NHS Ayrshire & Arran Funding	126,184	126,184	0	
TOTAL INCOME	210,858	212,967	(2,109)	
SURPLUS/(DEFICIT)	0	0	0	

Note: The above reflects the budget managed by the IJB during the year, and excludes the Large Hospital Set Aside Budget of £20.825m which was allocated at the end of the year to the IJB. It also excludes the net impact of Lead Partnership services of £0.041m. These are both reflected within the Accounts on Page 17.

Financial Outlook, Risks and Plans for the Future

The UK economy continues to show signs of recovery with UK growth levels being amongst the strongest of any G7 country and with growth forecasting to continue over the next three years. Despite this pressures continue on public sector expenditure at a UK and Scottish level with significant reductions in government funding experienced for 2016/17 and further reductions predicted for 2017/18 to 2019/20. In addition to economic performance, other factors will influence the availability of funding for the public sector including financial powers coming from the Scotland Act 2012 and the demographic challenges that North Ayrshire is facing.

Additional funding of £250m has been announced for Health and Social Care Partnerships for 2016/17 to address social care pressures. Although this has been welcomed significant challenges remain moving forward. The most significant risks faced by the IJB over the medium to longer term can be summarised as follows:

- the socio-economic and health inequalities prevalent in North Ayrshire;
- the increased demand for services alongside reducing resources;
- the wider financial environment, which continues to be challenging;
- the impact of Welfare Reform on the residents of North Ayrshire;
- the impact of demographic changes;
- the impact of the Living Wage and other nationally agreed policies;
- the risk that the Change Programme is not progressed within the desired timescales or achieve the desired outcomes; and
- the costs associated with meeting new legislative requirements without adequate resources being put in place

These risks mean that money is tighter than ever before. It is therefore crucial that we focus on early intervention, prevention and recovery if we are to work within the total annual partnership budget of just over £200m.

Moving into 2016/17, we are working to proactively address the funding challenges presented while, at the same time, providing services for the residents of North Ayrshire.

We have well established plans for the future, and the IJB Strategic Plan 2015to18 is being updated during 2016/17. This refresh plan is updating the final 18 months of the first 3 year plan. A new 3 year plan will be available in April 2018. The plan sets out our ambitions and priorities and how we will work with our local communities and partners to achieve them. The Strategic Plan links closely to the vision of the North Ayrshire Community Planning Partnership and the Single Outcome Agreement and is underpinned by an annual action plan and performance indicators. Regular progress reports on the delivery of the Strategic Plan are provided to the Performance and Audit Committee and the IJB.

Conclusion

Our first year as an integrated Health and Social Care Partnership has been both challenging and rewarding.

We have begun to see some of the benefits of integrated system working for example in supporting older people to remain at home or get home from hospital as soon as possible.

Our significant change programme continues with projects on track including the opening of Woodland View in May, our integrated addictions service (NADARS) and the development of five community connector roles in primary care. Our Change programme contributes to and is aligned to the pan-Ayrshire programmes. Our Locality Planning Forums have held initial meetings and are beginning to identify their initial areas of work.

It has been a busy but fruitful year, the pace of change is challenging so, while the potential for improvement over the next few months is significant, we will need to ensure plans are staged to ensure sustainability and the emerging financial position is more fully understood.

Where to find more information

If you would like more information on IJB strategies, plans and policies and our performance and spending, please refer to the following websites.

www.north-ayrshire.gov.uk/council/strategies-plans-and-policies

www.north-ayrshire.gov.uk/council/performance-and-spending



Iona Colvin
Chief Officer
9 September 2016



Councillor Peter McNamara
IJB Chair
8 September 2016



Margaret Hogg
Chief Financial Officer
9 September 2016

Statement of Responsibilities

Responsibilities of the IJB

The IJB is required:

- To make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of those affairs. In this IJB, the proper officer is the Chief Financial Officer;
- To manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- To approve the Statement of Accounts.

I confirm that the audited Annual Accounts were approved for signature at a meeting of the IJB on 8 September 2016.



A handwritten signature in black ink, appearing to read 'Peter McNamara'.

Councillor Peter McNamara
IJB Chair
8 September 2016

Responsibilities of the Chief Financial Officer

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

In preparing these annual accounts, the Chief Financial Officer has:

- Selected appropriate accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice;
- Kept proper accounting records that 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 North Ayrshire IJB at the reporting date and the transactions of North Ayrshire IJB for the year ended 31 March 2016.



A handwritten signature in blue ink that reads "Margaret Hogg". The signature is written in a cursive style.

Margaret Hogg
Chief Financial Officer
9 September 2016

Annual Governance Statement

The Annual Governance Statement explains how North Ayrshire IJB complies with the Code of Corporate Governance and meets the requirements of the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

Scope of Responsibility

North Ayrshire IJB is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for and used economically, efficiently and effectively.

The IJB is also responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In discharging this responsibility, the Chief Officer has put in place arrangements for governance which includes the system of internal control. This is designed to manage risk to a reasonable level, but cannot eliminate the risk to failure to achieve policies, aims and objectives and can therefore only provide reasonable but not absolute assurance of effectiveness.

The Purpose of the Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of North Ayrshire IJB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The Governance Framework

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

- The IJB, comprising all IJB Board members, was the key decision making body. The Performance and Audit Committee considered all matters in relation to Internal and External Audit, Risk Management and Performance;
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations;
- The IJB's purpose and vision are outlined in the IJB Strategic Plan which links closely to the vision of the North Ayrshire Community Planning Partnership and the Single Outcome Agreement and is underpinned by an annual action plan and performance indicators. Regular progress reports on the delivery of the Strategic Plan were provided to the Performance and Audit Committee and the IJB;
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB. Regular reporting to Board Members takes place;
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers;
- The IJB has in place a development programme for all Board Members. Development programmes are also in place for the Senior Management Team and senior managers across the Partnership. Performance and Personal Development (PPD) schemes are in place for all staff, the aim of which is to focus all staff on their performance and development that contributes towards achieving service objectives;
- The IJB has established six locality planning forums, reflecting the previously agreed local planning areas. These provide Board Members with the opportunity to be involved in considering the priorities for each area and outline the role for each Community Planning Partner in meeting these priorities in conjunction with the local communities.

The governance framework was put in place during the year ended 31 March 2016.

The System of Internal Financial Control

The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability. Development and maintenance of these systems is undertaken by NHS Ayrshire & Arran and Council as part of the operational delivery of the Health and Social Care Partnership. In particular, these systems include:

- Financial regulations and codes of financial practice;
- Comprehensive budgeting systems;
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts;
- Setting targets to measure financial and other;
- Formal project management disciplines.

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

Review of Effectiveness

North Ayrshire IJB has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Senior Management Team who have responsibility for development and maintenance of the governance environment, the annual report by the Chief Internal Auditor and reports from Audit Scotland and other review agencies.

The Chief Internal Auditor reports directly to the IJB Performance and Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Financial Officer and Chair of the Performance and Audit Committee on any matter. In accordance with the principles of the code of corporate governance, regular reports were made to the IJB's Performance and Audit Committee during 2015/16.

The internal audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. During 2015/16, the service operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards. The Chief Internal Auditor prepares an annual report to the Performance and Audit Committee, including an assurance statement

containing a view on the adequacy and effectiveness of the systems of internal control.

The Internal Audit Annual Report 2015/16, received by the Performance and Audit Committee on 9 June 2016, highlights findings by the IJB's Internal Audit section which indicate some weaknesses in the internal control environment. None of these are considered material enough to have a significant impact on the overall control environment and it is the opinion of the Chief Internal Auditor that the systems of internal control relied upon by the IJB provide reasonable assurance against loss.

Governance Developments during 2015/16

In April 2015, the IJB approved the Strategic Plan – a new IJB Plan 2015-2018 that includes the IJB vision, values and strategic priorities. The vision is that 'All people who live in North Ayrshire are able to have a safe, healthy and active life'. The values underpinning this vision are: person-centred, respect, efficiency, care, inclusiveness, honesty and innovation. The agreed strategic priorities are:

- Tackling inequalities
- Engaging communities
- Bringing services together
- Prevention and early intervention
- Improving mental health and wellbeing

In order to strengthen governance arrangements around the IJB's change programme, the Change Programme Board was established during 2015/16, chaired by the Chief Officer with senior representation from all IJB services as well as third and independent sector partners; this Board has oversight of all the IJB's significant transformation projects. The progress updates from the Change Programme Board are reported to the IJB via the Director's report and the outcomes will be reported to the IJB.

Further Actions

The IJB has identified the following actions for 2016/17 that will assist with the further strengthening of corporate governance arrangements:

- An IJB Risk Management Strategy will be presented to the IJB in October 2016. This piece of work has been developed jointly across the three Ayrshire Health and Social Care Partnership and NHS Ayrshire & Arran. Assuming agreement of this, the IJB will receive the HSCP's Risk Register at the same meeting.
- An action plan to improve budget monitoring will be presented to the IJB in June 2016.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2015/16 to provide reasonable and objective assurance that any significant risks impacting on the achievement of

our actions will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to continually review and improve the governance and internal control environment and action plans are in place to address identified areas for improvement.



A handwritten signature in blue ink that reads "Iona Colvin".

A handwritten signature in blue ink that reads "Peter McNamara".

Iona Colvin
Chief Officer
9 September 2016

Councillor Peter McNamara
IJB Chair
8 September 2016

Remuneration Report

Introduction

The Local Authority Accounts (Scotland) Regulations 2014 (SSI No. 2014/200) require local authorities and IJBs in Scotland to prepare a Remuneration Report as part of the annual statutory accounts.

1 Integration Joint Board

The members of the IJB were appointed at the meeting of the IJB on 2 April 2015.

2 Senior Officers

The IJB does not employ any staff. All Partnership staff are employed through either NHS Ayrshire & Arran or North Ayrshire Council and remuneration for senior staff is reported through those bodies.

The Chief Officer is appointed by the IJB in consultation with NHS Ayrshire & Arran and North Ayrshire Council. The Chief Officer is employed by North Ayrshire Council and seconded to the Integration Joint Board. They are a member of Strathclyde Pension Fund which is a defined benefit scheme.

The role of Chief Financial Officer for the IJB is carried out by North Ayrshire Council Head of Finance. The Council meets the full cost of this remuneration.

This report contains information on the IJB Chief Officers remuneration together with details of any taxable expenses relating to IJB voting members claimed in the year. IJB membership is non remunerated.

The Chief Officer received the following remuneration in the year:

Name and Post Title	Salary, fees and Allowances	Taxable Expenses	Total Remuneration 2015/16
	£	£	£
Iona Colvin, Chief Officer	104,800	-	104,800

3 Voting Board Members

The IJB does not pay allowances or remuneration to the voting board members. Voting board members are remunerated by their parent organisation and receive expenses from their parent organisation.

A policy has been developed to ensure that all IJB members are fairly reimbursed for expenditure incurred in performing their duties. This policy applies only to representative members who are not already covered by the expenses policies of NHS Ayrshire & Arran or North Ayrshire Council. Expenses will only be reimbursed where wholly, exclusively and necessarily incurred on IJB business. The members' expenses policy was approved by the Shadow Integration Board in June 2014.

The level of expenses claimed by voting board members in 2015/16 is not significant and there are no taxable expenses. This report highlights the voting board members on the IJB.

Voting Board Members	
Councillor Peter McNamara, Chair of the Board, North Ayrshire Council*	Robert Martin, NHS Ayrshire & Arran
Stephen McKenzie, Vice Chair of the Board, NHS Ayrshire & Arran	Councillor Ruth Maguire, North Ayrshire Council
Carol Davidson, NHS Ayrshire & Arran	Councillor Robert Steel, North Ayrshire Council
Janet McKay, NHS Ayrshire & Arran	Councillor Anthea Dickson, North Ayrshire Council

*Councillor Anthea Dickson, North Ayrshire Council was the Chair of the Board until 30th August 2016

4 Pension Contributions

The pension contributions relating to the Chief Officer in the year are:

	In Year Pension Contribution For Year to 31 March 2016	Accrued Pension Benefits as at 31 March 2016	
		Pension	Lump Sum
	£	£	£
Iona Colvin, Chief Officer	20,226	46,014	100,188

The remuneration report presents the pension entitlement attributable to the post of the IJB Chief Officer but that the IJB has no formal ongoing pension liability. Instead the IJB will be expected to fund employer pension contributions as they become payable during the Chief Officer's period of service. The disclosure should note that on this basis there is no pensions liability reflected on the IJB balance sheet for the IJB Chief Officer.

5 General Disclosure by Pay Bands

The regulations require the Remuneration Report to provide information on the number of persons whose remuneration was £50,000 or above. This information is provided in bands of £5,000.

Remuneration Bands	Number of Employees 31 March 2016
£100,000-£104,999	1



Iona Colvin
Chief Officer
9 September 2016



Councillor Peter McNamara
IJB Chair
8 September 2016

Independent Auditor's report

Independent Auditor's Report to the members of North Ayrshire Integration Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of North Ayrshire Integration Joint Board for the year ended 31 March 2016 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Statement of Income and Expenditure, Balance Sheet and the related notes. 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 2015/16 (the 2015/16 Code).

This report is made solely to the parties to whom it is addressed in accordance with Part VII of the Local Government (Scotland) Act 1973 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Accounts Commission for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Chief Financial Officer and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In my opinion the financial statements:

- Give a true and fair view in accordance with applicable law and the 2015/16 Code of the state of the affairs of North Ayrshire Integration Joint Board as at 31 March 2016 and of the income and expenditure of North Ayrshire Integration Joint Board 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 2015/16 Code; and
- Have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Opinion on other prescribed matters

In my opinion:

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

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

9 September 2016

The Financial Statements

The **Movement in Reserves Statement** shows the movement in the year on the reserves held by the IJB. The IJB held no reserves during 2015/16 and therefore there is no requirement to disclose this statement.

The Surplus or (Deficit) on the **Statement of Income and Expenditure** shows the income received from and expenditure delegated back to NHS Ayrshire & Arran and North Ayrshire Council for the delivery of services.

STATEMENT OF INCOME AND EXPENDITURE

	2015/16 Gross Expenditure £000	2015/16 Gross Income £000	2015/16 Net £000
Health Services	134,686	146,968	(12,282)*
Social Care Services	99,048	86,783	12,265*
Corporate Services	17	0	17
(Surplus)/Deficit on provision of services	233,751	233,751	0
Other Comprehensive Income and Expenditure	0	0	0
Net income and expenditure	233,751	233,751	0

* See note 4a on page 22 for a further explanation of the variance.

The **Balance Sheet** is a snapshot of the value at the reporting date of the assets and liabilities recognised by the IJB. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB. At 31 March 2016 the IJB had no balances within the Balance Sheet.

Notes	31 March 2016 £000
Current Assets	
Short term debtors	0
Current Liabilities	
Short term creditors	0
Net Assets	0
Reserves	0
Total Reserves	0

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

The unaudited financial statements were authorised for issue on 16 June 2016 and the audited financial statements were authorised for issue on 9 September 2016.



A handwritten signature in blue ink that reads "Margaret Hogg". The signature is written in a cursive style.

Margaret Hogg
Chief Financial Officer
9 September 2016

Notes to the Financial Statements

Note 1 - Accounting Policies

A. General principles

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

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

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

B. 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.
- 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.

C. Going concern

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

D. Accounting convention

The accounts are prepared on an historical cost basis.

E. Funding

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

F. Events after the reporting period

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

- Adjusting events: Those that provide evidence of conditions that existed at the end of the reporting period. The Annual Accounts are 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.

G. Exceptional items

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

H. Related party transactions

As partners in the joint venture of North Ayrshire Integration Joint Board both North Ayrshire Council and NHS Ayrshire & Arran are related parties and material transactions with those bodies are disclosed in Note 4 in line with the requirements of IAS 24.

I. Support services

Support services were not delegated to the Integration Joint Board through the Integration Scheme and are instead provided by NHS Ayrshire & Arran and Council free of charge as a 'service in kind'. The support services provided is mainly comprised of: provision of

the Chief Financial Officer, financial management, human resources, legal, committee services, ICT, payroll, internal audit and the provision of the Chief Internal Auditor.

J. Provisions, contingent assets and liabilities

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Statement of Income and Expenditure 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.

K. Clinical and medical negligence

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

The IJB would make provision for claims notified by the NHS Central Legal Office according to the value of the claim and the probability of settlement. Where a claim was not provided for in full the balance would be included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for would be recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

L. Reserves

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

M. Corresponding amounts

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

N. VAT

The IJB is not VAT registered and as such the VAT is settled or recovered by the partner agencies.

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.

O. Segmental reporting

Expenditure on services commissioned by the IJB from its partner agencies is analysed over the following elements:

Service Area	2015/16 Expenditure £000
Learning Disabilities	15,844
Older People	41,320
Physical Disabilities	5,734
Mental Health Community Teams	5,437
Addiction	2,253
Community Nursing	3,761
Prescribing	30,699
General Medical Services	17,164
Resource Transfer, Change Fund, Criminal Justice	2,209
Non District General Hospitals	6,496
Lead Partnership Services – Mental Health	46,577
Children and Families	28,346
Direct Overheads and Support Services	7,127
Large Hospital Set Aside	20,825
Lead Partnership Net Income Adjustment	(41)
TOTAL NET EXPENDITURE	233,751

Note 2 – Accounting Standards Issued Not Adopted

The Code requires the disclosure of information about accounting changes that will be required by new accounting standards that are not yet due to be adopted. This applies to the adoption of the following new or amended standards within the Code:

- **Amendment to IFRS11 Joint Arrangements:** This is a technical change in the accounting for acquisitions of interests in joint operations. No material impact on the IJB's accounts is expected as a result of this change.
- **Annual improvements to IFRSs 2010-2012 cycle:** These improvements provide clarification of amendments made to IAS24: Related Party Disclosures. The IJB is required to disclose amounts incurred for the provision of key management personnel services that are provided by a separate management entity. There is expected to be no material impact on the IJB's accounts as a result of this change
- **Annual improvements to IFRSs 2012-2014 cycle:** These improvements will have no direct impact upon IJB financial reporting.

- **Amendments to IAS 1 Presentation of Financial Statements:** The amendments clarify the existing requirements of IAS 1 standards and will support IJB's in improving the presentation of the financial statements. There will be no material impact on the information provided within financial statements, i.e. no changes to the reported information in the Net Cost of Services or the Surplus or Deficit on the Provision of Services.
- **Changes to the format of the Comprehensive Income and Expenditure Statement (CIES), Movement in Reserves Statement and the introduction of new Expenditure and Funding Analysis:** This change requires IJB's to report on the same basis on which they are organised. The new Expenditure and Funding Analysis will provide a direct reconciliation between the way IJB's budget (and are funded) and the CIES in a way that is accessible to users of the accounts. There will be no material impact in the IJB accounts as a result of the change, however in the 2016/17 accounts the comparative 2015/16 figures will be restated to reflect the new format.

In all cases detailed above, implementation is required from 1 April 2016 or beyond, meaning

that there is no impact on the 2015/16 financial statements.

Note 3 – Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the IJB has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- The IJB has considered its exposure to possible losses and made adequate provision where it is probable that an outflow of resources will be required and the amount of the obligation can be measured reliably. Where it has not been possible to measure the obligation, or it is not probable in the IJB's opinion that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 7.

Note 4 – Related Party Transactions

- The Statement of Income and Expenditure shows that funding has transferred from health to social care which reflects that the service delivery is now within the community.
- The North Ayrshire Integration Joint Board was established on 1 April 2015. In the year the following financial transactions were made with the NHS Ayrshire & Arran and North Ayrshire Council relating to integrated health and social care functions:

	2015/16 £000
Income – payments for integrated functions	
NHS Ayrshire & Arran	£146,968
North Ayrshire Council	£86,783
TOTAL	£233,751

	2015/16 £000
Expenditure – payments for delivery of integrated functions	
NHS Ayrshire & Arran	£134,694
North Ayrshire Council	£99,057
TOTAL	£233,751

Note 5 – Corporate Expenditure

	2015/16 £000
Staff costs	-
Administrative costs	-
Audit fees	17
TOTAL	17

Note 6 – Post Balance Sheet Events

The audited accounts were authorised for issue on 9 September 2016. Where events taking place before this date provided information about conditions existing at 31 March 2016, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. Events taking place after this date are not reflected in these accounts.

Note 7 – Contingent Assets and Liabilities

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

