

# Item 7.1

# Report

## Edinburgh Integration Joint Board Unaudited Annual Accounts 2018/19 Integration Joint Board

21 June 2019



### Executive Summary

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1. This paper presents the unaudited 2018/19 annual accounts for Edinburgh Integration Joint Board (EIJB). They will be submitted to external audit before 30 June with final sign off by the IJB in September.

### Recommendations

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2. The Edinburgh Integration Joint Board is asked to note the:
  - draft financial statements submitted; and
  - proposed timescale for completion.

### Background

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3. Integration Joint Boards are required to produce annual accounts. The draft financial statements and timescale for finalising are discussed in the main report below.

### Main report

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4. It is the responsibility of the Chief Financial Officer, as the appointed “proper officer”, to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). This means:
  - maintaining proper accounting records; and
  - preparing financial statements which give a true and fair view of the state of affairs of the board as at 31 March 2018 and its expenditure and income for the year.

5. In Scotland the following deadlines are laid out in the Code:
  - The proper officer is required to submit the unaudited accounts to the appointed auditor by **30 June**;
  - The authority or a committee of that authority whose remit includes audit or governance functions must meet to consider the unaudited annual accounts as submitted to the auditor by **31 August**;
  - The Local Authority Accounts (Scotland) Regulations 2014 require the authority to aim to approve the annual accounts for signature by **30 September**; and
  - To publish them by **31 October**.
6. In accordance with these requirements, the unaudited accounts were considered at the Audit and Risk Committee on 31 May 2019 and, following scrutiny by the IJB, will be submitted to external audit. The final accounts will be presented to the Audit and Risk Committee and IJB meetings in September 2018.
7. Scott-Moncrieff, the external auditors, will give an independent opinion on the financial statements as well as review and report on the arrangements in place to ensure the proper conduct of financial affairs and to manage performance and use of resources.
8. On conclusion of the audit the following documents will be presented by Scott-Moncrieff:
  - **Annual Audit Report:** draws significant matters arising from the audit to the attention of those charged with governance prior to the signing of the independent auditor's report; and
  - **Independent auditors' report:** provides audit opinion on the financial statements.
9. The unaudited (or draft) financial statements for the Edinburgh Integration Joint Board for 2018/19 are attached as an appendix to this report. The final version will be updated to reflect the contents of the annual performance report and on receipt of the final internal audit opinion for the year.

## Key risks

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10. None identified.

## Financial implications

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11. The financial results deal principally with the financial governance on operational management of existing resources and no resource implications arise specifically from this report.

## Implications for directions

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12. None.

## Equalities implications

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13. None.

## Sustainability implications

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14. None.

## Involving people

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15. The draft financial statements have been produced with the support and co-operation of both City of Edinburgh Council and NHS Lothian personnel.

## Impact on plans of other parties

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16. As above.

## Background reading/references

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17. None.

## Report author

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**Judith Proctor**

**Chief Officer, Edinburgh Health & Social Care Partnership**

Contact: Moira Pringle, Chief Finance Officer

E-mail: [moira.pringle@nhslothian.scot.nhs.uk](mailto:moira.pringle@nhslothian.scot.nhs.uk) | Tel: 0131 469 3867

## Links to priorities in strategic plan

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**Managing our resources  
effectively**

## Appendices

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### **Appendix 1**

Edinburgh Integration Joint Board Unaudited Annual Accounts  
2018/19



# Edinburgh Integration Joint Board

Unaudited Annual Accounts 2018/19

The Annual Accounts of Edinburgh Integration Joint Board for the year ended 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 2018/19 and Service Reporting Code of Practice.

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## MANAGEMENT COMMENTARY

### Introduction

This management commentary provides an overview of progress against the objectives and strategy of the Edinburgh Integration Joint Board (EIJB). It considers our financial performance for the year ended 31<sup>st</sup> March 2019 and gives an indication of the issues and risks which may impact upon our finances in the future.

### Role and remit

EIJB was established as a body corporate by order of Scottish Ministers on 27<sup>th</sup> June 2015 under the Public Bodies (Joint Working) (Scotland) Act 2014. As a separate and distinct legal entity from City of Edinburgh Council and NHS Lothian, we are responsible for planning the future direction of and overseeing the operational delivery of integrated health and social care services for the citizens of Edinburgh. These services are largely delivered by the Edinburgh Health and Social Care Partnership (the Partnership) although some are managed by NHS Lothian on our behalf. These are referred to as “hosted” or “set aside” services. The arrangements for EIJB’s operation, remit and governance are set out in the integration scheme which has been approved by the City of Edinburgh Council, NHS Lothian and the Scottish Government.

EIJB meets monthly and has ten voting members: five elected members appointed by City of Edinburgh Council; and five NHS Lothian non-executive directors appointed by NHS Lothian. Non-voting members of the Board include the EIJB Chief Officer, Chief Finance Officer, representatives from the third sector and citizen members. Service and staffing representatives also sit on the Board as advisory members.

2018/19 was our third year of operation and we saw a number of changes in the management and governance arrangements with the arrival of a new Chief Officer, Head of Operations and Interim Head of Strategic Planning as well as some changes in voting and non-voting members. We also commissioned a review of our governance arrangements from the Good Governance Institute (GGI) which we are in the process of implementing.

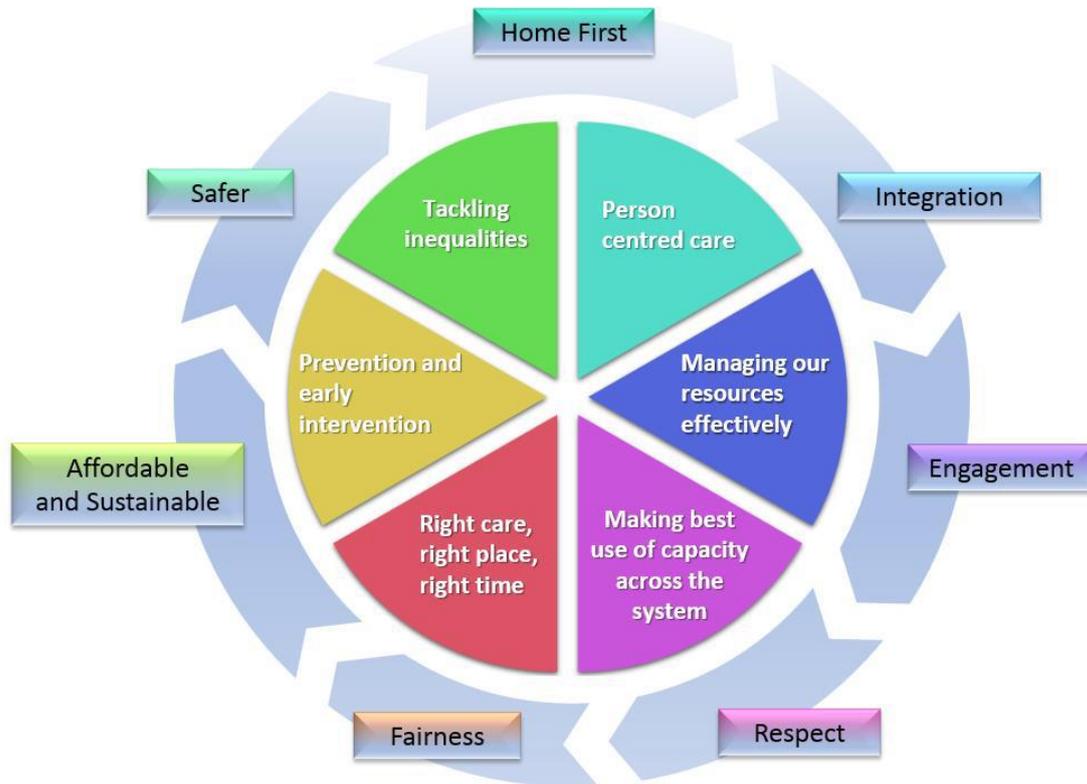
### Strategic Plan

Edinburgh’s population of almost half a million, accounts for 9% of the total population of Scotland and is projected to increase faster than any other area of the country; with a higher rate of growth in some age groups than others. Whilst this growth has many social and economic advantages, it also presents challenges. Although a relatively affluent city, Edinburgh has areas of significant inequality and deprivation and one of our key priorities is to lead, where possible, on tackling health and social inequalities. Using our budget of around £700 million, delegated from NHS Lothian and the City of Edinburgh Council, we fund community health and social care services, including GP practices and some elements of acute hospital services.

Our strategic plan sets out how these health and social care services will be developed and changed using the resources available to meet the changing needs of the population and achieve better outcomes for people. 2018/19 was the final year of implementing our first strategic plan and we are currently consulting on the new plan which will run until 2022. This explains our intention to be the first in Scotland to embrace the “three conversations model” at scale, as a strategic and cultural framework. At its heart, the Strategic Plan seeks to deliver health and social care services in a way that supports people to be well at home, and in their community, for as long as possible. Providing first class acute hospital care only when medical intervention is required; aiming to provide the right care, at the right time, in the right place.

It also sets out how we will involve partners in the design of our performance and quality systems, to provide simple access for service users and build on the strong foundation of the 'good conversations' approach. This will require cultural change, a more integrated approach involving the evolution of fully integrated teams and a deliberate shift towards community-based services.

The figure below shows the seven guiding principles we have identified which must remain at the heart of our planning and operational delivery:



### Operational Review

We will publish our third annual performance report at the end of July 2019 which will provide a review of the progress both EIJB and the Partnership made during 2018/19 in terms of:

- delivery against the six priorities in our strategic plan 2016-19;
- delivery against the National Health and Wellbeing Outcomes;
- working at a locality level across North West, North East, South West and South East Edinburgh; and
- our financial performance.

*To be updated following publication of performance report.*

## Annual Accounts 2018/19

The annual accounts report the financial performance of EIJB. The main purpose is to demonstrate the stewardship of the public funds that have been entrusted to us for the delivery of our 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). These annual accounts have been prepared in accordance with this code.

### Financial Performance

The financial plan sets out how we ensure our limited resources are targeted to maximise the contribution to our objectives. A financial assurance process was undertaken on the 2018/19 funding contributions from NHS Lothian and the City of Edinburgh Council. Through this process a savings requirement of £26.6m against projected income of £633.2m was identified. Funding adjustments during the year increased this budget to £727.7m.

EIJB's financial performance for the year is presented in the comprehensive income and expenditure statement, which can be seen on page 20. The balance sheet (page 21) is also presented and sets out the liabilities and assets at 31<sup>st</sup> March 2019.

For the year we are reporting a surplus of £1.3m which brings the total value of the EIJB's reserve to £9.7m. We are in the process of agreeing how these will be applied in 2019/20 recognising the need to balance existing commitments, our ambitions for supporting transformational change and the requirement to balance the in year financial plan.

The in-year surplus was achieved by both the City of Edinburgh Council and NHS Lothian agreeing additional one off contributions: £7.5m from the Council and £3.0m from NHS Lothian. These additional payments reflect some of the significant and long standing financial pressures we face, notably:

- **Externally purchased services** (including care at home) continues to be the single most significant financial challenge facing the IJB with a reported in year overspend of £6.3m. Demographic factors continue to drive demand for these services, as this is also evidenced in the continuing growth in direct payments and individual service funds. This level of overspend is in line with financial projections reported throughout the year and has been factored into the baseline position for budget planning for the next financial year;
- NHS Lothian **set aside** budgets overspent by £2.6m in the year. Overall pressures in set aside budget accounts for the majority of the NHS position and this will be addressed in partnership with NHS Lothian and the 3 other IJBs in the area in 2019/20; and
- Delivery of **savings and recovery plans** remained a challenge during the year. We have since agreed a challenging programme of efficiency for 2019/20 and delivering this will be one of our key financial challenges.

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 EIJB as service commissioner and the City of Edinburgh Council and NHS Lothian as providers of services.

## Financial Outlook, Risks and Plans for the Future

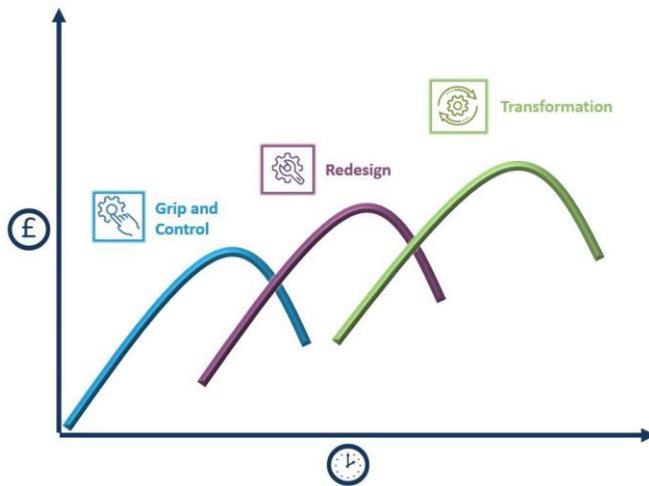
Like many other public sector organisations, we face significant financial challenges and, due to the continuing difficult national economic outlook and increasing demand for services, will need to operate within tight fiscal constraints for the foreseeable future. Pressures on public sector expenditure are expected to continue, both at a UK and Scottish level. As a result our partners in NHS Lothian and City of Edinburgh Council will face continued funding pressures for the foreseeable future. This in turn will impact on their ability to resource the functions delegated to the EIJB. In this financial climate, we recognise that returning to a balanced position will require major redesign of services, radical changes in thinking and approach, and the involvement of all partners and stakeholders.

Many of the considerable challenges we face have significant financial consequences and we face a complex landscape of interconnected risks. Examples include:

- increased demand for services alongside reducing resources;
- impact of demographic changes;
- delays in accessing appropriate services, including social care assessments, reviews and timely discharge from hospital;
- impact of welfare reform on the residents of Edinburgh;
- impact of the living wage and other nationally agreed policies;
- risk that the savings programme does not deliver within the required timescales or achieve the desired outcomes; and
- 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 budget of just over £700 million. Moving into 2019/20, we are working to proactively address the funding challenges presented while, at the same time, improving outcomes for the residents of Edinburgh.

Our change programme is encapsulated within the strategic plan, but while we think about change in the medium to longer term, and put in place the programme and engage with our teams and stakeholders on our plans, we also have to make savings. Our approach is to focus in the immediate term mainly on “grip and control” measures. In the medium to longer term, we are confident of achieving efficiencies that assist in delivering financial balance through redesign and outputs from transformation through the change programme. The broad approach is set out in the following schematic:



### Conclusion

Thus, the IJB faces the twin challenges of: increasing demand for services; and a climate of constrained financial resources. In this context, the development and implementation of a strategic approach to financial planning over the next 3–5 years is essential to support the sustainability of health and social care delivery in Edinburgh.

**Judith Proctor**  
**Chief Officer**  
[Date for Signing]

**Ricky Henderson**  
**Chair**  
[Date for Signing]

**Moira Pringle**  
**Chief Finance Officer**  
[Date for Signing]

## STATEMENT OF RESPONSIBILITIES

### STATEMENT OF RESPONSIBILITIES FOR THE STATEMENTS OF ACCOUNT

#### Responsibilities of the Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that it has an officer responsible for the administration of those affairs. In this Integration Joint Board, that officer is the Chief Finance Officer;
- to manage its affairs to achieve best value in the use of its 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); and
- to approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature by the Edinburgh Integration Joint Board on [Date for Signing].

**Ricky Henderson**  
**Chair of the Edinburgh Integration Joint Board**  
[Date for Signing]

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

As Chief Finance Officer, I am responsible for the preparation of the EIJB's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom ("the Code of Practice"), is required to give a true and fair view of the financial position of the EIJB at the financial year end and its income and expenditure for the year then ended.

In preparing the financial statements I am responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and estimates that are reasonable and prudent; and
- complying with the Code of Practice and legislation

I am also required to:

- keep proper accounting records which are up to date; and
- take reasonable steps to ensure the propriety and regularity of the finances of the EIJB.

### **Statement of Accounts**

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Edinburgh Integration Joint Board at the reporting date, and its income and expenditure for the year ended 31 March 2019.

**Moira Pringle**  
**Chief Finance Officer**  
[Date for Signing]

## REMUNERATION REPORT

The Chief Officer of the Edinburgh Integration Joint Board (EIJB) is a joint appointment between City of Edinburgh Council, NHS Lothian and the EIJB. The terms and conditions, including pay for the post, are those set by the City of Edinburgh Council, who employ the post holder directly and recharge the costs to EIJB and NHS Lothian.

The EIJB Chief Financial Officer is appointed by the EIJB and is supplied without charge by NHS Lothian and the associated costs are included in the support costs disclosed in note 4.

The voting members of the EIJB are appointed by the respective partner bodies (NHS Lothian and City of Edinburgh Council). The voting members from NHS Lothian and City of Edinburgh Council in the period April 2018 to March 2019 were:

M. Ash	NHS	R. Aldridge	CEC
M. Hill	NHS	I. Campbell ( <i>left 06/02/19</i> )	CEC
C. Hirst (Vice Chair)	NHS	G. Gordon ( <i>appointed 07/02/19</i> )	CEC
A. Joyce ( <i>left 31/07/18</i> )	NHS	R. Henderson (Chair)	CEC
A. McCann	NHS	M. Main	CEC
R. Williams ( <i>appointed 01/08/18</i> )	NHS	S. Webber	CEC

The current voting members from NHS Lothian and City of Edinburgh Council are:

C. Hirst (Vice Chair)	NHS	R. Henderson (Chair)	CEC
M. Ash	NHS	R. Aldridge	CEC
M. Hill	NHS	G. Gordon	CEC
A. McCann	NHS	M. Main	CEC
R. Williams	NHS	S. Webber	CEC

Councillor Henderson and NHS Non-Executive Director C. Hirst will finish their rotations as Chair and Vice Chair respectively, effective 27<sup>th</sup> June 2019. As of this date NHS Non-Executive Director A. McCann will take the position of Chair, Councillor Henderson will take the position of Vice Chair, and C. Hirst will step down as a Board member. Voting members are able through their parent bodies to reclaim any expenses. In the year to 31 March 2019, no expense claims were made in relation to work on the EIJB. The Chair of the EIJB was in receipt of additional remuneration in 2018/19 relating to his duties for the EIJB of £14,745 (£8,464 2017/18). The Vice-Chair of the EIJB was in receipt of additional remuneration in 2018/19 relating to her duties for the EIJB of £8,416 (£8,251 2017/18). No allowances were paid to other voting members during the year. The remuneration and pension benefits received by all voting members in 2018/19 are disclosed in the remuneration reports of their respective employer.

**Remuneration Paid to Senior Officers**

	Year to 31/03/2019			Year to 31/03/2018
	Salary, fees and allowances (£)	Total remuneration (£)	<i>Full Year Effect (£)</i>	Total remuneration (£)
R McCulloch-Graham, EIJB Chief Officer (to 28/08/2017)	-	-	-	137,334
M Miller, EIJB Chief Officer (from 29/08/2017 to 30/06/2018)	37,998	<b>37,998</b>	151,990	88,940
J Proctor, EIJB Chief Officer (from 01/05/2018)	146,414	<b>146,414</b>	151,990	n/a
M Pringle, EIJB Chief Finance Officer	82,711	<b>82,711</b>	-	77,092

The above salary fees and allowances figure for J. Proctor include relocation costs of £7k.

**Pension benefits**

Pension benefits for the Chief Officer and Chair of the EIJB are provided through the Local Government Pension Scheme (LGPS). Pension benefits for the Chief Finance Officer are provided through the NHS New Pension Scheme (Scotland) 2015.

**Local Government Pension Scheme**

For local government employees, the Local Government Pension Scheme LGPS became a career average pay scheme on 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

The scheme's normal retirement age is linked to the state pension age (but with a minimum age of 65).

From 1 April 2009, a five-tier contribution system was introduced with contributions from scheme members being based on how much pay falls into each tier. This is designed to give more equality between the cost and benefits of scheme membership.

The contribution rates for 2018/19 were as follows:

<u>Whole Time Pay</u>	<u>Contribution rate</u>
On earnings up to and including £21,300 (2017/18 £20,700)	5.50%
On earnings above £21,300 and up to £26,100 (2017/18 £20,700 to £25,300)	7.25%
On earnings above £26,100 and up to £35,700 (2017/18 £25,300 to £34,700)	8.50%
On earnings above £35,700 and up to £47,600 (2017/18 £34,700 to £46,300)	9.50%
On earnings above £47,600 (2017/18 £46,300)	12.00%

If a person works part-time their contribution rate is worked out on the whole-time pay rate for the job, with actual contributions paid on actual pay earned.

The value of the accrued benefits has been calculated based on the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation.

### **NHS Pension Scheme (Scotland) 2015**

The NHS Board participates in the NHS Superannuation Scheme (Scotland). The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The next valuation will be as at 31 March 2016 and this will set contribution rates from 1 April 2019. The NHS board has no liability for other employers' obligations to the multi-employer scheme. In 2017-18 members paid tiered contribution rates ranging from 5.2% to 14.7% of pensionable earnings.

For NHS employees, the NHS Superannuation Scheme became a career average pay scheme from 1 April 2015. Benefits built up to 31 March 2015 are protected and based on final salary. Accrued benefits from 1 April 2015 will be based on career average salary.

### **Accrued Benefits**

The pension figures shown below relate to the benefits that the person has accrued as a consequence of their total local government service, and not just their current appointment.

The pension entitlements of senior officers and current voting members for the period to 31 March 2019 are shown in the table below, together with the employer contribution made to the employee's pension during the year. Where accrued pension benefits are not shown in the table below, this indicates the employee has been a member of the pension scheme for less than 2 years.

	Employer In-Year Contribution			Accrued Pension Benefits	
	For year to 31/03/19 £	For year to 31/03/18 £		As at 31/03/19 £000	Difference from 31/03/18 £000
R McCulloch-Graham, EIJB Chief Officer (to 28/08/2017)	-	13,090	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M Miller, EIJB Chief Officer (from 29/08/2017 to 30/06/2018)	8,196	17,877	Pension	61	6
			Lump Sum	115	10
J Proctor, EIJB Chief Officer (from 01/05/2018)	30,053	n/a	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M Pringle, EIJB Chief Finance Officer	12,309	11,487	Pension	25	10
			Lump Sum	56	26
R Henderson, Chair	7,010	5,314	Pension	6	1
			Lump Sum	2	0

The Vice Chair of the EIJB is not a member of the Local Government Pension Scheme or the NHS Pension scheme; therefore, no pension benefits are disclosed.

All information disclosed in the tables in this remuneration report will be audited by Scott-Moncrieff. Scott-Moncrieff will review other sections of the report to ensure that they are consistent with the financial statements.

**Judith Proctor**  
**Chief Officer**  
 [Date for Signing]

**Ricky Henderson**  
**Chair**  
 [Date for Signing]

## ANNUAL GOVERNANCE STATEMENT

### Annual Governance Statement

#### Scope of Responsibility

The Edinburgh Integration Joint Board (EIJB) is responsible for ensuring that its business is conducted in accordance with the law and appropriate standards, that public money is safeguarded and properly accounted for, and that arrangements are in place to secure best value.

In discharging this responsibility, the EIJB and the Chief Officer have put in place arrangements for governance which include robust internal controls, including the management of risk.

#### Governance Framework

The governance framework comprises the systems and processes, culture and values, by which the EIJB is controlled and directed. It enables the EIJB to monitor the progress with its strategic priorities and to consider whether those objectives have led to the delivery of appropriate services and value for money.

A key element of the EIJB's governance framework is its formal committee and sub-groups. These groups provide additional layers of governance, scrutiny and rigour to the business of the EIJB. Their different roles, covering the wide spectrum of the EIJB's business, allow increased scrutiny and monitoring and the focus and capability to provide the EIJB with the necessary assurance.

#### Board and Committee Structures

The EIJB has been responsible for health and social care functions in Edinburgh since 1 April 2016. The Board consists of 10 voting members of which five are non-executive directors of NHS Lothian and five are councillors from the City of Edinburgh Council. There are also a number of non-voting members both appointed due to the statutory requirements and to provide more varied experience and knowledge to the Board. The chair of the Board rotates from NHS Lothian and the City of Edinburgh Council every two years.

The Strategic Planning Group (SPG) was formally established in May 2016. It is chaired by the vice-chair of the EIJB.

The Audit and Risk Committee is a key component of creating a strong governance culture. Its role is to assist the EIJB in ensuring that there is a robust framework in place to provide assurance on risk management, governance and internal control. It also scrutinises internal and external audits and can make recommendations to the EIJB on any matter within its remit.

A work programme including annual approval of IJB accounts, internal audit charter, internal audit plan and chief internal auditor opinion has been established. The Committee also annually considers the external audit plan and external auditor's opinion.

The EIJB has also retained the Professional Advisory Group. This group was created in 2012 prior to the development of IJB's under the Public Bodies (Scotland) Act and provides professional guidance to the EIJB. It has membership on the EIJB and the Strategic Planning Group

A Lothian Integrated Care Forum was established in 2019 with its first meeting set for April 2019. This is a forum for the four IJBs in the Lothian area with NHS Lothian and four Councils to discuss matters of similar interest and take a more collective approach to strategic matters. The Chair and Vice-Chair of the Board will represent the EIJB on the forum.

The Chief Officer commissioned an independent review of governance by the Good Governance Institute (GGI) in May 2018 which looked at the EIJB's structures and processes. The GGI reported their findings in December 2018 concluding that the EIJB did need to take action to strengthen its governance.

The EIJB agreed to implement the recommendations of the GGI which would include a major overhaul of the committees and sub-groups of the EIJB and which aimed to provide further clarity on lines of accountability and reporting with a view to streamlining reporting arrangements. The review also set out an escalation framework. A further programme of development will now take place across 2019/20 to implement recommendations.

### **Internal Controls**

As required by the legislation, the EIJB has appointed a Chief Officer and a Chief Finance Officer. It has also appointed a Chief Internal Auditor, a Standards Officer and a Data Protection Officer.

The EIJB has agreed the following governance documentation:

- Financial Regulations – Section 95 of the Local Government (Scotland) Act 1973 requires all IJBs to have adequate systems and controls in place to ensure the proper administration of their financial affairs. The EIJB has agreed a set of financial regulations which are supported by a series of financial directives and instructions with clear lines of delegation to the Chief Finance Officer to carry out that function.
- A Code of Conduct for the members of the EIJB has been agreed and made available to all members. Compliance with the Code of Conduct is regulated by the Standards Commission for Scotland. Training is provided to members on the Code of Conduct.
- A set of Standing Orders has been agreed which sets out the rules governing the conduct and proceedings at the EIJB and its committees. The Standing Orders include rules on the notice of meetings and how voting and debate should be conducted.

The EIJB and the Audit and Risk Committee both have a rolling actions log which helps the groups monitor the implementation of decisions.

A deputation process has been agreed by the EIJB which allows and encourages groups to directly address the Board on issues under consideration.

In 2018/19 the EIJB amended the risk register by dividing it into EIJB and Edinburgh Health and Social Care Partnership risks. This allowed the EIJB to focus on its roles and responsibilities, concentrating on risks regarding strategy, scrutiny and performance. This was rolled out in the previous year with risks being classified against strategic planning and commissioning, issue of directions and management and role of the IJB.

A communications plan was agreed in February 2019 which aimed to communicate the role of the EIJB, improve public access to the Board, increase stakeholder engagement and support the ongoing development of EIJB members through an induction and development programme.

In May 2018 a tactical resilience plan was rolled out which aimed to address risks and safety issues whilst promoting multi-agency co-operation.

A Quality and Improvement Group is in place which is multi-disciplinary and spans Health and Social Care Partnership services and those services commissioned or purchased externally.

The Health and Social Care Partnership Procurement Board exercises oversight of all proposals to award, extend or terminate contracts with third party providers.

A financial plan is in place which focuses on the impacts of the financial settlements and outlines inherent risks. A new plan is submitted annually.

Insurance against legal liability for neglect, error or omission by any employee in the performance of their duties in relation to work on the IJB is arranged through CNORIS (NHS Lothian's self-insurance scheme). This is reviewed on an annual basis.

A Savings Governance Board has been established that oversees financial savings and is chaired by the Chief Officer. It monitors progress against targets and identifies appropriate remedial action.

A health and safety group has been established with a cross-section of staff in the Partnership making up its membership.

The Edinburgh Integration Joint Board (EIJB) has information governance responsibilities in relation to strategic planning and delegated functions which it determines and directs with its partners. To achieve appropriate governance in this area, a memorandum of understanding (MOU) has been agreed between the EIJB, NHS Lothian and the City of Edinburgh Council that ensures responsibilities are clearly set out and understood. A pan-Lothian information sharing protocol has also been put in place.

A streamlined programme structure for delivering real transformation, involvement of partners and stakeholders, alongside a refreshed governance structure was agreed in early 2019. This single programme would include a delivery mechanism for the strategic commission plans, improvement planning in response to the Joint Inspection report for Older People Services and the associated action plan and the financial savings and efficiencies programme.

A performance report is considered monthly by the Health and Social Care Partnership management.

### **Review of Effectiveness**

The EIJB has responsibility for reviewing the effectiveness of the governance arrangements including the internal controls.

This review of effectiveness is informed by:

- The Chief Officer annual assurance for the EIJB and the health and social care Partnership.
- Officer management activities;
- The Chief Internal Auditor's annual report and internal audit reports;
- Reports from the Council's external auditor; and
- Reports by external, statutory inspection agencies.

The evidence of effectiveness from these sources includes:

- The GGI identified that there had been a natural maturing of the governance of the EIJB and that a significant overhaul of the EIJB's committee structure was now necessary;
- The GGI identified a lack of an EIJB code of governance which sets out the governing principles of the EIJB;
- Standing orders are reviewed annually in a report to the EIJB, to ensure they are up to date and relevant;
- The Health and Social Care Partnership's contract management framework is subject to annual internal review;
- Internal audit identified a lack of committee oversight of performance since the performance and quality sub-group was suspended. Performance objectives had also not been identified for all directions;
- Performance was considered at the Board, but changes are being made to provide a more robust structure that will give greater assurance to the EIJB. A performance and delivery committee is set to be created which will provide more in-depth monitoring and scrutiny of performance and a new performance framework is being developed;
- The annual performance report was presented to the EIJB in June 2018 as per the requirements of the legislation;
- A series of resilience workshops took place in 2018 to further develop individual service area operational resilience plans based on the tactical resilience plan;
- A quarterly internal audit update detailing internal audit activity on behalf of the EIJB is submitted to the Audit and Risk Committee;
- The Chief Internal Auditor provides an annual audit opinion;
- Progress in implementing recommendations from previous audit reports has been closely tracked by the Chief Officer and the Audit and Risk Committee. However, a validation exercise in late 2017/early 2018 identified that there were some historic audit actions that had not been implemented. An action plan has been created to address the outstanding actions;
- Regular finance monitoring reports are presented to the EIJB and Council and NHS committees. Monitoring arrangements have been effective in identifying variances and control issues and taking appropriate action. This has included allocating funds to offset unachieved saving plans;
- An EIJB induction is in place for all new voting and non-voting members;
- A records management plan was agreed in December 2018 with the scrutiny and oversight of the improvement plan being delegated to the Audit and Risk Committee;
- Data protection impact assessments were being prepared to document information governance operational processes and ensure significant control gaps were identified and resolved;
- Internal Audit had identified that information governance processes were not sufficiently mature to support data sharing although there was an acknowledgement that work was ongoing to improve this situation;
- An action plan was created to track improvements following on from the review carried out by the Ministerial Strategic Group;
- After a period of temporary chairs, a new permanent Audit and Risk Committee chair was appointed; and

- A comprehensive grants programme for health and social care was delivered. This was a complex piece of work to ensure the allocation of funds was fair, accessible and best aligned with EIJB’s strategy. The programme with a budget of £14.1m was significantly oversubscribed with 152 applications requesting £31m.

**Previous Year’s Improvement Actions**

1	Issue	Responsible Party	Status
	Further improvement and development of the mitigating actions for the new separate EIJB Risk Register	Chief Officer	Complete
	Development of an Integrated Resilience Management Strategy for the Health and Social Care Partnership	Chief Officer	Complete
	Review and changes to responsibilities of sub groups regarding performance monitoring	Chief Officer	Complete
	Establishment of an Improvement Programme Board to oversee non-savings related work for the Health and Social Care Partnership	Chief Officer	Complete
	Appointment of an Audit and Risk Committee Chair	Chief Officer	Complete

**Further Improvement – Action Plan**

	<b>Issue</b>	<b>Responsible Party</b>	<b>Reporting Date</b>
<b>1</b>	Good Governance Institute Review Implementation	Chief Officer	March 2020
<b>2</b>	Creation of Governance Handbook to support the EIJB and its members	Chief Officer	October 2019
<b>3</b>	Review of Integration Scheme	Chief Officer	March 2020
<b>4</b>	Review of Directions Policy	Chief Officer	August 2019
<b>5</b>	Development of a Reserves Policy	Chief Officer	August 2019
<b>6</b>	Development of an integrated performance framework	Chief Officer	October 2019

**Certification**

It is our opinion that in light of the foregoing, reasonable assurance, subject to the matters raised above, can be placed on the effectiveness and adequacy of the EIJB’s systems of governance.

**Conclusion**

We remain committed to monitoring implementation as part of the next annual review.

**Judith Proctor**  
**Chief Officer**  
 [Date for Signing]

**Ricky Henderson**  
**Chair**  
 [Date for Signing]

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**

*This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices*

**COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2019**

2017/18			2018/19	
Net Expenditure £000		Note	Gross expenditure £000	Gross income £000
				Net Expenditure £000
	<b>Health Services</b>	8		
250,957	Core services		264,868	0
86,071	Hosted services		82,128	0
49,623	Non-cash Limited		52,444	0
99,410	Set aside services		93,577	0
1,257	Corporate services		1,268	0
<b>487,318</b>			<b>494,285</b>	<b>0</b>
	<b>Social Care Services</b>	8		
124,670	External purchasing		137,682	0
34,616	Care at home		32,540	0
12,698	Day services		15,304	0
22,457	Residential care		20,825	0
13,191	Social work assessment and care management		14,601	0
527	Corporate services		558	0
8,918	Other		10,184	0
<b>217,077</b>			<b>231,694</b>	<b>0</b>
420	Corporate services	3	415	0
<b>704,815</b>	<b>Cost of services</b>		<b>726,394</b>	<b>0</b>
<b>-709,477</b>	<b>Taxation and non-specific grant income and expenditure</b>	2	<b>0</b>	<b>-727,736</b>
<b>-4,662</b>	<b>Surplus on provision of services</b>		<b>726,394</b>	<b>-727,736</b>
			<b>-1,342</b>	

## BALANCE SHEET

The Balance Sheet shows the value, as at 31 March 2019, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.

<b>BALANCE SHEET AS AT 31 MARCH 2019</b>			
<b>31/03/2018</b>		<b>Notes</b>	<b>31/03/2019</b>
<b>£000</b>			<b>£000</b>
	<b>Current assets</b>		
8,378	Short term debtors	4	9,713
	<b>Current liabilities</b>		
-26	Short term creditors	5	-19
<b>8,352</b>	<b>Net assets</b>		<b>9,694</b>
-8,352	Usable reserves	MIRS	-9,694
<b>-8,352</b>	<b>Total reserves</b>		<b>-9,694</b>

I certify that the statement of accounts present a true and fair view of the financial position of the Edinburgh Integration Joint Board as at 31 March 2019 and its income and expenditure for the period.

**Moira Pringle**  
**Chief Finance Officer**  
 [Date for Signing]

## MOVEMENT IN RESERVES

*This statement shows the movement in the year on the different reserves held by the Edinburgh Integration Joint Board.*

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>£000</b>	<b>£000</b>
<b>Usable reserves – General Fund brought forward</b>	-8,352	-3,690
Surplus on the provision of services	-1,342	-4,662
<b>Total comprehensive income and expenditure</b>	<b>-9,694</b>	<b>-8,352</b>
<b>Balance, as at 31 March, carried forward</b>	<b>-9,694</b>	<b>-8,352</b>

## NOTES TO ACCOUNTS

### 1. ACCOUNTING POLICIES

#### 1.1 General Principles

The Annual Accounts for the year ended 31 March 2019 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Edinburgh Integration Joint Board (EIJB).

#### 1.2 Accruals of Income and Expenditure

The revenue accounts have been prepared on an accruals basis in accordance with the Code of Practice

#### 1.3 VAT Status

The EIJB is a non-taxable person and does not charge or recover VAT on its functions.

#### 1.4 Going Concern

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

#### 1.5 Funding

Edinburgh Integration Joint Board receives contributions from its funding partners, namely NHS Lothian and the City of Edinburgh Council to fund its services.

Expenditure is incurred in the form of charges for services provided to the EIJB by its partners.

#### 1.6 Provisions, Contingent Liabilities and Assets

Contingent assets are not recognised in the accounting statements. Where there is a probable inflow of economic benefits or service potential, this is disclosed in the notes to the financial statements.

Contingent liabilities are not recognised in the accounting statements. Where there is a possible obligation that may require a payment, or transfer of economic benefit, this is disclosed in the notes to the financial statements

The value of provisions is based upon the Board's obligations arising from past events, the probability that a transfer of economic benefit will take place and a reasonable estimate of the obligation.

#### 1.7 Employee Benefits

The Chief Officer is regarded as an employee of the EIJB, although her contract of employment is with City of Edinburgh Council. The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. The post is

funded by the EIJB however the statutory responsibility for employer pension liabilities rests with the employing partner organisation (City of Edinburgh Council).

The Chief Financial Officer is regarded as an employee of the EIJB, although her contract of employment is with NHS Lothian. NHS Lothian participates in the NHS Superannuation Scheme (Scotland) which is a defined benefit statutory public service pension scheme, with benefits underwritten by the UK Government.

The remuneration report presents the pension entitlement attributable to the posts of the EIJB Chief Officer, Chief Financial Officer and Chair of the EIJB although the EIJB has no formal ongoing pension liability. On this basis, there is no pension liability reflected on the EIJB balance sheet for these posts.

### **1.8 Cash and Cash Equivalents**

The EIJB does not hold a bank account or any cash equivalents. Payments to staff and suppliers relating to delegated services will be made through cash balances held by the partner organisations (NHS Lothian and City of Edinburgh Council). On this basis, no Cash Flow statement has been prepared in this set of Annual Accounts.

### **1.9 Reserves**

The Integration Joint Board is permitted to set aside future amounts of reserves for future policy purposes. These reserves normally comprise: funds which are set aside for specific purposes; and funds which are not earmarked for specific purposes but are set aside to deal with unexpected events or emergencies. They are created by appropriating amounts out of revenue balances. When expenditure to be funded from a reserve is incurred, it is charged to the appropriate service in that year and thus included in the Comprehensive Income and Expenditure Statement. Movements in reserves are reported in the Movement of Reserves Statement.

The EIJB has one usable reserve, the General Fund which can be used to mitigate financial consequences of risks and other events impacting on the Boards resources. The utilisation of the monies within this fund will be agreed by EIJB in June 2019.

### **1.10 Support Services**

Support services are not delegated to the EIJB through the Integration scheme, and are instead provided by NHS Lothian and the City of Edinburgh Council free of charge, as a 'service in kind'. Support services provided mainly comprise the provision of financial management, human resources, legal services, committee services, ICT, payroll and internal audit services.

## 2. RELATED PARTY TRANSACTIONS

The Edinburgh Integration Joint Board was established on 27 June 2015 as a joint board between City of Edinburgh Council and NHS Lothian. The income received from the two parties was as follows:

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>£000</b>	<b>£000</b>
NHS Lothian	-518,177	-511,593
City of Edinburgh Council	-209,001	-197,357
<b>Total</b>	<b>-727,178</b>	<b>-708,950</b>

Expenditure relating to the two parties was as follows;

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>£000</b>	<b>£000</b>
NHS Lothian	494,521	487,561
City of Edinburgh Council	231,273	216,697
<b>Total</b>	<b>725,794</b>	<b>704,258</b>

Details of creditor and debtor balances with the partner bodies are set out in the subsequent notes (4 and 5).

## 3. CORPORATE EXPENDITURE

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>£000</b>	<b>£000</b>
Staff Costs	373	391
Other Fees	3	3
Audit Fees	39	26
<b>Total</b>	<b>415</b>	<b>420</b>

Staff costs relate to the Chief Officer, Chief Finance Officer, EIJB Chair and Vice-Chair.

EIJB is in receipt of NHS Lothian and City of Edinburgh Council support services. NHS Lothian and the City of Edinburgh Council have agreed to provide support services, without an onward recovery. Support services to a value of £0.754m (£0.709m 2017/18) have been provided.

#### 4. SHORT TERM DEBTORS

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>£000</b>	<b>£000</b>
Other Local Authorities	9,713	8,378
<b>Total</b>	<b>9,713</b>	<b>8,378</b>

#### 5. SHORT TERM CREDITORS

	<b>31/03/2019</b>	<b>31/03/2018</b>
	<b>£000</b>	<b>£000</b>
Other Bodies	-19	-26
<b>Total</b>	<b>-19</b>	<b>-26</b>

#### 6. POST BALANCE SHEET EVENTS

No material events have occurred post the balance sheet reporting date.

#### 7. CONTINGENT LIABILITIES and ASSETS

There are no contingent liabilities or assets to disclose.

## 8. SEGMENTAL REPORTING

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

	<b>2018/19 Actual Expenditure £000</b>	<b>2017/18 Actual Expenditure £000</b>
<b>SERVICES PROVIDED BY NHS Lothian</b>		
<b>Core services</b>		
Community Allied Health Professionals	10,205	6,133
Community hospitals	11,478	11,303
District nursing	10,817	10,666
General medical services	79,472	75,269
Prescribing	80,573	82,172
Other core services	72,323	65,414
<b>Total core services</b>	<b>264,868</b>	<b>250,957</b>
<b>Hosted services</b>		
Mental health, substance misuse and learning disabilities	41,951	45,928
Other hosted services	41,445	41,400
<b>Total hosted services</b>	<b>83,396</b>	<b>87,328</b>
<b>Non- Cash Limited</b>		
Dental	28,003	26,684
Ophthalmology	9,399	9,253
Pharmacy	15,042	13,686
<b>Total Non-Cash Limited</b>	<b>52,444</b>	<b>49,623</b>
<b>Set aside services</b>		
General medicine	26,164	24,972
Geriatric medicine	13,409	13,100
Junior medical	14,105	13,757
Other set aside services	39,899	47,581
<b>Total set aside services</b>	<b>93,577</b>	<b>99,410</b>
<b>TOTAL SERVICES PROVIDED BY NHS Lothian</b>	<b>494,285</b>	<b>487,318</b>
<b>SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL</b>		
External purchasing	137,682	124,670
Care at home	32,540	34,616
Day services	15,304	12,698
Residential care	20,825	22,457
Social work assessment & care management	14,601	10,452
Other services provided by City of Edinburgh Council	10,742	12,184
<b>TOTAL SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL</b>	<b>231,694</b>	<b>217,077</b>
Useable Reserves	-9,694	-8,352
<b>TOTAL ALL SERVICES</b>	<b>716,285</b>	<b>696,043</b>

## 9. FUNDING ANALYSIS

The expenditure and funding analysis shows how annual expenditure is used and funded from resources in comparison with how those resources are consumed or earned in accordance with generally accepted accounting practice. In essence this demonstrates the difference between expenditure on an accounting basis and a funding basis. For EIJB no such difference applies and the information required is disclosed elsewhere in the financial statements

## 10. INDEPENDENT AUDITOR'S REPORT

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973.

The Auditor appointed for this purpose by the Accounts Commission for Scotland is:

Nick Bennett  
For and on behalf of Scott-Moncrieff  
Scott-Moncrieff  
Exchange Place 3  
Semple Street  
EDINBURGH  
EH3 8BL