



south ayrshire
health & social care
partnership

Annual Accounts 2015-16

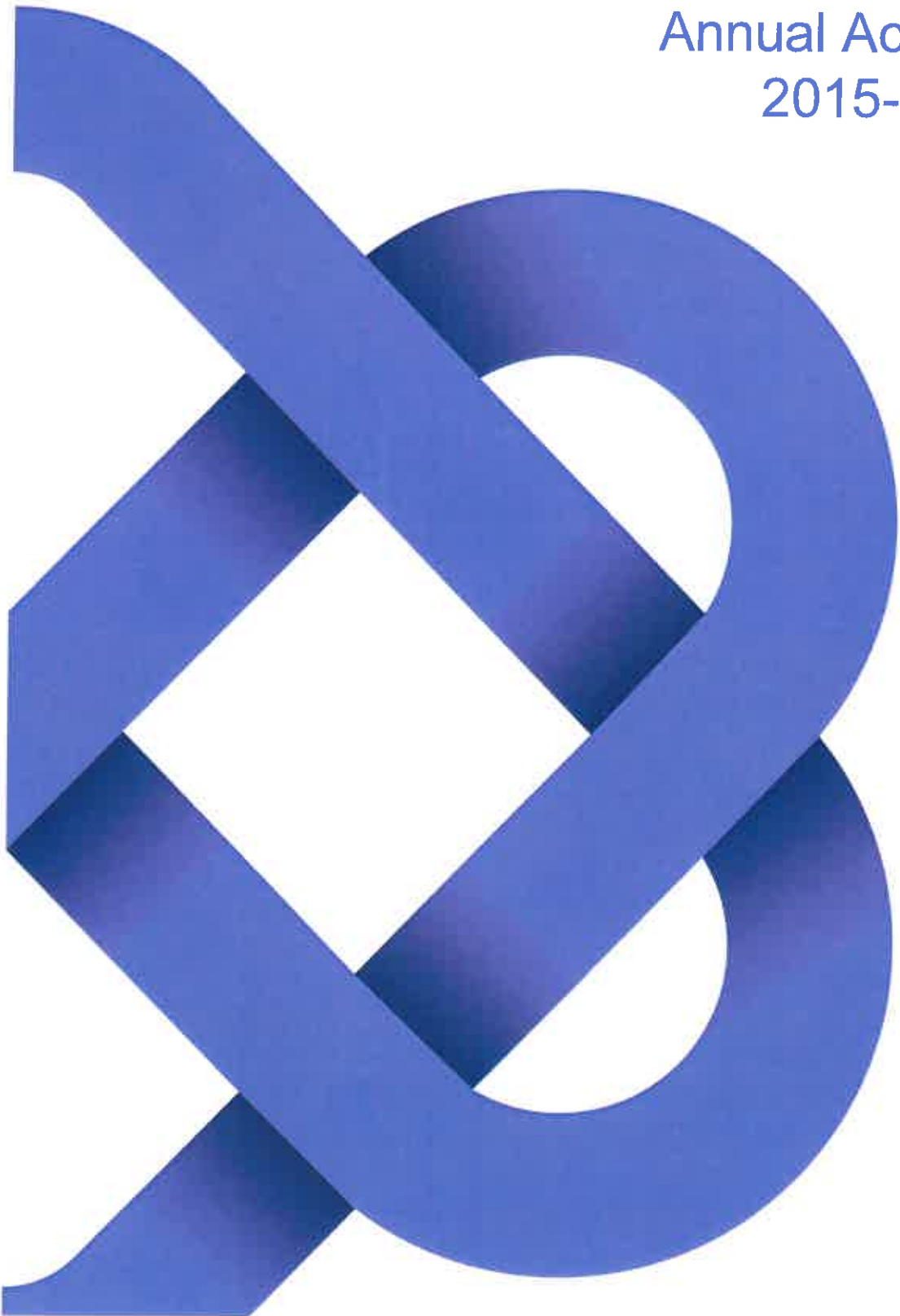


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Section 1: Management Commentary

Introduction

This Management Commentary provides an overview of the key messages in relation to the objectives and strategy of South Ayrshire Integration Joint Board (the IJB) and the financial performance of the IJB for the year ended 31 March 2016. It also provides an indication of the issues and risks which may impact upon the finances of the IJB in the future.

South Ayrshire Integration Joint Board was established as a body corporate by order of the Scottish Ministers on 2 April 2015 as part of the establishment of the framework for the integration of health and social care in Scotland under the Public Bodies (Joint Working) (Scotland) Act 2014. The IJB has responsibility for providing social care and defined health care services for the residents of the southern part of Ayrshire, encompassing an area of 242 square miles and a population of 113,000. It borders onto Dumfries and Galloway, East Ayrshire and North Ayrshire. In addition, the IJB provides specific health care services across Ayrshire by means of lead partnership arrangements agreed in the Integration Scheme between NHS Ayrshire and Arran and South Ayrshire Council.

South Ayrshire Council and the NHS Ayrshire and Arran Health Board, as the parties to the Integration Scheme, each nominate four voting members to sit on the IJB. The Council nominates Elected Members and the Health Board Non-Executive and Executive Directors, with the majority being Non-Executive Directors. A Council nominee was the Chair of the IJB in 2015/16 and the Vice-Chair was drawn from NHS Board Non-Executive Directors.

A number of non-voting Representative Members sit on the Integration Joint Board and contribute to its proceedings. These Representatives are chosen from the Third Sector, the Independent Sector, Carers, Services Users, and Council and NHS Board staff. A GP Stakeholder Member has also been appointed along with a Medical Practitioner who is not a GP.

Management support to the IJB is led by the Director of Health and Social Care. The operational structure is divided into three principal service areas:

- Community Health and Care Services,
- Children's Health, Care and Criminal Justice Services and
- Allied Health Professions.

The IJB has appointed a Medical Director and a Chief Finance Officer. Other staff reporting directly to the Director of Health and Social Care provide planning, performance and business support services to the IJB and the broader Partnership.

Purpose and Objectives of the IJB

The main purpose of integration is to improve the wellbeing of families, communities and people who use health and social care services, particularly those whose needs are complex and involve support from health and social care at the same time.

The Integration Joint Board has approved the following Vision for the Health and Social Care Partnership as part of its approved Strategic Plan for 2015-18: "Working together for the best possible health and wellbeing of our communities."

The Integration Scheme puts in place a framework designed to deliver the National Health and Wellbeing Outcomes prescribed by the Scottish Ministers in Regulations under Section 5(1) of the Public Bodies (Joint Working) (Scotland) Act 2014. It similarly seeks to deliver against National Outcomes for Children and Families and for those in the Criminal Justice System and to do all of this in a way that is consistent with the National Delivery Principles set out in Section 4 and Section 31 of the 2014 Act.

The IJB Strategic Plan sets out a number of Strategic Objectives and Policy Priorities with accompanying Implementation and Resource Plans, Performance Framework and Strategic Risk Assessment, all designed to ensure a direction of travel by the Partnership consistent with National Objectives. The Partnership's agreed Strategic Objectives are as follows:

- Reduce the inequality gradient and in particular address health inequality.
- Protect children and vulnerable adults from harm.
- Ensure children have the best possible start in life.
- Support people to live independently and healthily in local communities.
- Prioritise preventative, anticipatory and early intervention approaches.
- Proactively integrate health and social care services and resources for adults and children.
- Develop local responses to local needs.
- Ensure robust and comprehensive partnership arrangements are in place.
- Support and develop our staff and local people.
- Operate sound strategic and operational management systems and processes.
- Communicate in a clear, open and transparent way.

Medium Term Financial Strategy

The IJB, like many others, faces significant financial challenges and is required to operate within tight fiscal constraints for the foreseeable future due to the continuing difficult national economic outlook and increasing demand for services. A financial plan is currently in progress for 2016/17 with the objective that the IJB operates within the resource available. The financial plan will reflect the agreement with South Ayrshire Council on the increased investment by the Scottish Government and the funding to be provided by NHS Ayrshire & Arran.

The IJB has approved an ambitious agenda for change aimed at better integrating and improving pathways, approaches and services with early focus being on services for older people and for those with Mental Health problems and those with Learning Disabilities. Funding provided to support service development through the Integrated Care Fund was used to support this programme and to encourage the development of capacity within communities and the development of an asset based approach. In addition, the Partnership is participating in an ambitious Pan-Ayrshire review of services which is due to report in 2016/17. During 2015/16 the Partnership worked with colleagues in the Acute Sector to reduce pressures on the Ayr Hospital and contributed to the NHS Ayrshire and Arran Delivery and Winter Plans. The primary focus of the IJB, however, remains on shifting the balance of care in favour of community based services and away from hospitals and other institutions.

A review of Community Planning in South Ayrshire was implemented in 2015/16 with the Health and Social Care Partnership being asked to lead a new Strategic Delivery Partnership for Health and Wellbeing which has as its focus efforts to address Health Inequalities and Inequalities more generally. The Chair of the IJB sits on the Community Planning Partnership Board.

Financial Statements

The financial statements for 2015-2016 are set out on page 16 and incorporate financial and other information required by the Code of Practice on Local Authority Accounting in the United Kingdom (*The Code*). The Statement of Accounting Policies on pages 18-24 explains the basis for the recognition, measurement and disclosure of transactions and other events in the Annual Accounts, to ensure that they present a 'true and fair view' of the IJB's financial performance. An explanation of each of the financial statements which follow and their purpose is shown at the top of each statement.

Financial Performance 2015/16

The final position within the Health and Social Care Partnership was that expenditure was lower than the resource made available by £0.634. This was not a planned underspend. Under the provisions of the Integration Scheme this underspend was returned to the Party which provided the resource. In this instance this was South Ayrshire Council. South Ayrshire Council has made provision within their accounts to ear mark £0.4 million of the underspend for use by the IJB in 2016/17. As a result, the accounts report a financially balanced position in 2015/16.

A number of overspends against budget occurred in 2015/16 relating to meeting the service needs of users. There was a particular pressure in Children's services with high use of outwith authority placements accounting for an overspend of £1.1 million. The increase in demand also occurred in care packages for older people and people with physical or learning disabilities. The hospital budgets at Biggart and Girvan were overspent by £0.4 million reflecting the care of a high number of frail patients while there was high sickness level among staff.

These overspends were offset by a high level of staff vacancies and the development of a recovery plan which reduced costs through demand management.

Balance sheet

The Balance Sheet reflects that the IJB has no assets or liabilities at 31 March 2016

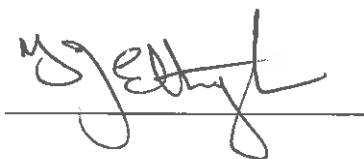
Financial Outlook and Key Risks

The IJB faces ongoing service and cost pressure arising from a range of issues. Both of the Parties to the IJB are facing challenges in meeting the demands for services within the finances available; this will have a direct consequence on the funding provided to the IJB. Within the IJB the major risk to managing the financial position arises from demographic pressures. The significant growth anticipated in the number of older people and their need for suitable services requires innovative solutions to allow services to be provided within the funding available. In addition, national initiatives affecting the cost of providing services can increase the financial challenge if these are not funded in full.

Conclusion

The continuation of prudent financial management and medium term financial planning has allowed the IJB to successfully manage its financial affairs. The IJB's financial position at 31 March 2016 reflects the collective efforts of service managers, directorate management teams and Corporate Finance staff in maintaining sound financial management processes during the year.

We would like to acknowledge the significant effort of all the staff across the IJB who contributed to the preparation of the Annual Accounts and to the budget managers and support staff whose financial stewardship contributed to the financial position at 31 March 2016.



Tim Eltringham
Chief Officer

15 September 2016



Councillor Rita Miller
Chair of the IJB

15 September 2016



Sharon Lindsay BAcc CA
Chief Finance Officer

15 September 2016

Section 2: Statement of Responsibilities


This statement sets out the respective responsibilities of the IJB and the Chief Finance Officer, as the IJB's Section 95 Officer, for the financial statements.

The IJB's responsibilities

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In South Ayrshire IJB that officer is the Chief Finance Officer.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Annual Accounts for signature.

To be signed by the Chair of the Integration Joint Board:

..... 

Councillor Rita Miller
Chair of the IJB

15 September 2016


Responsibilities of the Chief Finance Officer

The Chief Finance Officer, as S95 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*), are 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 Finance Officer has:

- Selected suitable accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the Code of Practice and legislation;
- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a "true and fair view" of the financial position of the South Ayrshire IJB at the reporting date and the transactions of South Ayrshire IJB for the year ended 31 March 2016.


.....
Sharon Lindsay BAcc CA
Chief Finance Officer
15 September 2016

Section 3: Annual Governance Statement

This statement sets out the framework within which the IJB has put in place proper arrangements (known as the governance framework) for the governance of the IJB's affairs thereby facilitating the effective exercise of its functions, ensuring that appropriate arrangements are in place for the management of risk and that appropriate systems of internal financial control are in place.

Scope of Responsibility

South 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 also has a duty under the Local Government Act 2003 to make arrangements to secure Best Value, through continuous improvement in the way in which its functions are exercised, having regard to economy, efficiency, effectiveness, the need to meet the equal opportunity requirements, and contributing to the achievement of sustainable development.

In discharging this overall responsibility, the IJB is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The IJB complies with the requirements of the CIPFA Statement on *"The Role of the Chief Financial Officer in Local Government 2010"*. The IJB's Chief Finance Officer (Section 95 Officer) has overall responsibility for the IJB's financial arrangements, and is professionally qualified and suitably experienced to lead the IJB's finance function and to direct finance staff.

The IJB complies with the requirements of the United Kingdom Public Sector Internal Audit Standards 2013:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

The IJB uses the systems of South Ayrshire Council and NHS Ayrshire and Arran Health Board to manage its financial records. The operational delivery of services within the NHS Ayrshire and Arran Health Board and South Ayrshire Council, on behalf of the IJB, will be covered by their respective internal audit arrangements as at present. The IJB's Chief Internal Auditor is professionally qualified and suitably experienced to make the assessment on the internal control system of the IJB.

The Performance and Audit Committee performs a scrutiny role in relation to the application of CIPFA's Public Sector Internal Audit Standards 2013 (PSIAS) and regularly monitors the performance of the IJB's Internal Audit service. The IJB's Chief Internal Auditor has responsibility to review independently and report to the Audit Committee annually, to provide assurance on the adequacy and effectiveness of conformance with the PSIAS.

Elected Members and officers of the IJB are committed to the concept of sound governance and the effective delivery of IJB services.

This statement explains how the IJB has complied with the Framework and also meets the requirements of The Local Authority Accounts (Scotland) Regulations 2015 which requires all relevant bodies to prepare an annual governance statement.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, objectives and outcomes and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the IJB's policies, objectives and outcomes, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at South Ayrshire IJB for the year ended 31 March 2016 and up to the date of approval of this statement of accounts.

The Governance Framework

In relation to the development of its governance arrangements during 2015/16, the IJB has established a Strategic Planning Advisory Group (Strategic Planning Group) as required by regulation to advise it on the content of its Strategic Plan and to provide support and comment within the Partnership on the development of policies across the full range of delegated functions.

A committee of the IJB, comprising both voting and non-voting members has been established to consider Performance and Audit matters, including these annual accounts.

An Officers Clinical and Care Governance Group has also been set up. In the early part of 2015/16, training was provided for IJB members on their role as set out in legislation and regulation and to assist them to deliver this in a way that will provide Best Value for all stakeholders. The IJB holds regular workshops to permit detailed consideration of aspects of its remit.

The IJB has approved a number of governance related documents in its first year including: Standing Orders, Financial Regulations, a Reserves Policy, an Expenses Policy and a Scheme of Delegation. A Register of Members Interests has been established for IJB Members and IJB Members have been invited to sign the Code of Conduct for Members of Devolved Public Bodies.

An operational management structure for Partnership Services was approved by the IJB and during the year the Departmental Management Team has taken steps to recruit and appoint to this.

The Performance and Audit Committee will receive an annual report against the current Partnership Performance Framework at its June, 2016 meeting. This will provide a range of performance indicators grouped under the Partnership's Strategic Objectives as at 31st March, 2016. The Performance Framework remains under on-going development and refinement and will be subject to change as pathways, approaches and services change. The performance report will also provide information on progress against the 2015-18 Strategic Plan Implementation Plan.

During the year, the Integration Joint Board received and approved a Strategic Risk Register for Partnership activities based on its Strategic Plan. This will be considered on a six-monthly basis.

In the final quarter of the Financial Year, the Health and Social Care Partnership along with others in the Community Planning Partnership, received notification that the Care Inspectorate will undertake an Integrated Inspection of Children's Services in South Ayrshire early in financial year 2016/17.

Significant progress was made in 2015/16 on the development and approval of a locality planning framework for South Ayrshire which will be at the centre of efforts towards changes in the balance of care by growing capacity in local communities, developing local assets and through locality planning groups providing six forums, locally, where local people and professionals from across the sectors can meet to discuss local needs and priorities and seek to have these reflected in the Partnership's Strategic Plan. The six locality planning groups first met in the autumn of 2015, have been meeting regularly, have identified their initial priorities, have appointed their office bearers and have each awarded grants from a Small Grants Fund provided through the Integrated Care Fund.

The Partnership plans to produce an Annual Performance Report for 2015/16 which will be submitted to the IJB in the autumn for approval.

Internal Financial Control

The IJB's system of internal controls is based on a framework of regular management information, financial regulations, administrative procedures, management supervision and a system of delegation and accountability. The Board uses the systems of South Ayrshire Council and NHS Ayrshire and Arran Health Board to manage its financial records.

Development and maintenance of the systems is undertaken by the NHS Ayrshire and Arran Health Board and South Ayrshire Council as part of the operational delivery of the Health and Social Care Partnership. In particular the system includes:

- comprehensive budgeting systems;
- setting targets to measure financial and other performance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts and targets; and
- formal project management disciplines, as appropriate.

The Director of Finance, NHS Ayrshire and Arran and the Head of Finance and ICT, South Ayrshire Council have provided assurances that the charges for the services commissioned reflect the income and expenditure recorded in their financial systems and that they are complete and accurate reflecting appropriate charges.

Any system of control can only ever provide reasonable and not absolute assurance that control weaknesses or irregularities do not exist or that there is no risk of material errors, losses, fraud, or breaches of laws or regulations. Accordingly, the Partners of the Integration Board are continually seeking to improve the effectiveness of its systems of internal control.

The main objectives of the Board's internal control systems are:

- To ensure adherence to policies and directives in order to achieve the organisation's objectives;
- To safeguard assets;
- To ensure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
- To ensure compliance with statutory requirements.

The Performance Appraisal and Audit section of South Ayrshire Council operates in accordance with United Kingdom Public Sector Internal Audit Standards which came into force with effect from 1 April 2013. The section undertakes an annual programme of work approved by the Audit and Governance Committee Panel acting in its role as the Council's Audit Committee.

All internal audit reports identifying system weaknesses and/or non-compliance with expected controls are brought to the attention of management and include appropriate recommendations and agreed action plans. It is management's responsibility within the Partnerships to ensure that proper consideration is given to internal audit reports and that appropriate action is taken on audit recommendations.

Performance Appraisal and Audit is required to ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking action. Significant matters (including non-compliance with audit recommendations) arising from internal audit work are currently reported to South Ayrshire Council's Chief Executive and to the Council's Audit Committee.

The Internal Audit service of NHS Ayrshire and Arran is provided by PriceWaterhouseCoopers (PWC).

PwC's Internal Audit methodology is aligned to Public Sector Internal Audit Standards (PSIAS). The NHS Ayrshire & Arran Audit Plan for 2015/16 was agreed with management and approved by the NHS Ayrshire & Arran Audit Committee. All internal audit reviews have been completed in accordance with the approved Internal Audit Plan, subject to any amendments formally approved by the Audit Committee. All reports are presented at the Audit Committee in addition to any other relevant governance committees within NHS Ayrshire & Arran, as appropriate. Any control weaknesses identified are agreed with management, along with a responsible officer and target date for agreed action to be taken. Follow up work is undertaken each year on previously agreed actions where the risk rating is medium or above. Management's progress implementing these actions is formally reported to the Audit Committee.

The system of financial control is reviewed to ensure continued effectiveness by the work of managers in the IJB and by the work of internal and external audit in their annual report and other reports.

Review of Effectiveness

The review of effectiveness of the governance framework including the system of internal controls is informed by the work of the Senior Management Team within the IJB who have responsibility for the development and maintenance of the governance environment, the annual report by the Chief Internal Auditor, and also by reports/comments made by external audit and other review agencies and inspectorates.

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 Finance Officer and the Chair of the Performance and Audit Committee.

In addition to regular reports to the IJB Performance and Audit Committee, the Chief Internal Auditor prepares an annual report to the Audit and Performance 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 will be presented to the IJB Performance and Audit Committee on 17 June 2016.

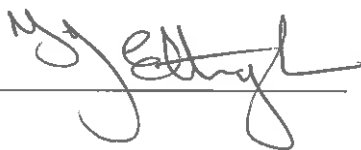
Internal Audit aims to give reasonable assurance on the IJB's systems of internal control using a risk based programme of work. On the basis of Internal Audit work

completed in 2015/16, the IJB's established internal control procedures were generally found to operate as intended to meet management's requirements for the areas reviewed by Internal Audit. On the basis of selective testing of key controls, it can be concluded that, in the main, controls were generally operating as expected during the period under review.

Management have continued to react positively to audit reports and have, in the main, implemented audit recommendations in order to enhance internal controls and to minimise the risks associated with audit findings.

Assurance

Subject to the above, and on the basis of the assurance provided, we consider the governance and internal control environment operating during 2015/16 provides reasonable and objective assurance that any significant risk impacting on our principal objectives 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.



Tim Eltringham
Chief Officer

15 September 2016



Councillor Rita Miller
Chair of the IJB

15 September 2016

Section 4: Remuneration Report

Introduction

There is a requirement under the Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) to provide a remuneration report as part of the annual statutory accounts. There are no employees of the IJB; the staff in the Health and Social Care partnership is employed by South Ayrshire Council or NHS Ayrshire and Arran Health Board.

Integration Joint Board

The voting members of the Integration Joint Board are nominated by the parent organisations: South Ayrshire Council and NHS Ayrshire and Arran Health Board. There is a minimum of three voting members from each parent organisation. The Chair of the IJB is Councillor Rita Miller. The Vice-Chair of the IJB was John Callaghan from 2 April 2015 to 31 January 2016 and Stuart Donnelly from 1 February 2016; both of these individuals held the post of Employee Director, NHS Ayrshire and Arran.

The other voting Board members during 2015/16 were:

Councillor Bill McIntosh, South Ayrshire Council
Councillor Brian McGinley, South Ayrshire Council
Councillor Robin Reid, South Ayrshire Council
Lesley Bowie, NHS Ayrshire and Arran Health Board
Carol Davidson, NHS Ayrshire and Arran Health Board
Claire Gilmore, NHS Ayrshire and Arran Health Board

Senior officers

The Chief Officer is appointed by the Integration Joint Board in consultation with the Health Board and Local Authority. The Chief Officer is employed by South Ayrshire Council and seconded to the Integration Joint Board. The Chief Officer post is funded by the IJB.

The chief finance officer is appointed by the Integration Joint Board and is employed by NHS Ayrshire and Arran as their Assistant Director of Finance – Operational Services. NHS Ayrshire and Arran meets the full cost of this remuneration.

Remuneration policy

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

The IJB approved the appointment of the Chief Officer at its meeting of 2 April 2015. A joint Human Resources Working Group was established between NHS Ayrshire & Arran and the three Ayrshire Councils to develop bespoke recruitment processes for the Chief Officer posts. The Chief Officer was jointly appointed by NHS Ayrshire & Arran and South Ayrshire Council. South Ayrshire Council set the remuneration level of the Chief Officer during the shadow integration year as part of the joint process. In reaching its decision, the Council had regard to the need to recruit, retain and motivate suitably able and qualified staff to exercise their different responsibilities. This is set by reference to national arrangements. The Scottish Joint Negotiating Committee (SJNC) for Local Authority Services circular CO/148 sets out the appropriate salary scales for 2015/16 financial year.

Remuneration

The board members and senior officers received the following remuneration in the year:

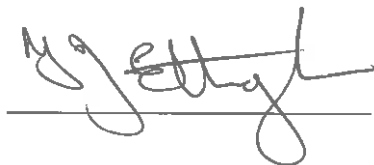
| | | | 2015/16 |
|--------------|------------------------------------|-------------------------|---------------------------|
| | Salary, fees and allowances | Taxable expenses | Total remuneration |
| | £ | £ | £ |
| T Eltringham | 108,392 | 119 | 108,511 |

Pension benefits

The Chief Officer is a member of the Local Government Pension Scheme. The statutory responsibility for employer pension liabilities rests with the employing partner organisation. Costs of the pension scheme contributions for the year to 31 March 2016 are shown in the table below. The IJB has no formal on-going pension liability for the pension entitlement attributable to the post of the IJB Chief Officer. The IJB will be expected to fund employer contributions as they become payable during the Chief Officer's period of service; on this basis there is no pensions liability on the IJB Balance Sheet for the IJB Chief Officer.

| | To 31 March 2016 |
|---------------------------------------|------------------|
| | £ |
| T Eltringham | |
| In-year pension contributions | 20,920 |
| Accrued pension benefits | |
| Pension | 46,005 |
| Lump Sum | 98,879 |
| Total accrued pension benefits | 144,884 |

As the voting members are not remunerated by the IJB there is no disclosure of any pension benefits and contributions arising.



Tim Eltringham
Chief Officer

15 September 2016



Councillor Rita Miller
Chair of the IJB

15 September 2016

Section 5: Core Financial Statements

Income and Expenditure Statement for the year ended 31 March 2016

The (Surplus) or Deficit on the Statement of Income and Expenditure shows the income received from and expenditure delegated back to the Health Board and Council for the delivery of services.

| | Notes | 2015/16 | | |
|---|----------|-------------------|-----------------|------------------|
| | | Gross Expenditure | Gross Income | Net Expenditure |
| | | £000 | £000 | £000 |
| Social Care Services | | 86,720 | (4,837) | 81,883 |
| Health Care Services | | 137,691 | (18,552) | 119,139 |
| Corporate Services | 6 | 17 | 0 | 17 |
| Cost of Services | 7 | 224,428 | (23,389) | 201,039 |
| Income from Parent Bodies | 7 | | | (201,039) |
| (Surplus) / Deficit on provision of Services | | | | 0 |

Movements in Reserves Statement


South Ayrshire Council has made provision within their accounts to ear mark £0.4 million of the £0.634 million underspend for use by the South IJB in 2016/17. As the IJB has no reserves there is no movement in reserves to be disclosed.

Balance Sheet

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.

| | Note | 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 unaudited accounts were issued on 17 June 2016 and the audited accounts were authorised for issue on 15 September 2016.


Sharon Lindsay BAcc CA
Chief Finance Officer
15 September 2016

Section 6: Notes to the Core Financial Statements

Note 1: Accounting policies

i. General principles

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

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.

ii. 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**.

iii. 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.

iv. Accounting Convention

The Accounts are prepared on an historical cost basis.

v. Funding

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

vi. 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 are authorised for issue. Two types of events can be identified:

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

vii. Exceptional items

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

viii. Related Party Transactions

As partners in the Joint Venture of South Ayrshire Integration Joint Board both South Ayrshire Council and Ayrshire and Arran Health Board are related parties and material transactions with those bodies are disclosed in Note 4 in line with the requirements of IAS 24.

ix. Support services

Support services were not delegated to the IJB through the Integration Scheme and are instead provided by the parent organisations free of charge as a 'service in kind'. The support services provided mainly consist of: provision of the Chief Finance Officer, Chief Internal Auditor, financial management, human resources, legal committee services, ICT, payroll and internal audit.

x. 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 Income and Expenditure Statement in the year that the IJB becomes aware of the obligation and measured at the best estimate at the Balance Sheet date of

the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision held in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year. Where it becomes less than probable that a transfer of economic benefits will be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Contingent assets and liabilities

A contingent asset or liability arises where an event has taken place that gives the IJB a possible obligation or benefit whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the IJB. Contingent liabilities or assets also arise in circumstances where a provision would otherwise be made but, either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent assets and liabilities are not recognised in the Balance Sheet but disclosed in a note to the Accounts where they are deemed material.

Clinical and Medical Negligence

The Integration Joint Board provides clinical services to patients under the statutory responsibility of Ayrshire and Arran Health Board. 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 the IJB is a member 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 makes a 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 is not provided for in full the balance is included as a contingent liability. The corresponding recovery from CNORIS in respect of amounts provided for is recorded as a debtor and that in respect of amounts disclosed as contingent liabilities are disclosed as contingent assets.

xi. Reserves

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

xii. Corresponding Amounts

The Integration Joint Board was established on 2nd April 2015 and hence the period to 31st March 2016 is its first year of operation. Consequently there are no corresponding amounts for previous years to be shown

xiii. Segmental Reporting

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

- Adults Services
- Learning Disabilities & Mental Health Services
- Primary Care
- Children's Services
- Acute Services "Set Aside"
- Criminal Justice

xiv. VAT

The IJB is not registered for VAT 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.

Note 2: Accounting Standards issued not adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted.

Issues included in the Annual Improvements to IFRSs 2011-2013 cycle are:

- IFRS 1: Meaning of effective IFRSs; and
- IFRS 3: Scope exceptions for joint venture

Note 3: Critical judgements in applying Accounting Policies

In applying the accounting policies set out in Note 1, the partner organisations have had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Annual Accounts are:

- The partner organisations have considered their 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 partner organisations' opinions that a transfer of economic benefits will be required, material contingent liabilities have been disclosed in Note 9.
- The costs of the Set Aside Budget are based on historical data reflecting the costs incurred in providing non-elective care for in-patients and day cases in specific medical specialties.
- The costs associated with the provision of services provided under the lead partnership model are charged across the partnerships receiving the services on an NRAC basis.

Note 4: Assumptions made about the future and other major sources of estimation uncertainty.

The Annual Accounts contains estimated figures that are based on assumptions made by the IJB about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

There are no items in the IJB's Balance Sheet at 31 March 2016 for which there is a significant risk of material adjustment in the forthcoming financial year.

Note 5: Events after the Balance Sheet date

The Annual Accounts were signed by the Chief Finance Officer on 15 September 2016. Where events which took place before this date provided information about conditions which existed at 31 March 2016, 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 have not been reflected in the financial statements and notes.

Note 6: External audit cost

The IJB has incurred costs of £0.017m in respect of fees payable to Audit Scotland with regard to external audit services carried out in 2015-2016.

Note 7: Related parties

The South Ayrshire IJB was established on 2 April 2015 as a body corporate. In 2015/16 the following transactions were made with NHS Ayrshire and Arran Health Board and South Ayrshire Council relating to integrated health and social care functions:

Income - payments for integrated functions

| | 2015/16 |
|-----------------|----------------|
| | £000 |
| NHS Board | 130,968 |
| Local Authority | 70,071 |
| Total | 201,039 |

Expenditure – payments for delivery of integrated functions

| | 2015/16 |
|-----------------|----------------|
| | £000 |
| NHS Board | 119,148 |
| Local Authority | 81,891 |
| Total | 201,039 |

Note 8: Segmental Analysis

Segmental analysis, as required under IFRS has been reported for each service group commissioned by the IJB.

| | 2015/16 |
|--|----------------|
| | £000 |
| Adults' Services | 55,872 |
| Learning Disabilities & Mental Health Services | 39,643 |
| Primary Care | 58,968 |
| Children's Services | 23,112 |
| Acute Services "Set aside" | 23,349 |
| Criminal Justice | 95 |
| Total | 201,039 |

Note 9: Contingent Liabilities

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

Section 7: Independent Auditor's Report

Independent auditor's report to the members of South Ayrshire Integration Joint Board and the Accounts Commission for Scotland

I certify that I have audited the financial statements of South 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 Movement in Reserves Statement, 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 Finance Officer and auditor

As explained more fully in the Statement of Responsibilities, the Chief Finance 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 South Ayrshire Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. 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 South Ayrshire Integration Joint Board as at 31 March 2016 and of the income and expenditure of South 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, South Suite
The Athenaeum Building
8 Nelson Mandela Place,
Glasgow, G2 1BT

15 September 2016

Section 8: Glossary of Terms

While the terminology used in this report is intended to be self-explanatory, it may be useful to provide additional definition and interpretation of the terms used.

Accounting Period

The period of time covered by the Accounts, normally a period of twelve months commencing on 1 April. The end of the accounting period is the Balance Sheet date.

Accruals

The concept that income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Asset

An item having value to the IJB in monetary terms. Assets are categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non-current asset provides benefits to the IJB and to the services it provides for a period of more than one year.

Audit of Accounts

An independent examination of the IJB's financial affairs.

Balance Sheet

A statement of the recorded assets, liabilities and other balances at the end of the accounting period.

CIPFA

The Chartered Institute of Public Finance and Accountancy.

Creditor

Amounts owed by the IJB for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period.

Debtor

Amount owed to the IJB for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period.

Depreciation

The measure of the cost of wearing out, consumption or other reduction in the useful economic life of the IJB's non-current assets during the accounting period, whether from use, the passage of time or obsolescence through technical or other changes.

Entity

A body corporate, partnership, trust, unincorporated association or statutory body that is delivering a service or carrying on a trade or business with or without a view to profit. It should have a separate legal personality and is legally required to prepare its own single entity accounts.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, favourable or unfavourable, that occur between the Balance Sheet date and the date when the Annual Accounts are authorised for issue.

Exceptional Items

Material items which derive from events or transactions that fall within the ordinary activities of the IJB and which need to be disclosed separately by virtue of their size or incidence to give a fair presentation of the accounts.

Health and Social Care Partnership

Is the name given to the Parties' service delivery organisation for functions which have been delegated to the Integration Joint Board.

IAS

International Accounting Standards.

Lead Partnership

Management of certain services on a pan Ayrshire basis by one HSCP on behalf of other IJBs in the NHS Board area.

Liability

A liability is where the IJB owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors or cash overdrawn. A non-current liability is an amount which by arrangement is payable beyond the next year at some point in the future or will be paid off by an annual sum over a period of time.

NRAC

National Resource Allocation Committee. This committee generates a formula to reflect the needs of a population based on the population demographics, deprivation, rurality etc.

Provisions

An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates of when they will arise are uncertain.

Related Parties

Bodies or individuals that have the potential to control or influence the IJB or to be controlled or influenced by the IJB. For the IJB's purposes, related parties are deemed to include Elected Members, the Chief Executive, the Executive Directors and their close family and household members.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the monetary value of any other benefits received other than in cash.

Reserves

The accumulation of surpluses, deficits and appropriation over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB. Some capital reserves such as Fixed Asset Restatement Account cannot be used to meet current expenditure.

Set Aside

The amount set aside by the Health Board for delegated services provided in large hospitals for the population of the IJB.

The Code

The Code of Practice on Local Authority Accounting in the United Kingdom

Useful Economic Life

The period over which the local authority will derive benefits from the use of a non-current asset.