
Report To: Inverclyde Integration Joint Board **Date:** 12 September 2017

Report By: Louise Long
Corporate Director (Chief Officer)
Inverclyde Health & Social Care Partnership **Report No:** IJB/52/2017/LA

Contact Officer: Lesley Aird **Contact No:** 01475 715381

Subject: ANNUAL REPORT TO THE IJB AND THE CONTROLLER OF AUDIT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017

1.0 PURPOSE

- 1.1 The purpose of this report is to present the Annual Report and Auditors' letter to Integration Joint Board (IJB) Members for the financial year ended 31 March 2017 which has been prepared by the IJB's external auditors, Audit Scotland. Brian Howarth from Audit Scotland will be at the meeting to present the report.

2.0 SUMMARY

- 2.1 It is a statutory requirement of the accounts closure process that the IJB receive a letter (ISA260) from the appointed External Auditors highlighting the main matters arising in respect of prior years accounts.
- 2.2 The Annual Report to the IJB is attached at Appendix 1 and includes the letter of representation from the Chief Financial Officer. This letter provides External Auditors with assurance regarding some of the key accounting requirements and assumptions utilised when closing the 2016/17 Accounts. From this letter, the IJB's External Auditors can arrive at a view when expressing an opinion as to whether the financial statement presented a true and fair view of the financial position of the Inverclyde IJB at 31 March 2017.
- 2.3 In addition to the above, a copy of the final 2016/17 Annual Accounts is also attached. The IJB approved submission of the unaudited accounts to External Audit. The Audit Committee reviewed the unaudited accounts prior to their finalisation. There were limited changes arising from the audit. The ISA 260 and Annual Report to the IJB are prepared by the IJB's External Auditors. It covers the nature and scope of the audit, details any qualifications, details of any unadjusted misstatements, details of any material weaknesses in the accounting and internal control systems, gives a view on the qualitative aspects of the accounting practices and any other matters specifically required to be communicated to the IJB.
- 2.4 The Chief Financial Officer, Chief Officer and the External Auditors will be present at the meeting to answer any questions members may have in regard to this paper.
- 2.5 The information provided is the culmination of a significant amount of work by Officers and the IJB's External Auditors. Based on the reports presented today, the IJB are advised that the accounts closure process for 2016/17 has been of a high quality. This

is a testament to the significant work by Officers and the positive working relationship with Audit Scotland.

3.0 RECOMMENDATIONS

3.1 It is recommended that the Integration Joint Board:

1. Considers the contents of the Annual Report to the IJB and Controller of Audit for the Financial Year ending 31 March 2017.
2. Authorises the Chair, Chief Officer and Chief Financial Officer to accept and sign the final 2016/17 Accounts on behalf of the IJB.
3. Considers the Letter of Representation in Appendix 1 of the Annual Report and approves the signing of this by the Chief Financial Officer.

Louise Long, Chief Officer

Lesley Aird, Chief Financial Officer

4.0 BACKGROUND

- 4.1 All IJBs are required to submit draft accounts by 30 June each year with final, Audited Accounts required by 30 September.
- 4.2 It is a statutory requirement of the accounts closure process that the IJB receive a letter from the appointed External Auditors highlighting the main matters arising in respect of the prior year accounts. This letter, (ISA260), has been incorporated into the enclosed Annual Report to the IJB.
- 4.3 The IJB's External Auditors, Audit Scotland, have carried out the audit and the main matters arising are presented in their enclosed ISA 260 document. All relevant changes resulting from the ISA 260 have been reflected in the IJB's final Audited Accounts which are also attached, in Appendix 2.
- 4.4 The information provided to the IJB is the culmination of a significant amount of work by Officers and External Auditors who worked closely together to ensure the audit process has been as efficient as possible. The accounts closure process and subsequent audit have produced a high quality Annual Accounts. This is a testament to the significant work by Officers and their positive working relationship with Audit Scotland.

5.0 MAIN AREAS TO HIGHLIGHT

- 5.1 In respect of the Annual Accounts, it has been confirmed that the IJB has received an unqualified opinion on the financial statements for the financial year ended 31 March 2017 and that there are no unadjusted differences to report. Both these are very welcome and significant achievements.
- 5.2 Some minor presentational changes from the draft accounts were identified during the course of the audit and have been actioned. The main change being the inclusion of a table in the management commentary showing some of our 2016/17 performance indicators.

6.0 IMPLICATIONS

6.1 FINANCE

There are no direct financial implications within this report.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report £000	Virement From	Other Comments
N/A					

Annually Recurring Costs / (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact £000	Virement From	Other Comments
N/A					

LEGAL

6.2 There are no specific legal implications arising from this report.

HUMAN RESOURCES

6.3 There are no specific human resources implications arising from this report.

EQUALITIES

6.4 There are no equality issues within this report.

6.4.1 Has an Equality Impact Assessment been carried out?

√

YES (see attached appendix)

NO – This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required.

6.4.2 How does this report address our Equality Outcomes

There are no Equalities Outcomes implications within this report.

Equalities Outcome	Implications
People, including individuals from the above protected characteristic groups, can access HSCP services.	None
Discrimination faced by people covered by the protected characteristics across HSCP services is reduced if not eliminated.	None
People with protected characteristics feel safe within their communities.	None
People with protected characteristics feel included in the planning and developing of services.	None
HSCP staff understand the needs of people with different protected characteristic and promote diversity in the work that they do.	None
Opportunities to support Learning Disability service users experiencing gender based violence are maximised.	None
Positive attitudes towards the resettled refugee community in Inverclyde are promoted.	None

6.5 **CLINICAL OR CARE GOVERNANCE IMPLICATIONS**

There are no governance issues within this report.

6.6 **NATIONAL WELLBEING OUTCOMES**

How does this report support delivery of the National Wellbeing Outcomes

There are no National Wellbeing Outcomes implications within this report.

National Wellbeing Outcome	Implications
People are able to look after and improve their own health and wellbeing and live in good health for longer.	None
People, including those with disabilities or long term conditions or who are frail are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community	None
People who use health and social care services have positive experiences of those services, and have their dignity respected.	None
Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services.	None
Health and social care services contribute to reducing health inequalities.	None
People who provide unpaid care are supported to look after their own health and wellbeing, including reducing any negative impact of their caring role on their own health and wellbeing.	None
People using health and social care services are safe from harm.	None
People who work in health and social care services feel engaged with the work they do and are supported to continuously improve the information, support, care and treatment they provide.	None
Resources are used effectively in the provision of health and social care services.	None

7.0 CONSULTATION

- 7.1 This report has been prepared by the Chief Financial Officer of the IJB after due consultation with External Audit and the Chief Officer and input from the Finance teams of the Health Board and Inverclyde Council together with the Director of Finance for Greater Glasgow & Clyde NHS and the Chief Finance Officer for Inverclyde Council.

Inverclyde Integrated Joint Board

2016/17 Proposed Annual Audit Report



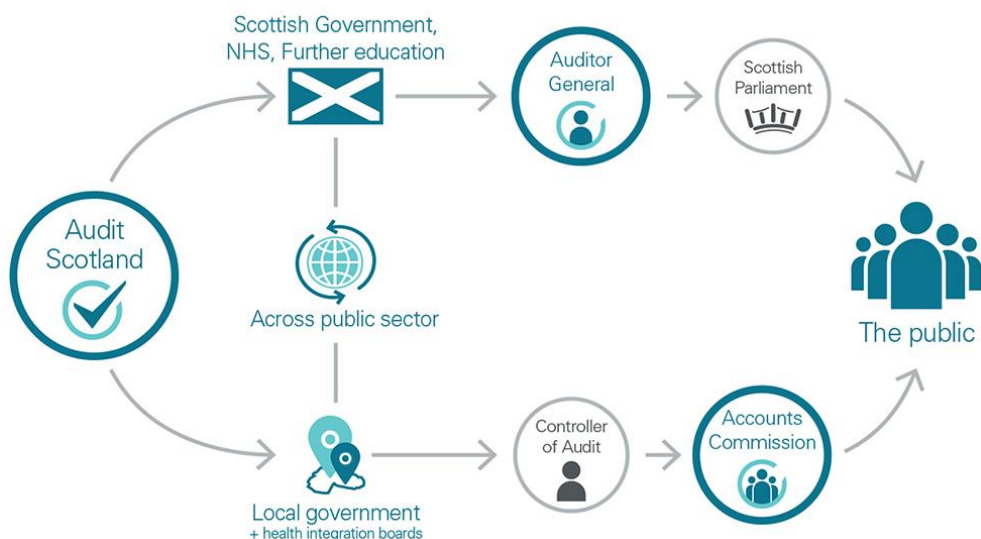
Prepared for Inverclyde Integrated Joint Board and the Accounts Commission

12 September 2017

Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- The Auditor General is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The Accounts Commission is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.
- Audit Scotland is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.



About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

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Key messages

2016/17 annual accounts

- 1 Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.
- 2 Unaudited information submitted to NHS Greater Glasgow and Clyde for consolidation purposes was revised after the agreed deadline for submission. This resulted in an unadjusted error in the audited accounts of the Health Board.

Financial management

- 3 Financial reporting throughout the year was not representative of the final outturn position as it did not include the creation or transfer of earmarked reserves. The financial monitoring presentation should be revised for 2017/18 to more accurately reflect the anticipated outturn position.
- 4 The IJB achieved an underspend of £4.0 million in 2016/17. This is a strong position for the first year of operation. The underspend has been retained by the IJB with all reserves being earmarked for use in 2017/18.

Financial sustainability

- 5 A total funding gap of £2.2 million was identified within the indicative budget for 2017/18. Savings of £2.0 million were approved however the balance of savings (£0.2 million) was still to be identified. This will be superseded by IJB budget proposals in September 2017.
- 6 It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments.

Governance and transparency

- 7 The IJB has appropriate governance arrangements in place that support the scrutiny of decisions by the Board.
- 8 Risk management arrangements have been finalised and are now being implemented with regular reporting to committee

Value for money

- 9 The Joint Board should undertake a periodic and evidence based formal review of its performance against the Scottish Government Best Value framework.
- 10 For 2016/17, Inverclyde performed above the Scottish average in 13 out of the 19 (68%) national core integration indicators that are currently active and considered itself to be close in four (21%) of the indicators.

Introduction

1. This report is a summary of our findings from the 2016/17 audit of Inverclyde Integrated Joint Board, hereby referred to as the 'IJB'. The report is divided into sections which reflect our public sector audit model.
2. The scope of our audit was set out in our Annual Audit Plan presented to the March 2017 meeting of the Audit Committee. It comprises an audit of the annual accounts and consideration of the four audit dimensions that frame the wider scope of public sector audit requirements as illustrated in [Exhibit 1](#).

Exhibit 1

Audit dimensions



Source: *Code of Audit Practice 2016*

3. The main elements of our audit work in 2016/17 have been:
 - an interim audit of the IJB's governance arrangements
 - obtaining service auditor assurances from the auditors of NHS Greater Glasgow and Clyde (NHGG&C) and Inverclyde Council (IC)
 - an audit of the IJB's 2016/17 annual accounts including the issue of an independent auditor's report setting out our opinions.
4. The IJB is responsible for preparing the annual accounts that show a true and fair view, and for establishing effective arrangements for governance which enable them to successfully deliver their objectives.
5. Our responsibilities as independent auditor are established by the Local Government (Scotland) Act 1973, the [Code of Audit Practice \(2016\)](#), and supplementary guidance, and are guided by the auditing profession's ethical guidance.

- 6.** These responsibilities include giving independent opinions on the financial statements, the remuneration report, the management commentary and the annual governance statement. We also review and report on the arrangements within the IJB to manage its performance and use of resources. In doing this, we aim to support improvement and accountability.
- 7.** Further details of the respective responsibilities of management and the auditor can be found in the [Code of Audit Practice \(2016\)](#) and supplementary guidance.
- 8.** The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Also, our annual audit report contains an action plan at [Appendix 1 \(page 23\)](#). It sets out specific recommendations, responsible officers and dates for implementation.
- 9.** Communication in this report of matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
- 10.** As part of the requirement to provide fair and full disclosure of matters relating to our independence, we can confirm that we have not undertaken non-audit related services. The 2016/17 fee for the audit was set out in our Annual Audit Plan and as we did not carry out any work additional to our planned audit activity, the fee remains unchanged.
- 11.** This report is addressed to both the Board and the Accounts Commission and will be published on Audit Scotland's website www.audit-scotland.gov.uk.
- 12.** We would like to thank all management and staff who have been involved in our work for their co-operation and assistance during the audit.

Part 1

Audit of 2016/17 annual accounts



Main judgements

Our audit opinions were all unqualified. These covered the financial statements, the remuneration report, the management commentary and the annual governance statement.

Unaudited information submitted to NHS Greater Glasgow and Clyde for consolidation purposes was revised after the agreed deadline for submission. This resulted in an unadjusted error in the audited accounts of the Health Board.

Unqualified audit opinions

- 13.** The annual accounts for the year ended 31 March 2017 were approved by the Board on 12 September 2017. We reported, within our independent auditor's report:
- an unqualified opinion on the financial statements
 - unqualified opinions on the remuneration report, management commentary and the annual governance statement.
- 14.** Additionally, we have nothing to report in respect of those matters which we are required by the Accounts Commission to report by exception.

The annual accounts are the principal means of accounting for the stewardship of resources and performance in the use of those resources.

Submission of annual accounts for audit

- 15.** We received the unaudited annual accounts on 26 June 2017, in line with our agreed audit timetable.
- 16.** The IJB submitted the information required for consolidation purposes to NHS Greater Glasgow and Clyde within the agreed timetable. Following submission, however, we identified an error in the consolidation relating to the presentation of accumulated reserves transferred to the IJB by Inverclyde Council. The reserves had not been reflected through the comprehensive income & expenditure statement (CIES), and the IJB's surplus on the provision of services was consequently understated. This resulted in an unadjusted error in the audited accounts of NHS Greater Glasgow and Clyde.
- 17.** The preparation of the annual accounts for the IJB relies on the provision of information from the systems of Inverclyde Council and NHS Greater Glasgow and Clyde. Assurances were received by the IJB's Chief Financial Officer from Inverclyde Council and NHS Greater Glasgow and Clyde confirming the completeness and accuracy of the information received from these organisations.

18. The working papers provided with the unaudited annual accounts were of a good standard and the Chief Financial Officer provided effective support to the audit team.

Risks of material misstatement

19. [Appendix 2 \(page 25\)](#) provides a description of those assessed risks of material misstatement that were identified during the planning process which had the greatest effect on the overall audit strategy, the allocation of resources to the audit and directing the efforts of the audit team. Also, included within the appendix are wider dimension risks, how we addressed these and conclusions.

Materiality

20. Materiality defines the maximum error that we are prepared to accept and still conclude that our audit objective has been achieved. The assessment of what is material is a matter of professional judgement. It involves considering both the amount and nature of the misstatement.
21. Our initial assessment of materiality for the annual accounts was carried out during the planning phase of the audit. Specifically with regard to the annual accounts, we assess the materiality of uncorrected misstatements, both individually and collectively. The assessment of materiality was recalculated on receipt of the unaudited annual accounts and is summarised in [Exhibit 2](#).

Exhibit 2

Materiality values

Materiality level	Amount
Overall materiality - This is the calculated figure we use in assessing the overall impact of audit adjustments on the financial statements. It was set at 1% of gross expenditure for the year ended 31 March 2017.	£1.6 million
Performance materiality - This acts as a trigger point. If the aggregate of errors identified during the financial statements audit exceeds performance materiality this would indicate that further audit procedures should be considered. Using our professional judgement we have calculated performance materiality at 75% of overall materiality.	£1.2 million
Reporting threshold - We are required to report to those charged with governance on all unadjusted misstatements in excess of the 'reporting threshold' amount. This has been calculated at 5% of overall materiality.	£80,000

Evaluation of misstatements

22. There were no misstatements that had an impact on the unaudited annual report and accounts.

Significant findings

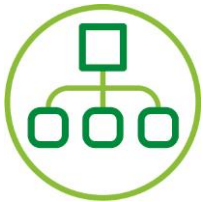
23. International Standard on Auditing (UK and Ireland) 260 requires us to communicate to you significant findings from the audit. In our view, there are no significant findings to be communicated to those charged with governance, in accordance with ISA 260.

Other Findings

24. Our audit identified a number of presentational and disclosure issues which were discussed with management. These were adjusted and reflected in the audited annual accounts.

Part 2

Financial management



Main judgements

Financial reporting throughout the year was not representative of the final outturn position as it did not include the creation or transfer of earmarked reserves. The financial monitoring presentation should be revised for 2017/18 to more accurately reflect the anticipated outturn position.

The IJB achieved an underspend of £4.0 million in 2016/17. This is a strong position for the first year of operation.

The underspend has been retained by the IJB with all reserves being earmarked for use in 2017/18.

Financial management

25. Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively. It is the Board's responsibility to ensure that its financial affairs are conducted in a proper manner.
26. As auditors, we need to consider whether audited bodies have established adequate financial management arrangements. We do this by considering a number of factors, including whether:
 - the Chief Financial Officer has sufficient status to be able to deliver good financial management
 - standing financial instructions and standing orders are comprehensive, current and promoted within the IJB
 - reports monitoring performance against budgets are accurate and provided regularly to budget holders
 - monitoring reports do not just contain financial data but are linked to information about performance
 - IJB members provide a good level of challenge and question budget holders on significant variances.
27. The Chief Financial Officer was in post throughout the accounting period, and is responsible for ensuring that appropriate financial services are available to the IJB and the Chief Officer.
28. The IJB receives regular financial monitoring reports which are clear and concise, outlining expenditure against budget in the delivery of the range of health and social care services described within the IJB's strategic plan.

Financial management is about financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

29. As detailed in [Exhibit 3](#), the IJB was forecasting a small overspend in its financial reporting to period 7, with a projected underspend of £0.1 million forecast at period 9. The audited accounts at the year end disclosed a surplus on the provision of services for the year of £4.0 million. An analysis of this surplus is set out in paragraph 36.

Exhibit 3

Financial Monitoring reports showing projected outturn for over/underspends

	Year end forecast £m
August 2016 (period 5)	(0.1)
October 2016 (period 7)	(0.2)
December 2016 (period 9)	0.1
Accounts as at March 2017	4.0

Source: Financial Monitoring Reports taken to IJB

30. Financial monitoring reports presented to the Board during 2016/17 included an income and expenditure statement that did not take into account the expected creation of reserves, or the transfer of accumulated reserves from the council, when projecting the year-end result. While these reserves were detailed in other appendices within the monitoring reports, the value of the year end surplus (£4.0 million) was not clear until the unaudited annual accounts were presented to the IJB audit committee in August 2017.
31. We recognise the IJB faces unique challenges in setting and managing its budget, particularly relating to timing differences between the council and health board in approving their own budgets. We also understand that budget projections are subject to variance, and that this has been more challenging for the IJB due to it being the first year of operation. This should not, however, prevent management from presenting a best estimate of the projected year-end position to the Board throughout the year.

[Action Plan \(Appendix 1, point 1\)](#)

32. The integration scheme and financial regulations set out the arrangements between the partners in relation to addressing any over or under spends. They provide the opinion that unplanned or windfall underspends should be returned to the relevant party in year through an adjustment to the contributions or retained by the IJB to be carried through to the general fund in accordance with the reserves policy.
33. The budget and outturn are summarised in [Exhibit 4](#) on the next page. The in-year underspend has been retained by the IJB with all reserves being earmarked for use in 2017/18.

Financial performance in 2016/17

34. The IJB does not have any assets, nor does it directly incur expenditure or employ staff. All funding and expenditure for the IJB is incurred by partners' bodies and processed in their accounting records. Satisfactory arrangements are in place to identify this income and expenditure and report the financial information to the IJB.

35. As noted previously, the IJB achieved an underspend of £4.0 million for 2016/17. This was as a result of unspent inherited earmarked reserves (£2.4 million); a carry-forward of money allocated through the Social Care Fund (£1.3 million); and an underspend on social care expenditure (£0.3 million). The surplus has been taken to the reserves, where the full amount has been earmarked. A budget summary for the year is shown in [Exhibit 4](#).

Exhibit 4

Budget summary

IJB budget objective summary	Budget £m	Actual £m	Variance £m
Health expenditure	87.2	87.7	0.5
Social care expenditure	60.2	59.9	(0.3)
Inherited Earmarked Reserves	4.5	2.1	(2.4)
Social Care Fund	1.5	0.2	(1.3)
Total Net Expenditure	153.4	149.4	(3.5)
Additional in-year funding received from NHS Greater Glasgow and Clyde			(0.5)
Surplus to be retained by the IJB			4.0

Source: Inverclyde Integration Joint Board

36. The £4.0 million surplus on the provision of services is analysed in [Exhibit 5](#) and includes reserves that were transferred by Inverclyde Council to the IJB in-year. In total the council transferred £4.5 million of earmarked reserves and at the year-end £2.4 million remained unspent. A total of £1.3 million has also been carried forward for specific social care funded projects. The IJB's strategy for managing its reserves is considered at paragraph 42.

Exhibit 5

Analysis of surplus on the provision of services 2016/17

	£m
Inherited earmarked reserves from Inverclyde Council	1.541
Underspend on children & families	0.376
Physical disability year-end adjustment	(0.005)
New ways	0.220
Residential & nursing placements	0.250
Social Care Fund – agreed projects for carry forward	1.301
Surplus on social care services	0.277
Surplus on the provision of services – 2016/17	3.960

Source: Inverclyde Integration Joint Board

Internal controls

- 37.** As external auditor of the IJB, we sought assurances from the external auditors of NHS Greater Glasgow and Clyde and Inverclyde Council (in accordance with ISA 402) to confirm that there were no weaknesses in the systems of internal control within the health board and council.
- 38.** No issues or weaknesses that would have a material impact on the IJB were identified and we have concluded that there is a sound system of internal control in place over the processing of IJB transactions.

Part 3

Financial sustainability



Main judgements

A total funding gap of £2.2 million was identified within the indicative budget for 2017/18. Savings of £2.0 million were approved however the balance of savings (£0.2 million) was still to be identified. This will be superseded by NHS budget proposals in September 2017.

It is important that the IJB prioritises long term financial planning to demonstrate financial sustainability and support future developments.

The 'Inverclyde Health and Social Care Partnership People Plan 2017-20' sets out how the IJB aims to support, develop and grow the capacity and ability of all those who contribute to the delivery of health and social care in Inverclyde.

Financial planning

39. The IJB allocates the resources it receives from the health board and council in line with the strategic plan. Due diligence was undertaken to consider the sufficiency of the 2016/17 budget the main issue identified was a £1.2m inherited budget pressure within mental health inpatients which was being funded on a non recurring basis from savings in other budgets. Work is still underway to resolve this on a permanent basis and it is reported to the IJB within each monitoring report as a key risk area.
40. As previously reported in [Exhibit 4 \(page 12\)](#) the IJB achieved an underspend against its 2016/17 budget. In March 2017 the Board agreed an indicative 2017/18 budget which will be kept under review until the final health settlement is confirmed.
41. The financial projections for 2017/18 are forecasting a breakeven position although recognising significant challenges ahead. A number of efficiency savings have been identified and ways in which these savings can be made have been outlined to the Board.

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Reserves strategy

42. The IJB was established under section 106 of the Local Government (Scotland) Act 1973 and is classified as a local government body for accounts purposes. It is therefore permitted to hold reserves.
43. Reserves are an integral part of the IJB's financial sustainability. A reserves strategy was approved by the Board in May 2016. Unallocated reserves will be held by the IJB as a working balance to cushion the impact of uneven cash flows; as a contingency to mitigate the impact of unexpected events or emergencies; and as a means of building earmarked reserves to meet known or predicted liabilities.

- 44.** When determining the level of reserves to be held by the IJB, consideration was given to the strategic, operational and financial risks facing the IJB in the medium term and the Board's overall approach to risk management. Based on the size and scale of the IJB, the Board has set a maximum level of unallocated reserves at 2% of net expenditure. The IJB does not hold unallocated reserves.
- 45.** As outlined in paragraph 36, the IJB holds £4.0 million of earmarked reserves. These include an earmarked reserve of £0.6 million to cover timing delays in the delivery of 2017/18 savings. A number of other reserves totalling £1.4 million remained constant during the year. We have recommended that a detailed review of earmarked reserves should be undertaken as part of the Board's overall approach to financial planning.

[Action Plan \(Appendix 1, point 2\)](#)

Efficiency savings

- 46.** A total funding gap of £2.2 million was identified for 2017/18 within the indicative budget. Full-year savings of £1.3 million from health services and £0.6 million from social care services were outlined within the report taken to the IJB meeting on 14 March 2017. However there was a cash shortfall of £0.6 million on savings from health services because full-year savings are not expected to be achieved in 2017/18. As outlined at paragraph 45, an earmarked reserve for this amount has been created to cover the timing delay.
- 47.** The balance of savings (£0.2 million) was still to be identified. In addition, health service savings already approved include full year savings of £0.2 million relating to the review of the school nursing service which is coded amber (significant impact on service delivery) and full year savings of £0.1 million relating to the Allied Health Professional service review/reduction which has no expected delivery date. These savings may not materialise.
- 48.** The IJB's indicative budget was agreed in March 2017 and was based on information available at that time. The Health Board funding offer was not formalised until August 2017. Management have advised that the savings options put forward were based on a worst case scenario in relation to some anticipated budget pressures, and that the savings agreed in the initial budget were more than sufficient to cover the final budget position. The 2017/18 budget is going to the IJB for approval in September 2017.
- 49.** There are no detailed reports which look beyond 2017/18 and therefore no detailed medium to long term financial plans are in place. As part of the 2016/17 budget process the IJB agreed an annual financial statement covering the period of the current Strategic Plan with indicative budgets up to 2018/19. We understand that more work is planned for this year to develop a detailed medium to long term financial plan.
- 50.** We acknowledge that the IJB is fully funded from both host bodies and that funding from the Scottish Government to these organisations is on a year-on-year basis. However, this should not preclude the IJB from preparing medium to long term financial plans based on sensitivity analysis and scenario planning. Longer term financial planning is an area that Audit Scotland has encouraged in both NHS and Local Government and this should also be reflected in the Integrated Joint Board

[Action Plan \(Appendix 1, point 3\)](#)

Workforce planning

51. The 'Inverclyde Health and Social Care Partnership (HSCP) People Plan 2017-20' was approved by the Board in June 2017. This plan considers the workforce that is engaged in the delivery of health and social care across the statutory, third and independent sectors in Inverclyde. It is a sub-set of the over-arching strategic plan, and sets out how the IJB aims to support, develop and grow the capacity and ability of those who contribute to the delivery of health and social care in Inverclyde. We will monitor the progress of the IJB in delivering this plan moving forward.

Part 4

Governance and transparency



Main judgements

The IJB has appropriate governance arrangements in place

The IJB has appropriate risk management arrangements which are subject to regular review by the Board.

Vision

52. The vision for the IJB is set out within the Strategic Plan 2016-2019. The IJB's vision is for 'improving lives', and is underpinned by the values that the IJB:

- puts people first
- works better together
- strives to do better
- is accountable.

Standards of conduct and arrangements for the prevention and detection of fraud

53. We have responsibility for reviewing the arrangements put in place by management for the prevention and detection of fraud. The IJB uses the financial systems of Inverclyde Council and NHS Greater Glasgow and Clyde and so anti-fraud arrangements in respect of the financial systems is the responsibility of these organisations. The IJB does, however, have an awareness and alertness to any instances of fraud.

54. We are satisfied that the IJB has adequate arrangements in place for the prevention and detection of fraud, although it is acknowledged that no system can eliminate the risk of fraud entirely.

Governance arrangements

55. The IJB was formally established on 27 June 2015, with the delegation of functions from NHS Greater Glasgow and Clyde and Inverclyde Council on 1 April 2016. The Board is responsible for the strategic planning, management and delivery of the health and social care services delegated to it in line with the Integration Scheme between its two partner bodies. The Board has 20 members and is comprised of eight voting members; four elected members of Inverclyde Council and four non-executive members of NHS Greater Glasgow and Clyde as well as a number of professional members and stakeholder representatives.

56. The Board is supported in its work by an Audit Committee, as well as its Chief Officer and Chief Financial Officer.

Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision-making and transparent reporting of financial and performance information.

57. During the year we carried out a review of the Role of the Board as part of the wider review of governance arrangements across the public sector. This will inform the follow-up of Audit Scotland's 'Role of Boards' national report, published in September 2010. We concluded that:

- there is effective scrutiny and challenge of decisions by members
- voting and non-voting members understand and observe their respective roles and responsibilities
- members receive sufficient training, tailored to their needs, including an introductory presentation outlining the function of the IJB and members' roles and responsibilities; and
- periodic development sessions and ongoing training and support are available to members.

58. In addition, we carried out a minute review of all Board and Audit Committees as well as attending meetings throughout the year to form a judgement on the effectiveness of the Board and Committee and the level of scrutiny of information.

59. Based on the work we have undertaken and knowledge of the IJB, we are satisfied that the governance arrangements in place at the IJB are sound and support good governance and accountability.

Internal audit

60. The work of internal audit provides the IJB and the Chief Officer with independent assurance on the IJB's overall risk management, internal control and corporate governance processes.

61. The IJB's internal audit function is carried out by the internal audit department of Inverclyde Council. During our planning stage, we carried out a review of the adequacy of the internal audit function and concluded that it operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and has sound documentation standards and reporting procedures in place.

62. To avoid duplication of effort we place reliance on the work of internal audit wherever possible. In 2016/17 we did not place any formal reliance on internal audit reviews, however we did consider their work throughout the year for any potential impact on our work. There were no issues identified by internal audit that have had an impact on our audit of the IJB's annual accounts.

Risk management

63. The IJB approved its risk management policy and strategy in August 2016, and a strategic risk register was developed and approved in March 2017.

64. Based on our review of the evidence we concluded that the IJB has appropriate risk management arrangements which are subject to regular review by the Board.

Transparency

65. Transparency means that the public, and in particular, local residents, have access to understandable, relevant and timely information about how the IJB is taking decisions and how it is using resources.

- 66.** Full details of the meetings held by the IJB are available on Inverclyde Council's website; committee papers and minutes of meetings are publically available; and members of the public are permitted to attend and observe meetings. Public notice of each meeting is given on the council's website.
- 67.** Overall, we concluded that the IJB conducts its business in an open and transparent manner but we believe that improvements could be made in financial monitoring reports (refer to our findings in Financial Management section of this report).

Other governance arrangements

- 68.** The IJB is committed to ensuring the involvement of partner groups including community planning groups, the third sector, the independent sector and local communities. The IJB's overarching strategic plan enables partners to engage in and support the delivery of the health and social care provision.
- 69.** As outlined at paragraph 55 above, the IJB has a number of non-voting members whose role it is to influence, inform and question the voting members. Non-voting members are drawn from:
- Inverclyde People Involvement Network (service users and carers)
 - Staff Partnership Forum (workforce employed in the HSCP)
 - Inverclyde Third Sector Interface (voluntary and not-for-profit organisations)
 - The secondary care (hospital) sector
 - Health and social care professional groups.
- 70.** The HSCP Advisory Group is the oversight group for the People Involvement Network in Inverclyde. Its main function is to inform and involve local people, service users and carers in decision-making about local health and social care services. The HSCP Advisory Group is formally represented on the IJB by its chair and vice chair. It also participates in other planning and engagement structures such as The Inverclyde Alliance Community Planning Partnership.

Part 5

Value for money



Main judgements

The IJB should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on its arrangements to promote continuous improvement and value for money in service provision.

For 2016/17, Inverclyde performed above the Scottish average in 13 out of the 19 (68%) national core integration indicators that are currently active and considered itself to be close in four (21%) of the indicators.

Performance management

71. In order to achieve value for money the IJB should have effective arrangements for scrutinising performance, monitoring progress towards their strategic objectives and holding partners to account.
72. The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) and the Integration Scheme for the Board set out the legislative changes required to implement adult health and social care both operationally and financially. One of these is in respect of performance management arrangements.
73. Six-monthly Performance Exception Reports are presented to the Board outlining any variance from key service priorities and outcomes highlighted by quarterly service reviews, together with remedial action required. Reporting to the public is made via the HSCP website and the council's public performance reporting webpage.
74. The Public Bodies (Joint Working) (Scotland) Act 2014 requires that an annual performance report is completed within four months of the year end. Guidance highlights that the report should cover areas including; assessing performance in relation to national health and wellbeing outcomes, financial performance and best value, reporting on localities, inspection of services, and a review of the strategic commissioning plan.
75. The annual performance report 2016/17 was submitted to the IJB board meeting in June 2017. This summarised the IJB's performance in relation to the nine national wellbeing outcomes, and measured Inverclyde's performance against the national core integration indicators.
76. Inverclyde performed above the Scottish average in 13 out of the 19 (68%) national core integration indicators that are currently active and considered itself to be close in four (21%) of the indicators.

Value for money is concerned with using resources effectively and continually improving services.

- 77.** The two remaining indicators where performance was below the national average were emergency admission rates (*Inverclyde – 14,972 per 100,000; Scottish average – 11,874 per 100,000*) and emergency bed day rates (*Inverclyde – 132,718 per 100,000; Scottish average – 106,531 per 100,000*).
- 78.** In March 2017, the IJB approved development of joint planning for accident and emergency services provided in a hospital, inpatient hospital services and palliative care services provided in a hospital, with a view to shifting the balance of care away from hospitals and towards communities. We will monitor the progress of the IJB in delivering this plan moving forward.

National performance audit reports

- 79.** Audit Scotland carries out a national performance audit programme on behalf of the Accounts Commission and the Auditor General for Scotland. During 2016/17, we published a number of reports which are of direct interest to the Board. These are outlined in [Appendix 3 \(page 27\)](#) accompanying this report. The IJB considers the relevance of national reports and where appropriate includes them in committee papers.
- 80.** In December 2015, we published the first of three national reports looking at the integration of health and social care. In the report we recognised that The Public Bodies (Joint Working) (Scotland) Act 2014 introduced a significant programme of reform affecting most health and care services and over £8 billion of public money. The reforms are far reaching and have scope to address previous barriers to providing the right care for people closer to home. We also reported some significant risks to the success of health and social care integration. These included complex governance arrangements, difficulties in budget-setting and consequent delays in strategic planning.
- 81.** The scale of the change is significant and will not happen quickly. We will therefore carry out a second audit in 2018, when integration authorities are more established, to look at progress and to follow up on these risks. The audit will also examine changes to the system, including evidence for shifts in service delivery from acute to community-based and preventative services, and for impact on the lives of local people.

Best Value

- 82.** Local government bodies, including IJBs, have a statutory duty to make arrangements to secure Best Value through the continuous improvement in the performance of their functions. The characteristics of a Best Value organisation are laid out in Scottish Government guidance issued in 2004.
- 83.** Value for money is a key element of our audit approach. The audit findings included throughout this report, comment on arrangements that have been put in place by the Joint Board to secure Best Value in areas such as the financial position, financial management and governance arrangements. We will keep this area under review over the five-year audit appointment and will report as appropriate.

[Action Plan \(Appendix 1, point 5\)](#)

Inverclyde Council: Best Value Assurance Report (BVAR)

- 84.** Inverclyde was the first of six councils on which a BVAR will be published during the first year of the new approach (2016/17). The Accounts Commission considered the report of the Controller of Audit at its meeting of 11 May 2016. The report was published on 1 June 2017.

- 85.** The Controller of Audit's report included reference to the IJB and he reported that Inverclyde has had a strong Community Health and Care Partnership (CHCP) since 2010 when it was established as an enhanced partnership arrangement between the council and NHS Greater Glasgow and Clyde Health Board. The CHCP partnership arrangement included reporting to both the council and health board, joint planning, allocated aligned budgets and integrated staff and practice development.
- 86.** He also reported that our local scrutiny plans have previously commented on the strong base for integration provided by the CHCP and that the IJB is well placed to meet the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014.

Appendix 1

Action plan 2016/17

2016/17 recommendations for improvement

Page no.	Issue/risk	Recommendation	Agreed management action/timing
11	<p>1 Financial forecasts</p> <p>Budget reports provided to the Board in 2016/17 acknowledged that reserves were being created, while projecting a break-even position. The value of the reserves (£4.0 million) was not clarified until the year-end.</p> <p>While we recognise that year end projections are subject to error, the Board should be informed of the best estimate of financial position.</p> <p>Risk</p> <p>Board reports may not provide sufficient information to allow members to review financial performance and make informed decisions.</p>	<p>Financial reports should be revised to ensure they are accurately reflecting spending to date and the projected year end position.</p>	<p>The presentation of future IJB monitoring reports will be revised to better reflect the anticipated surplus and carry forward at the yearend through reserves.</p> <p>Chief Financial Officer End October 2017</p>
15	<p>2 Reserves</p> <p>The IJB holds £4.0 million of earmarked reserves and no unallocated reserves. Earmarked reserves include a general earmarked reserve of £0.6 million to cover timing delay in delivery of 2017/18 savings and a number of other reserves totalling £1.4 million which remained constant during the year.</p> <p>Risk</p> <p>Without a clearly defined purpose and timescale there may be ambiguity over the application of earmarked reserves.</p>	<p>A detailed review of earmarked reserves should be undertaken as part of the Board's overall approach to financial planning and the purpose and expected timescale of each reserve identified.</p>	<p>Reserves are detailed in all financial monitoring reports to the IJB and are reviewed regularly by officers. This includes an appendix detailing the purpose of the reserve and when the IJB plans to utilise it. The IJB will continue to review the purpose of these to ensure the descriptions provided accurately reflect the intended purpose of each reserve.</p> <p>Chief Financial Officer Complete</p>



**Page
no.**

Issue/risk

Recommendation

**Agreed management
action/timing**

15

3. Medium to long term financial planning

The Board has no financial plans in place beyond 2017/18.

Risk

In the absence of medium to long term financial planning the future financial risks facing the IJB may not be clearly understood.

We recommend that a long term financial strategy (5 years +) supported by clear and detailed financial plans (3 years +) is prepared. This is increasingly important as demand pressures increase, financial settlements continue to reduce and fundamental service redesign over a longer time frame becomes necessary. Plans should set out scenario plans (best, worst, most likely).

The IJB agreed an Annual Financial Statement covering the period of the current Strategic Plan and budgets for 2016/17 to 2018/19 as part of its 2016/17 budget setting process. During 2017/18 this plan will be revisited and a more detailed medium to long term financial plan will be developed.

Chief Financial Officer
31 January 2018

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5. Best Value

The Board should have systems and processes to ensure that it can demonstrate that it is delivering Best Value by assessing and reporting on the economy, efficiency, effectiveness and equality in service provision.

Risk

Opportunities for improvement through Best Value review may be missed.

The IJB should undertake a periodic and evidenced formal review of its performance against the Scottish Government Best Value framework.

Agreed. Work will be undertaken to develop this with our partners over the coming year.

Chief Officer/Chief Financial Officer
31 March 2018

Appendix 2

Significant audit risks identified during planning

The table below sets out the audit risks we identified during our planning of the audit and how we addressed each risk in arriving at our conclusion. The risks are categorised between those where there is a risk of material misstatement in the annual accounts and those relating our wider responsibility under the [Code of Audit Practice 2016](#).





















Audit risk	Assurance procedure	Results and conclusions
Risks of material misstatement in the financial statements		
<p>1 Risk of management override of controls</p> <p>ISA 240 requires that audit work is planned to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk of management override of controls in order to change the position disclosed in the financial statements.</p>	<p>Owing to the nature of this risk, assurances from management are not applicable.</p>	<p>Satisfactory written assurances were received from the external auditors of the council and health board regarding journal testing and accuracy, allocation and cut-off of Joint Board transactions.</p> <p>Our work confirmed that the financial statements agreed to the underlying financial systems operated by the host organisations.</p>
<p>2 Financial statements preparation</p> <p>The 2016/17 financial statements will require income, expenditure and year end balances to be agreed with Inverclyde Council and NHS Greater Glasgow and Clyde. There is a risk that the procedures for agreeing the year end balances are not fully embedded and the financial statements are not delivered to the agreed timescale and format.</p>	<ul style="list-style-type: none"> • Monthly monitoring of financial information. • Officers review guidance issued by the Integrated Resource Advisory Group and the Local Authority (Scotland) Accounts Advisory Committee. • Processes and processes have been agreed to ensure information is provided in a timely manner to support the delivery of the financial statements. 	<p>Satisfactory written assurances were received from the external auditors of the Inverclyde Council and NHSGGC regarding accuracy, allocation and cut-off of Joint Board transactions.</p> <p>The required information was disclosed within the accounts and the financial statements were prepared in accordance with the Code.</p> <p>The Annual Report and Accounts met the timescales necessary to meet NHS reporting requirements.</p>
Risks identified from the auditor's wider responsibility under the Code of Audit Practice		
<p>3 Financial management and budget overspends</p> <p>Based on the budget monitoring report for the period to 31 January 2017, there is a projected overspend of £0.256</p>	<ul style="list-style-type: none"> • Ongoing financial monitoring will ensure that all areas are monitored closely. • Where an overall overspend is incurred, the Board will be required to come to an 	<p>Movement from projected overspend at period 7 to outturn is detailed in Exhibit 5.</p> <p>The IJB receives regular financial monitoring reports which are clear and concise, outlining expenditure</p>

Audit risk	Assurance procedure	Results and conclusions
<p>million. There is a risk that an overspend is incurred which has to be distributed to the council and the health board.</p>	<p>agreement with the council and health board to confirm the nature and amount of any additional financial support required.</p>	<p>against budget in the delivery of the range of health and social care services described within the IJB's strategic plan.</p> <p>As detailed in the report recommendations for improvement have been made regarding how the final outturn position is reported during the year.</p>

Appendix 3

Summary of national performance reports 2016/17



Apr			
May		Common Agricultural Policy Futures programme: an update	
Jun		South Ayrshire Council: Best Value audit report	 The National Fraud Initiative in Scotland
Jul		Audit of higher education in Scottish universities	 Supporting Scotland's economic growth
Aug		Maintaining Scotland's roads: a follow-up report	 Superfast broadband for Scotland: a progress update  Scotland's colleges 2016
Sept		Social work in Scotland	 Scotland's new financial powers
Oct		Angus Council: Best Value audit report	 NHS in Scotland 2016
Nov		How councils work – Roles and working relationships in councils	 Local government in Scotland: Financial overview 2015/16
Dec		Falkirk Council: Best Value audit report	 East Dunbartonshire Council: Best Value audit report
Jan			
Feb		Scotland's NHS workforce	
Mar		Local government in Scotland: Performance and challenges 2017	 i6: a review  Managing new financial powers: an update

IJB relevant reports

[The National Fraud Initiative in Scotland](#) – June 2016

[NHS in Scotland 2016](#) – October 2016

[Social work in Scotland](#) – September 2016

[Scotland's NHS workforce](#) – February 2017

Inverclyde Integrated Joint Board

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Inverclyde Integration Joint Board

The Governing Body of the



**Annual Accounts
2016/17**

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Management Commentary

Introduction

This publication contains the financial statements for the first fully operational year of Inverclyde Integration Joint Board (IJB) for the year ended 31 March 2017.

The Management Commentary outlines the key messages in relation to the IJB's financial planning and performance for the year 2016/17 and how this has supported delivery of the IJB's core objectives. This commentary also looks forward, outlining the future financial plans for the organisation and the challenges and risks which we will face as we strive to meet the needs of the people of Inverclyde.

Inverclyde IJB

In Inverclyde we have an 'all-inclusive' health and social care partnership. The Inverclyde IJB has responsibility for the strategic commissioning (either planning or direct service delivery, or both) of the full range of health and social care services; population health and wellbeing, statutory health and social work/ social care services for children, adults, older people and people in the community justice system. The IJB discharges this responsibility through its operational delivery arm, which is the Inverclyde Health and Social Care Partnership (HSCP).

From 1st April 2016, the IJB took formal delegated responsibility from the NHS Greater Glasgow and Clyde and Inverclyde Council for the delivery and/or planning of local health and social care services.

For some services this delegation of responsibility means the IJB taking full responsibility for planning, management and delivery of service provision, while for others – notably hospital based services and housing – this will mean planning with partners who will continue to manage and deliver the services as part of wider structures (e.g. the Greater Glasgow & Clyde Acute Sector) or via external delivery agencies (e.g. Registered Social Landlords and Housing Associations).

Inverclyde is located in West Central Scotland along the south bank of the River Clyde. It is one of the smallest local authority areas in Scotland, home to 79,150 people and covering an area of 61 square miles. Our communities are unique and varied.

The IJB Strategic Plan 2016/19 outlines our vision for the Inverclyde Health & Social Care Partnership as well as our core objectives and services which are delivered through four core teams. The HSCP has worked hard during 2016/17 to deliver these; the operational HSCP Structure responsible for delivering services is illustrated below.

HSCP Operational Structure



The IJB Strategic Plan is supported by an operational plan and a variety of service strategies, investment and management plans which aid day to day service delivery. These plans and strategies identify what the IJB wants to achieve, how it will deliver it and the resources required to secure the desired outcome. The Strategic Plan also works in support of the Inverclyde Community Planning Partnership's Single Outcome Agreement and the Greater Glasgow

& Clyde Health Board Local Delivery Plan. It is vital to ensure that our limited resources are targeted in a way that makes a significant contribution to our objectives.

The Annual Accounts 2016/17

The Annual Accounts report the financial performance of the IJB. Its main purpose is to demonstrate the stewardship of the public funds which have been entrusted to us for the delivery of the IJB's vision and its core objectives. The requirements governing the format and content of local authorities' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2016/17 Accounts have been prepared in accordance with this Code.

The Financial Plan

IJBs need to account for spending and income in a way which complies with our legislative responsibilities.

For 2016/17 the IJB budgeted to deliver Partnership Services at a cost of £126.142m. During the year funding adjustments increased this budget to £127.495m. To ensure that the accounts reflect the amount spent in delivery of services to people of Inverclyde, a number of other fully funded budgets are reflected. These include:




- Set Aside notional spend on Large Hospital Services £16.439m
- The net impact of services hosted by other IJBs on behalf of Inverclyde offset by services hosted within Inverclyde for other IJBs £5.917m
- Earmarked Reserves relating to Health and Social Care services transferred from Inverclyde Council to the IJB during the year £3.628m, of which £1.541m remained unspent by the year end.














These bring the total IJB budgeted net expenditure for the year to £153.479m.




Performance

The HSCP tracks change in need and demand, and delivery of the National Wellbeing Outcomes through its performance management arrangements. Every service undergoes a quarterly service review, chaired by the relevant Head of Service. Service use, waiting times and any other pressures are closely reviewed alongside progress against the service's key objectives and delivery of outcomes. Any divergence from the agreed strategic direction is quickly identified and steps are put in place to get the service back on track. If there are notable differences between the service's performance and what has been planned for, then these differences are reported to the IJB along with a summary of the reasons for the divergence, and an outline of the planned remedial action in cases where the divergence is negative. This is reported through Performance Exceptions Reports, and these continue to be produced and published on a six-monthly basis. The legislation requires that we follow a prescribed format of annual performance reporting against the nine outcomes, based on 23 national indicators. There is also a requirement for us to publish an annual performance report by 31st July. Inverclyde's Annual Performance Report 2016/17 was published in June 2017.

The IJB's 2016/17 Performance against the 23 National Indicators is shown in the table below:

National Indicator		Inverclyde HSCP	Scottish Average	Comparison
1	Percentage of adults able to look after their health very well or quite well	90.00%	93.85%	
2	Percentage of adults supported at home who agreed that they are supported to live as independently as possible	88.32%	83.61%	
3	Percentage of adults supported at home who agreed that they had a say in how their help, care, or support was provided	85.40%	78.82%	

National Indicator		Inverclyde HSCP	Scottish Average	Comparison
4	Percentage of adults supported at home who agreed that their health and social care services seemed to be well co-ordinated	79.15%	75.39%	
5	Total % of adults receiving any care or support who rated it as excellent or good	83.68%	81.10%	
6	Percentage of people with positive experience of the care provided by their GP practice	87.09%	86.78%	
7	Percentage of adults supported at home who agree that their services and support had an impact on improving or maintaining their quality of life	88.39%	83.83%	
8	Total combined percentage of carers who feel supported to continue in their caring role	45.72%	41.18%	
9	Percentage of adults supported at home who agreed they felt safe	87.21%	84.23%	
10	Percentage of staff who say they would recommend their workplace as a good place to work	Indicator under development (ISD)		
11	Premature mortality rate per 100,000 persons	496.3	440.5	
12	Emergency admission rate (per 100,000 population)	14971.97	11873.75	
13	Emergency bed day rate (per 100,000 population)	132718.06	106531.26	
14	Readmission to hospital within 28 days (per 1,000 population)	91.24	95.65	
15	Proportion of last 6 months of life spent at home or in a community setting	84.88%	86.84%	
16	Falls rate per 1,000 population aged 65+	24.73	20.96	
17	Proportion of care services graded 'good' (4) or better in Care Inspectorate inspections	85.05%	82.94%	

National Indicator		Inverclyde HSCP	Scottish Average	Comparison
18	Percentage of adults with intensive care needs receiving care at home	63.11%	61.56%	
19	Number of days people spend in hospital when they are ready to be discharged (per 1,000 population) (age 75+)	243.9	915.03	
20	Percentage of health and care resource spent on hospital stays where the patient was admitted in an emergency	20.64%	21.41%	
21	Percentage of people admitted to hospital from home during the year, who are discharged to a care home	Indicator under development (ISD)		
22	Percentage of people who are discharged from hospital within 72 hours of being ready	Indicator under development (ISD)		
23	Expenditure on end of life care, cost in last 6 months per death	Indicator under development (ISD)		

Financial Performance

Financial information is part of our performance management framework with regular reporting of financial performance to the IJB. This section summarises the main elements of our financial performance for 2016/17.

(a) *Partnership Revenue Expenditure 2016/17*

Formal establishment of the Inverclyde IJB was 27 June 2015 with an agreed Integration Start Date of 1 April 2016.

In August 2015 and August 2016 due diligence was carried out to consider the sufficiency of the budget provided for the Partnership by Greater Glasgow & Clyde Health Board and Inverclyde Council. Through this baseline budget pressures amounting to £1m were identified around Mental Health Inpatient Services.

During the year the Partnership successfully mitigated the full value of the Health baseline budget pressure through a combination of measures, including: improved cost control and tighter absence management arrangements together with the use of one off monies received during the year for related activity. The health services expenditure therefore was kept within the overall budget.

Partnership services saw continued demand growth, particularly in Older People Residential and Nursing Homes where the number of beds required rose significantly at the beginning of the year. The Partnership was able to effectively manage this budget pressure in year and generate an overall surplus on social care services.

In previous years the Social Care budget has experienced a degree of short term volatility in certain demand led budgets. In order to address this any one off underspends on these budgets have been placed in Earmarked Reserves to cover any one off overspends in future years. In 2016/17 £0.376m was taken into the Adoption, Fostering and Residential fund within Children & Families and £0.250m was taken into a reserve for Older People Residential and Nursing Homes.

Total net expenditure for the year was £149.980m against the overall funding received of £153.940m, generating a revenue surplus of £3.960m. This was made up as follows:

Analysis of Surplus on Provision on Services

	£000
Balance of funds remaining on Earmarked Reserves transferred to the IJB in year	1,541
SCF Projects agreed in 2016/17 with expenditure spanning more than one year	985
SCF unallocated / underspend 2016/17	316
New Ways Funding carry forward	220
Underspend on Children & Families taken to Earmarked Reserves	376
Underspend on Children & Families	155
Underspend on Older People mainly due to delays in filling of vacancies and one off income	276
Overspend on Learning Disabilities due mainly to move to Redholm	(87)
Overspend on Physical Disability client packages	(63)
Other services savings through delay in filling of vacancies	144
Other services various minor underspends	39
Other services savings on client packages	152
Homelessness overspend to increase bad debt provision	(94)
Surplus on Provision of Services	3,960

All of the above has been taken to Earmarked reserves as detailed in note 8.

Budget agreed at Period 9 vs Final Outturn

Original Budget	IJB FUNDING	Revised Budget @ P9	Outturn	Difference
	Operational funding budget			
4,449	Social Care Fund (SCF)	4,449	4,449	0
72,878	Health	74,267	74,728	461
48,815	Council	48,779	48,779	0
16,439	Set Aside	16,439	16,439	0
5,917	Hosted (net balance)	5,917	5,917	0
0	Inherited Earmarked Reserves	3,628	3,628	0
148,498	TOTAL IJB FUNDING	153,479	153,940	461
Original Budget	IJB NET EXPENDITURE	Revised Budget @ P9	Outturn	Difference
	Operational net expend budget			
72,878	Health	64,908	65,369	461
53,264	Social Care	60,198	59,921	(277)
16,439	Set Aside	16,439	16,439	0
5,917	Hosted (net balance)	5,917	5,917	0
0	Earmarked Reserves	6,017	2,334	(3,683)
148,498	TOTAL IJB NET EXPENDITURE	153,479	149,980	(3,499)
0	Surplus on Provision of Services	0	3,960	3,960

(b) The Balance Sheet

The Balance Sheet summarises the IJB's assets and liabilities as at 31 March 2017, with explanatory notes provided in the full accounts.

Financial Outlook, Risks and Plans for the Future

The UK economy was showing signs of recovery with inflation and unemployment falling and growth taking place in a number of sectors. The EU referendum result on 23rd June 2016 created some further, longer term, uncertainty and risk for the future for all public sector organisations.

Additional funding of £107m has been announced for Health and Social Care Partnerships across Scotland for 2017/18 to address social care pressures, and in particular, to support providers to pay the Living Wage to care workers. Despite this, pressure continues on public sector expenditure at a UK and Scottish level with further reductions in government funding predicted to 2019/20.

In addition to economic performance, other factors will influence the availability of funding for the public sector including the 2017 local and general elections, financial powers arising from the Scotland Act 2012, recommendations arising from the Smith Commission, the introduction of a Single Tier Pension Scheme in 2016 and the demographic challenges that Inverclyde is facing.

The most significant risks faced by the IJB over the medium to longer term can be summarised as follows:

- financial sustainability with increased demand for services alongside reducing resources and the wider financial environment, which continues to be challenging;
- workforce sustainability; and
- the risk around the relationships with acute partners, risk of differing priorities and competing pressures from external stakeholders.

The Inverclyde IJB has responsibility for social care and a range of health services. The IJB is responsible for financial and strategic oversight of these services.

Moving into 2017/18, we are working to proactively address the funding challenges presented while, at the same time, providing effective services for the residents of Inverclyde.

We have well established plans for the future, and the IJB Strategic Plan 2016/17 to 2018/19 was approved by the IJB in March 2016. This set out our ambitions and priorities for the subsequent three years and how we will work with our local communities and partners to achieve them. The vision of the Health and Social Care Partnership is about 'Improving Lives'. Taking into account the Scottish Government's national framework, the 2020 Vision for Health and Social Care through our Strategic Planning Group we have identified four values to underpin our vision that we believe will improve outcomes for all our residents now and in the future. These are illustrated below.

Vision and Values (2016-2019)



Conclusion

In a challenging financial and operating environment the IJB has successfully overseen the delivery of its Strategic Plan objectives and the delivery of all core services while undertaking a significant change programme designed to provide a more person centred model of care, deliver on early intervention and prevention ambitions and free up efficiencies.

Where to Find More Information

If you would like more information please visit our IJB website at:

<https://www.inverclyde.gov.uk/health-and-social-care>

Louise Long

Chief Officer

Date: 12 September 2017

Lesley Aird, CPFA

Chief Financial Officer

Date: 12 September 2017

Simon Carr

IJB Chair

Date: 12 September 2017

Statement of Responsibilities

Responsibilities of the IJB

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to ensure that the proper officer of the board has the responsibility for the administration of those affairs. In this IJB, the proper officer is the Chief Financial Officer;
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003)
- Approve the Annual Statement of Accounts.

I confirm that the audited Annual Accounts were approved for signature at a meeting of the IJB on 12 September 2017.

Signed on behalf of the Inverclyde IJB

Simon Carr

IJB Chair

Date: 12 September 2017

Responsibilities of the Chief Financial Officer

The Chief Financial Officer is responsible for the preparation of the IJB's annual accounts in accordance with proper practices as required by legislation and as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Accounting Code).

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

- Selected appropriate accounting policies and then applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with legislation;
- Complied with the local authority Code (in so far as it is compatible with legislation)

The Chief Finance Officer has also:

- Kept proper accounting records which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the financial statements give a true and fair view of the financial position of Inverclyde IJB as at 31 March 2017 and the transactions for the year then ended.

Lesley Aird, CPFA

Chief Financial Officer

Date: 12 September 2017

Remuneration Report

Introduction

This Remuneration Report is provided in accordance with the Local Authority Accounts (Scotland) Regulations 2014. It discloses information relating to the remuneration and pension benefits of specified IJB members and staff.

The information in the tables below is subject to external audit. The explanatory text in the Remuneration Report is reviewed by the external auditors to ensure it is consistent with the financial statements.

1 Integration Joint Board

The voting members of the IJB were appointed through nomination by the Health Board and Council.

2 Senior officers

The IJB does not directly employ any staff in its own right. All HSCP officers are employed through either the Health Board or Council and remuneration for senior staff is reported through those bodies. Specific post-holding officers are non-voting members of the Board

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The Chief Officer, Brian Moore, was employed by Inverclyde Council and seconded to the IJB until his retirement on 28 April 2017. A new Chief Officer, Louise Long, was employed by Inverclyde Council from 8 May 2017 and also seconded to the IJB. The statutory responsibility for employer pension liabilities sits with Inverclyde Council as the employing partner organisation. There is therefore no pension liability reflected on the Inverclyde IJB balance sheet for the IJB's Chief Officer. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Chief Financial Officer

The IJB Chief Financial Officer, Lesley Aird, is employed on a part time basis by NHS Greater Glasgow and Clyde. The Council and Health Board share the costs of this and all other senior officer remunerations.

Other officers

No other staff are appointed by the IJB under a similar legal regime. There are no other non-voting board members who meet the criteria for disclosure and require to be included in the disclosure below.

Total IJB related remuneration from date of establishment 2015/16* £	Name and Post Title	Salary, Fees & Allowances 2016/17 £
16,150	Brian Moore (retired 28 April 2017) Chief Officer	107,002
0	Lesley Aird (part time 0.5 WTE) Chief Financial Officer	42,653

* Functions and budgets were not delegated to the IJB during 2015/16, therefore, only a portion of salary for the Chief Officer and Chief Financial Officer were chargeable to the IJB during 2015/16. This was calculated at 20% to reflect the amount of time spent on IJB related activity and other operational duties by these officers. The Chief Financial Officer did not take up post until 22 March 2016 and was therefore not reflected in the 2015/16 remuneration report.

3 Remuneration: IJB Chair and Vice Chair

The voting members of the IJB are appointed through nomination by Inverclyde Council and Greater Glasgow & Clyde Health Board. Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and Health Board representative.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. The details of the Chair, Vice Chair and other IJB voting member appointments and any taxable expenses paid by the IJB are shown below.

The IJB does not have responsibilities, either in the current year or in future years, for funding any pension entitlements of voting IJB members. Therefore no pension rights disclosures are provided for voting members.

Taxable Expenses 2015/16 £	Name	Post(s) Held	Nominated By	Taxable Expenses 2016/17 £
0	Councillor Joe McIlwee	IJB Chair (retired 31/03/17)	Inverclyde Council	0
0	Ross Finnie	IJB Vice Chair (until 01/09/16)	GG&C	0
0	Simon Carr	IJB Vice Chair (from 01/09/16) Audit Committee Chair (from 29/09/16)	GG&C	0
0	Councillor Jim Clocherty	IJB Member (from 29/09/16) Audit Committee Vice Chair (from 29/09/16)	Inverclyde Council	0
0	Alan Cowan	IJB Member (from 01/09/16) Audit Committee Member	GG&C	0
0	Councillor Vaughan Jones	IJB Member	Inverclyde Council	0
0	Dr Donald Lyons	IJB Member	GG&C	0
0	Dorothy McErlan	IJB Member (from 01/09/16)	GG&C	0
0	Councillor Stephen McCabe	IJB Member (until 29/09/16) Audit Committee Vice Chair (until 29/09/16)	Inverclyde Council	0
0	Councillor Ciano Rebecchi	IJB Member Audit Committee Member	Inverclyde Council	0

There were no Inverclyde IJB specific expenses recorded for voting members of the IJB during 2016/17. Any expenses claimed by voting members are paid through the relevant IJB partner organisation.

In respect of officers' pension benefits the statutory liability for any future contributions to be made rests with the relevant employing partner organisation. On this basis there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB. The following table shows the IJB's funding during the year to support officers' pension benefits. The table also shows the total value of accrued pension benefits which may include benefits earned in other employment positions and from each officer's own contributions.

Senior Employee	In Year Pension		Accrued Pension Benefits		
	For Year to 31/03/16* £	For Year to 31/03/17 £	Difference from 31/03/16 £0	As at 31/03/17 £0	
Brian Moore	3,120	20,593	Pension	2,651	55,737
Chief Officer till 28/04/2017			Lump Sum	1,017	122,055
Lesley Aird	0		Pension	622	622
Chief Financial Officer			Lump Sum	0	0

The Chief Finance Officer was previously a member of the Strathclyde Pension Scheme but has opted not to transfer those benefits. The accrued pension benefit disclosed above therefore relates only to this current employment and pension.

Disclosure by Pay Bands

As required by the regulations, the following table shows the number of persons whose whole time equivalent remuneration for the year was £50,000 or above, in bands of £5,000.

Number of Employees in Band 2015/16*	Remuneration Band	Number of Employees in Band 2016/17
0	£105,000 - £110,000	1
0	£65,000 - £70,000	1

* Functions and budgets were not delegated to the IJB during 2015/16, therefore, only 20% of salary for the Chief Officer and Chief Financial Officer were chargeable to the IJB during 2015/16.

Louise Long

Chief Officer

Date: 12 September 2017

Simon Carr

IJB Chair

Date: 12 September 2017

Annual Governance Statement

The Annual Governance Statement explains the IJB's governance arrangements and reports on the effectiveness of the IJB's system of internal control.

Scope of Responsibility

The Inverclyde IJB was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. It is a body corporate, a legal entity in its own right but it relies on support from officers employed by Inverclyde Council and Greater Glasgow & Clyde NHS Board in relation to the conduct of its business. It is subject to the Public Bodies (Joint Working) (Scotland) Act 2014 and secondary legislation directly relating to the integration of health and social care services, and indirectly in relation to regulatory regimes affecting devolved public bodies in Scotland.

The 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.

To meet this responsibility the IJB has established arrangements for governance which includes a system of internal control. The system is intended to manage risk to support the achievement of the IJB's policies, aims and objectives. Reliance is also placed on the Inverclyde Council and Greater Glasgow & Clyde Health Board systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

The system can only provide reasonable and not absolute assurance of effectiveness.

The Governance Framework and Internal Control System

The Board of the IJB comprises voting members, nominated by either Inverclyde Council or Greater Glasgow & Clyde Health Board, as well as non-voting members including a Chief Officer appointed by the Board.

The main features of the governance framework in existence during 2016/17 were:

- The IJB was the key decision making body. The IJB's membership (voting and non-voting), as set by statutory instrument, is fully established. An Audit Committee with detailed remit and powers and clearly defined membership was set up in 2016/17 to consider all matters in relation to Internal and External Audit and Risk Management;
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, Standing Orders, and Financial Regulations. The IJB is required to have Standing Orders to regulate its business and these were reviewed and updated by the IJB in May 2016. They comply with statutory requirements;
- The IJB's purpose and vision are outlined in the IJB Strategic Plan which was approved and published prior to the delegation of the integrated functions on 1 April 2016 and which links closely to the vision of the Inverclyde Community Planning Partnership and the Single Outcome Agreement and is underpinned by an annual action plan and national statutory performance indicators;
- The Performance Management Strategy focuses very firmly on embedding a performance management culture that measures delivery of improved outcomes rather than systems and processes throughout the IJB. Regular reporting to Board Members takes place;
- The IJB adopted a Code of Conduct based on the Model Code of Conduct for Integration Joint Boards in May 2016. The register of members' interests was thereafter published and made available for inspection.
- The IJB has in place a development programme for all Board Members. Development programmes are also in place for the Senior Management Team and senior managers across the Partnership. A Performance Appraisal process is in place for all employees, the aim of which is to focus all employees on their performance and development that contributes towards achieving service objectives;
- The IJB has established three Wellbeing Localities, East Inverclyde, Central Inverclyde and West Inverclyde. These reflect the local planning areas that were developed by the Community Planning Partnership (the Inverclyde Alliance) through full public consultation. These provide Board Members with the opportunity to be involved in considering the priorities for each area and outline the role for each Community Planning Partner in meeting these priorities in conjunction with the local communities.
- As a separate Public Body, the IJB is required to publish Equalities Outcomes. These were published on the HSCP website in April 2016, and will be subject to review in 2018.

The governance framework was in place throughout 2016/17.

The System of Internal Financial Control

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. Development and maintenance of these systems is undertaken by the Health Board and Council as part of the operational delivery of the Health and Social Care Partnership. During 2016/17 this included the following:

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

The IJB complies with “The Role of the Head of Internal Audit in Public Organisations” (CIPFA) and operates in accordance with “Public Sector Internal Audit Standards” (CIPFA). The Chief Internal Auditor reports directly to the IJB Audit Committee with the right of access to the Chief Financial Officer, Chief Officer and Chair of the Audit Committee on any matter. The annual programme of internal audit work is based on a strategic risk assessment, and is approved by the Audit Committee.

With regard to the entries taken from the Health Board and Council Accounts, the IJB is not aware of any weaknesses within their internal control systems and has placed reliance on the individual Annual Governance Statements where appropriate.

Review of Effectiveness

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

The Internal Audit functions of the Council and Health Board have independent responsibility for examining, evaluating and reporting on the adequacy of internal control. During 2016/17, these services operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards. The Chief Internal Auditors prepared annual reports to the relevant Audit Committees, including an assurance statement containing a view on the adequacy and effectiveness of the systems of internal control.

Significant Governance Issues during 2016/17

In March 2016, the IJB approved the Strategic Plan covering 2016-2019 which includes the IJB vision and values statements. The vision is ‘Improving Lives’.

The Internal Audit Annual Reports 2016/17 for the Council and Health Board identify no significant control risks. Some actions have been agreed within the Council and Health Board Annual Governance statements to further enhance those internal control environments. None of these are considered material enough to have a significant impact on the overall control environment.

There was one IJB internal audit review planned and completed during the year, Review of Governance Arrangements. The overall opinion on the report was satisfactory. The report contained 3 Green findings. The IJB Audit Committee also noted all medium and high recommendations received by the Council and Health Board Audit Committees relating to Health and Social Care activities and the actions being taken to address any associated recommendations.

The Internal Audit Annual Report and Assurance Statement for 2016/17 concludes: *“On the basis of Internal Audit work carried out in 2016/2017, the majority of the IJB’s established internal control procedures appeared to operate as intended to meet Management’s requirements for the individual systems 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, although it does need to be recognised that some recommendations were made by Internal Audit to improve controls”.*

Action Plan

Following consideration of adequacy and effectiveness there are no significant actions required to ensure continual improvement of the IJB's governance. During 2017/18 the IJB plans to develop and introduce a Local Code of Good Governance to further strengthen its governance arrangements.

Conclusion and Opinion on Assurance

While recognising that improvements are required, as detailed above, it is our opinion that reasonable assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements.

We consider that the internal control environment provides reasonable and objective assurance that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment.

Louise Long

Chief Officer

Date: 12 September 2017

Simon Carr

IJB Chair

Date: 12 September 2017

Independent Auditor's Report

Independent Auditor's Report to the members of Inverclyde IJB and the Accounts Commission for Scotland

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of Inverclyde Integration Joint Board for the year ended 31 March 2017 under Part VII of the Local Government (Scotland) Act 1973. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (the 2016/17 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2016/17 Code of the state of affairs of the Inverclyde Integration Joint Board as at 31 March 2017 and of its surplus on the provision of services 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 2016/17 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Inverclyde Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Chief Financial Officer for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Accounts Commission. Those standards require me to comply with the Financial Reporting Council's Ethical Standards for Auditors. 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 the Inverclyde Integration Joint Board and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements.

My objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that include my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK&I) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Other information in the annual accounts

The Chief Financial Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with my audit of the financial statements in accordance with ISAs (UK&I), my responsibility is to 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.

Report on other requirements

Opinions on other prescribed matters

I am required by the Accounts Commission to express an opinion on the following matters.

In my opinion, the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014.

In my opinion, based on the work undertaken in the course of the audit

- the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with statutory guidance issued under the Local Government in Scotland Act 2003; and
- the information given in the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework (2016).

Matters on which I am required to report by exception

I am required by the Accounts Commission to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- there has been a failure to achieve a prescribed financial objective.

I have nothing to report in respect of these matters.

Brian Howarth
Assistant Director (Audit Services)
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

12 September 2017

The Financial Statements

Comprehensive Income and Expenditure Statement

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

2015/16			2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			3,527	(535)	2,992
			28,158	(631)	27,527
			11,358	(330)	11,028
			6,376	(628)	5,748
			9,619	(76)	9,543
			13,615	(636)	12,979
			2,873	(159)	2,714
			3,768	(423)	3,345
			6,578	(547)	6,031
			3,719	(398)	3,321
			2,120	(2,065)	55
			1,582	(723)	859
			22,692	(892)	21,800
			18,136	0	18,136
			1,347	0	1,347
32	0	32	199	0	199
32	0	32	135,667	(8,043)	127,624
0	0	0	16,439	0	16,439
0	0	0	(1,409)	17	(1,392)
0	0	0	8,533	(1,224)	7,309
32	0	32	159,230	(9,250)	149,980
0	(32)	(32)	0	(153,940)	(153,940)
32	(32)	0	159,230	(163,190)	(3,960)
		0			(3,960)

Functions and budgets were not delegated to the IJB during 2015/16, therefore, the 2015/16 accounts reflected only the Commencement of Transactions, IJB Operating Costs for 2015/16, including 20% of the Chief Officer and Chief Financial Officers salaries from the date of establishment.

There are no statutory or presentation adjustments which affect the IJB's application of funding received from partners. The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently and Expenditure and Funding Analysis is not provided in these annual accounts.

Movement in Reserves Statement

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

Movements in Reserves During 2016/17	General Reserves £000	Earmarked Reserves £000	TOTAL Reserves £000
Opening Balance at 31 March 2016	0	0	0
Total Comprehensive Income and Expenditure	0	(3,960)	(3,960)
(Increase) or Decrease in 2016/17		(3,960)	(3,960)
Closing Balance at 31 March 2017	0	(3,960)	(3,960)

Balance Sheet

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB.

31 March 2016 £000		Notes	31 March 2017 £000
Current Assets			
6	Short term debtors	5	3,972
Current Liabilities			
(6)	Short term creditors	6	(12)
0	Net Assets		3,960
0	Reserves	8	(3,960)
0	Total Reserves		0

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2017 and its income and expenditure for the year then ended.

The unaudited financial statements were authorised for issue on 12 June 2016 and the audited financial statements were authorised for issue on 12 September 2017.

Lesley Aird, CPFA

Chief Financial Officer

Date: 12 September 2017

Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use.

Notes to the Financial Statements

1. Accounting Policies

1.1 General principles

The Inverclyde Integration Joint Board is formed under the terms of the Public Bodies (Joint Working) (Scotland) Act 2014. It was established by parliamentary order on 27 June 2015 following approval of the Inverclyde Integration Scheme by the Scottish Ministers. The Integration Scheme is a legally binding agreement between Inverclyde Council and NHS Greater Glasgow and Clyde.

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 Local Authority Accounts (Scotland) Regulations 2014 and the Code of Practice on Accounting for Local Authorities in the United Kingdom, supported by International Financial Reporting Standards (IFRS). These are issued jointly by CIPFA and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) and are designed to give a "true and fair view" of the financial performance of the IJB.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The historical cost convention has been adopted.

The Annual Accounts summarise the IJB's transactions for the 2016/17 financial year and its position at the year end of 31 March 2017.

1.2 Accruals of expenditure and income

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Expenditure is recognised when goods or services are received and their benefits are used by the IJB
- Income is recognised when the IJB has a right to the income, for instance by meeting any terms or conditions required to earn the income, and receipt of the income is probable
- Where income and expenditure have been recognised but settlement in cash has not taken place, a debtor or creditor is recorded in the Balance Sheet
- Where debts may not be received, the balance of debtors is written down

1.3 Funding

The IJB is primarily funded through funding contributions from the statutory funding partners namely Inverclyde Council and NHS Greater Glasgow and Clyde. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in Inverclyde.

1.4 Cash and Cash Equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently the IJB does not present a 'Cash and Cash Equivalent' figure on the balance sheet. The funding balance due to or from each funding partner as at 31 March is represented as a debtor or creditor in the IJB Balance Sheet.

1.5 Employee Benefits

The IJB does not directly employ staff. Staff are formally employed by the funding partners who retain the liability for pension benefits payable in the future. The IJB therefore does not present a Pensions Liability on its Balance Sheet.

The IJB has a legal responsibility to appoint a Chief Officer. More details on the arrangements are provided in the Remuneration Report. The charges from the employing partner are treated as employee costs. Where material the

Chief Officer's absence entitlement as at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

Charges from funding partners for other staff are treated as administration costs.

1.6 Provisions, Contingent Liabilities and Contingent Assets

Provisions are liabilities of uncertain timing or amount. A provision is recognised as a liability on the balance sheet when there is an obligation as at 31 March due to a past event; settlement of the obligation is probable; and a reliable estimate of the amount can be made. Recognition of a provision will result in expenditure being charged to the Comprehensive Income and Expenditure Statement and will normally be a charge to the General Fund.

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable to arise and can be reliably measured.

1.7 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.

1.8 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.

1.9 Related Party Transactions

As parties to the Inverclyde Integration Scheme both Inverclyde Council and NHS Greater Glasgow and Clyde are related parties and material transactions with those bodies are disclosed in Note 3 in line with the requirements of IAS 24.

1.10 Support services

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

1.11 Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding Board member and officer responsibilities. Inverclyde Council and Greater Glasgow & Clyde Health Board have responsibility for claims in respect of the services that they are statutorily responsible for and that they provide.

Unlike Health Boards, the IJB does not have any 'shared risk' exposure from participation in Clinical Negligence and Other Risks Indemnity Scheme (CNORIS). The IJB participation in the CNORIS scheme is therefore analogous to normal insurance arrangements.

Known claims are assessed as to the value and probability of settlement. Where it is material the overall expected value of known claims taking probability of settlement into consideration, is provided for in the IJB's Balance Sheet.

The likelihood of receipt of an insurance settlement to cover any claims is separately assessed and, where material, presented as either a debtor or disclosed as a contingent asset.

1.12 Clinical and Medical Negligence

The IJB provides clinical services to patients under the statutory responsibility of NHS Greater Glasgow and Clyde. 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 Health Board and IJB are members of CNORIS established by the Scottish Government which reimburses costs to members where negligence is established.

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

1.13 Reserves

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

1.14 VAT

The VAT treatment of expenditure in the IJB's accounts depends on which of the partner agencies is providing the service as these agencies are treated differently for VAT purposes.

Where the Council is the provider, income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to H.M. Revenue & Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

Where the NHS is the provider, expenditure incurred will include irrecoverable VAT as generally the NHS cannot recover VAT paid as input tax and will seek to recover its full cost as Income from the Commissioning IJB.

2 Taxation and Non-Specific Grant Income

31 March 2016 £000	Taxation and Non-Specific Grant Income	31 March 2017 £000
16	NHS Greater Glasgow and Clyde Health Board	101,533
16	Inverclyde Council	52,407
32	TOTAL	153,940

Health Board Contribution

The funding contribution from the Health Board above includes £16.439m in respect of 'set aside' resources relating to hospital services. These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however, has responsibility for the consumption of, and the level of demand placed on, these resources.

The Health Board contribution above also includes a net £5.917m in respect of services hosted on behalf of Inverclyde IJB by other Greater Glasgow and Clyde IJBs, less the services hosted by Inverclyde on behalf of other Greater Glasgow & Clyde IJBs.

Council Contribution

The Council contribution includes £1.541m in respect of the net balance of Earmarked Reserves relating to health and social care services which the Council transferred to the IJB during the year.

The funding contributions from the partners shown above exclude any funding which is ring-fenced for the provision of specific services. Such ring-fenced funding is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

3 Related Party Transactions

The IJB has related party relationships with Greater Glasgow & Clyde Health Board and Inverclyde Council. In particular the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balances included in the IJB's accounts are presented to provide additional information on the relationships.

31 March 2016 £000		31 March 2017 £000
Transactions with NHS Greater Glasgow & Clyde		
16	Funding Contributions received	(101,533)
0	Service Income received	(3,244)
16	Expenditure on Services Provided	90,969
32	TOTAL	(13,808)
Transactions with Inverclyde Council		
16	Funding Contributions received	(52,407)
0	Service Income received	(6,006)
16	Expenditure on Services Provided	68,261
32	TOTAL	9,848

31 March 2016 £000		31 March 2017 £000
Balances with NHS Greater Glasgow & Clyde		
0	Debtor balances: Amounts due to the NHS	0
3	Creditor balances: Amounts due from the NHS	0
(3)	Net Balance with the NHS Board	0
Balances with Inverclyde Council		
0	Debtor balances: Amounts due to the Council	0
3	Creditor balances: Amounts due from the Council	3,972
(3)	Net Balance with the Council	(3,972)

Key Management Personnel: The non-voting Board members employed by the Health Board or Council and recharged to the IJB include the Chief Officer, Chief Financial Officer, representatives of primary care, nursing and non-primary services, and staff representatives. Details of remuneration for some specific post holders is provided in the Remuneration Report.

4 IJB Operational Costs

31 March 2016 £000	Core and Democratic Core Services	31 March 2017 £000
24	Staff costs	179
3	Administrative costs	3
5	Audit fees	17
32	TOTAL	199

The cost associated with running the IJB has been met in full by NHS Greater Glasgow and Clyde and Inverclyde Council. For the 2016/17 Accounts this is combined within the gross expenditure for both partners.

5 Short Term Debtors

31 March 2016 £000	Short Term Debtors	31 March 2017 £000
6	Other local authorities	3,972
6	TOTAL	3,972

Amounts owed by the funding partners are stated on a net basis. Creditor balances relating to expenditure obligations incurred by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the IJB.

6 Short Term Creditors

31 March 2016 £000	Short Term Creditors	31 March 2017 £000
(6)	Other local authorities	(12)
(6)	TOTAL	(12)

7 Agency Income and Expenditure (Hosted Services)

On behalf of other IJBs within Greater Glasgow and Clyde, Inverclyde IJB acts as the lead manager for some Mental Health inpatient services which it provides to other IJBs. It also accesses a number of services which are hosted by other IJBs within Greater Glasgow and Clyde. A breakdown of the Income and Expenditure relating to all of these services is noted below and the net impact of these is included in the Comprehensive Income and Expenditure statement. These costs have been apportioned on an agreed basis across the six Greater Glasgow and Clyde IJBs.

Net Impact on Inverclyde of Agency/Hosted Services	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
Services hosted by Inverclyde IJB for other IJBs	(1,409)	17	(1,392)
Services hosted by others NHS GGC IJBs on behalf of Inverclyde	8,533	(1,224)	7,309
Taxation & Non Specific Grant Income (relating to Hosted Services)	0	(5,917)	(5,917)
TOTAL NET IMPACT OF HOSTED SERVICES	7,124	(7,124)	0

Services hosted by Inverclyde IJB for other GGC IJBs	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
General Psychiatry	1,398	(17)	1,381
Old Age Psychiatry	11	0	11
TOTAL - Services hosted by Inverclyde IJB for other GGC IJBs	1,409	(17)	1,392

Services hosted by other GGC IJBs on behalf of Inverclyde	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
MSK Physio	471	(17)	454
Retinal Screening	57	(2)	55
Podiatry	927	(4)	923
Primary Care support	327	(9)	318
Continence	345	0	345
Sexual Health	487	(57)	430
Learning Disability Tier 4 Community	293	(44)	249
Mh Central Services	1,555	(821)	734
MH Citywide services	1,177	(106)	1,071
Oral Health	638	(45)	593
Addictions	539	(11)	528
Prison Healthcare	543	(20)	523
HC In Police Custody	167	(8)	159
General Psychiatry	323	(13)	310
Learning Disability - Admission & Assessment	524	(83)	441
Learning Disability - Complex Care	102	(3)	99
Old Age Psychiatry	79	(2)	77
TOTAL - Services hosted by other NHS GGC IJBs	8,554	(1,245)	7,309

8 Movement in reserves

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned future expenditure, and the amount held as a general contingency.

2015/16		2016/17		
Balance at 31 March 2016 £000		Transfers Out 2016/17 £000	Transfers In 2016/17 £000	Balance at 31 March 2017 £000
0	Self Directed Support/SWIFT Finance Module	0	43	43
0	Growth Fund - Loan Default Write Off	1	27	26
0	Integrated Care Fund/Delayed Discharge	1,477	2,233	756
0	Support all Aspects of Independent Living	50	50	0
0	Veterans Officer Funding	10	37	27
0	CJA Preparatory Work	55	120	65
0	Welfare Reform - HSCP	272	315	43
0	Deferred Income	89	116	27
0	John Street	247	303	56
0	Adoption/Fostering/Residential Childcare	133	1,063	930
0	New Ways	0	220	220
0	Patient/Client Transport Coordinator Role (FT 2 years)	0	70	70
0	SWIFT Replacement Project	0	118	118
0	Funding to cover timing delay in delivery of 17/18 savings	0	620	620
0	Residential & Nursing Placements	0	250	250
0	Social Care in year underspend	0	272	272
	Social Care Fund 16/17 C/fwd	0	316	316
0	LD - Integrated Team Leader (FT 2 years)	0	121	121
0	Total Earmarked	2,334	6,294	3,960
0	Contingency	0	0	0
0	General Fund	2,334	6,294	3,960

9 Expenditure and Income Analysis by Nature

31 March 2016 £000	Inverclyde Integration Joint Board	31 March 2017 £000
	HEALTH SERVICES	
	Employee Costs	27,608
	Property Costs	33
	Supplies & Services	5,735
	Family Health Service	22,711
	Prescribing	18,376
	Set Aside	16,439
	Income	(3,266)
	SOCIAL CARE SERVICES	
	Employee Costs	26,708
	Property Costs	1,449
	Supplies & Services	1,083
	Transport	446
	Administration	868
	Payments to Other Bodies	37,597
	Income	(6,005)
	CORPORATE & DEMOCRATIC CORE/IJB COSTS	
24	Employee Costs	179
3	Administration	3
5	Audit Fee	17
32	TOTAL NET EXPENDITURE	149,980
(32)	Grant Income	(153,940)
0	SURPLUS ON PROVISION OF SERVICES	(3,960)

10 External Audit Costs

Fees payable to Audit Scotland in respect of external audit services undertaken in accordance with Audit Scotland's Code of Audit Practice in 2016/17 are £17,400. There were no fees paid to Audit Scotland in respect of any other services.

11 Post balance sheet events

None.

12 Contingent assets and liabilities

There are equal pay claims pending against both the Council and Health Board. Since the IJB is not the employer for any of the staff in question it is not financially liable for any amounts due.