



Integration Joint Board
27 August 2020
Agenda Item No.

Subject: **Deloitte LLP: 2019/20 Annual Audit Report**

Purpose: The Board is required to approve the audited annual accounts for 2019/20 for issue by 30 September 2020 and to consider the report from External Audit.

Recommendation: That the Board:

- (a) Note that Deloitte LLP have completed their audit of the annual accounts for 2019-20 and have issued an unqualified independent report auditor's report;
- (b) Note the recommendations within the Deloitte LLP report; and
- (c) Approve the Audited Annual Accounts to be signed for issue.

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
HSCP	Health and Social Care Partnership
MTFP	Medium Term Financial Plan

1.	EXECUTIVE SUMMARY
1.1	<p>The Integration Joint Board (IJB) were required to produce a set of annual accounts for 2019-20. These accounts were produced within the statutory timescale and have been subject to independent audit by the Integration Joint Board's external auditors, Deloitte LLP. The audit process has been completed and external audit have issued an unqualified independent auditors report.</p> <p>The annual accounts were submitted to Deloitte LLP for audit in accordance with the statutory timescales. The external auditor is required to report on certain matters arising to those charged with governance in sufficient time to enable appropriate action to be taken before the financial statements are approved and certified.</p>
1.2	<p>The Audited Annual Accounts require to be approved by the IJB prior to 30 September 2020. As part of the independent audit there were some minor changes required, these were mainly presentational and to provide additional information or clarification and there are no changes to the financial position reported to the Performance and Audit Committee in June. Deloitte LLP's External Audit Annual Audit Report includes the findings of the audit and recommendations for improvement arising from the audit.</p>

2.	BACKGROUND
2.1	The Integration Joint Board is subject to the audit and accounts provisions of a body under section 106 of the Local Authority Government (Scotland) Act 1973. This requires annual accounts to be prepared with the reporting requirements specified in the relevant legislation and regulations. The requirements are proportionate to the number of transactions of the Integration Joint Board whilst complying with the requirement for transparency and true and fair reporting in the public sector.
2.2	The audited annual accounts have been prepared in accordance with the Code of Practice on Accounting for Local Authorities in the United Kingdom 2019-20. Additional guidance was issued by the Scottish Government Integrated Resources Advisory Group (IRAG) and CIPFA LASAAC and this guidance has been followed to produce the unaudited accounts. In addition support was provided by CIPFA and Audit Scotland to ensure a consistency of approach and shared best practice across Integration Joint Boards.
2.3	The Audited Annual Accounts for 2019-20 are included as Appendix 1, these incorporate the independent auditors report. Deloitte LLP are able to conclude that the Integration Joint Board's accounts present a true and fair view of the IJB.
2.4	Appendix 2 includes a covering letter from Deloitte LLP which incorporates their ISA260 letter "report to those charged with governance" together with their proposed Independent Auditor's Report and the letter of representation to be signed by the Chief Finance Officer (NAHS CP) as responsible officer for North Ayrshire Health and Social Care Partnership. Deloitte LLP's External Audit Annual Audit Report to members, which summarises the findings of the audit is a separate item on the agenda.
2.5	Deloitte LLP have given an unqualified opinion that the 2019-20 financial statements give a true and fair view of the financial position and expenditure and income of the IJB for the year, concluding that the accounts have been properly prepared in accordance with relevant legislation, applicable accounting standards and other reporting requirements. No monetary adjustments have been identified and the overall financial position remains as reported to the Performance and Audit Committee in June 2020.
2.6	<p>The recommendations for improvement arising from the audit are:</p> <ul style="list-style-type: none"> i) Quarterly online publication of performance information; ii) Lead Partnership working papers to be produced earlier with supporting back up; iii) Set Aside - continue to make progress with implementing delegated hospital budgets and set aside requirements, in collaboration with the Scottish Government, NHS Ayrshire and Arran and other Ayrshire partnerships. <p>The management responses to these recommendations are noted in the report.</p>
2.7	As part of their audit work, alongside the audit of the annual accounts, Deloitte LLP assessed the key financial and strategic risks being faced by the IJB, reviewing the

	<p>IJB's financial position and aspects of financial management, sustainability, transparency, governance and value for money.</p> <p>Representatives from Deloitte LLP will provide an overview and further feedback on the report at the meeting.</p>
2.8	The Integration Joint Board are required to formally approve the Audited Annual Accounts prior to 30 September 2020, the IJB are asked to approve the accounts for signature and issue. Thereafter they will be published on the partnership website.
3.	PROPOSALS
3.1	<p>The Board is invited to:-</p> <p>(a) note that Deloitte LLP have completed their audit of the annual accounts for 2019-20 and have issued an unqualified independent auditor's report;</p> <p>(b) Note the recommendations within the Deloitte LLP report; and</p> <p>(c) approve the Audited Annual Accounts to be signed for issue.</p>
3.2	<u>Anticipated Outcomes</u>
	The annual accounts are a key statutory reporting requirement and can be a useful way to join up financial and service delivery performance information in a readily available public document, the IJB has a statutory responsibility to approve the Audited Accounts for issue by 30 September 2020.
3.3	<u>Measuring Impact</u>
	Progress against the recommendations will be reviewed by the Performance and Audit Committee during 2020-21.
4.	IMPLICATIONS

Financial :	The IJB are required to consider and approved the Audited Annual Accounts for 2019-20 by 30 September 2020.
Human Resources :	None
Legal :	None
Equality :	None
Environmental & Sustainability :	None
Key Priorities :	None
Risk Implications :	None

Direction Required to Council, Health Board or Both <i>(where Directions are required please complete Directions)</i>	Direction to :-	
	1. No Direction Required	X
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran2	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

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5.	CONSULTATION
5.1	<p>The unaudited annual accounts were advertised and made publicly available for inspection; the audited accounts will require to be published by 30 September 2020. There were no objections noted from the public inspection.</p> <p>The Chief Officer and other officers of the IJB have been consulted during the audit process.</p>
6.	CONCLUSION
6.1	Deloitte LLP have issued an unqualified opinion on the 2019-20 annual accounts.

For more information please contact:

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ANNUAL ACCOUNTS FOR THE PERIOD ENDED 31 MARCH 2020



NORTH AYRSHIRE INTEGRATION JOINT BOARD



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Management commentary

This publication contains the Annual Accounts of North Ayrshire Integration Joint Board (IJB) for the period ended 31 March 2020.

The Management Commentary outlines the key messages in relation to the IJB's financial planning and performance for the period 2019-20 and how this has supported delivery of the IJB's strategic priorities. This commentary also looks forward, outlining the future financial plans for the IJB and the challenges and risks that we will face as we strive to meet the needs of the people of North Ayrshire.

North Ayrshire IJB

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

North Ayrshire Health and Social Care Partnership (NAHSCP/the Partnership) is the name given to the service delivery organisation for functions which have been delegated to the IJB.

NAHSCP is facing significant challenges.

In 2018, NAHSCP launched a refreshed strategic plan, *Let's Deliver Care Together*, outlining our ambitions for 2018–2021.

<http://nahscp.org/wp-content/uploads/2018/06/StrategicPlan2018FULL.pdf>

The plan sets out the key partnership vision North Ayrshire Health and Social Care.

Partnership's vision is:

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

This vision is supported by five strategic priorities:



NAHSCP priorities

North Ayrshire Council and NHS Ayrshire & Arran delegate responsibility for the planning of services to the IJB. The IJB commissions services from North Ayrshire Council and NHS Ayrshire & Arran and is responsible for the operational oversight of integrated services. NAHSCP's Chief Officer is responsible for the operational management of integrated services.

The Chief Officer is supported by heads of service for each service area, the Chief Finance and Transformation Officer and the wider partnership management team.



NAHSCP structure

The Strategic Plan continues to complement North Ayrshire Community Planning Partnership's Local Outcome Improvement Plan (LOIP). In 2019 the HSCP supported North Ayrshire Council in updating its Council plan, engaging with local communities across localities and has supported NHS Ayrshire and Arran to develop the 'Caring for Ayrshire' approach as part of its overall longer term planning.

A review of progress in achieving the actions identified in the plan was undertaken by the

stakeholders on the Strategic Planning Group which found that 47% of the key actions had already been completed, 25% were over halfway complete and 28% were less than halfway complete.

The five key strategic priorities will ensure that we deliver our vision and it is vital to ensure that our limited resources are targeted in a way that makes a significant contribution to our shared priorities working effectively with key partners. Our plan seeks to address the increasing health inequalities in North Ayrshire and focuses on improving the efficiency and quality of the services being provided, putting individuals, families and communities at the heart of the plan.

The IJB Strategic Plan is supported by day to day management plans and individual service strategies. These plans operationalise and provide greater detail on how the IJB will deliver on its key priorities and identifies the resources required for implementation. Further, implementation of the strategic plan is key for the Partnership to achieve the nine National Health and Wellbeing Outcomes set by the Scottish Government.

North Ayrshire today

North Ayrshire is home to 134,740 people and covers an area of 340 square miles and includes the islands of Arran, Great Cumbrae and Little Cumbrae.

During 2018, it was estimated that 9,000 (21.8%) households in North Ayrshire were workless. Between October 2018–September 2019, unemployment was 6.5%, (Scottish average, 3.9%). The claimant count in North Ayrshire (February 2020) was 5.7%, again above the Scotland average of 3.4%

We know that the population of North Ayrshire is expected to fall by 3% over the next 10 years and we expect that there will be fewer people aged 65 and under, reducing the number of working age adults. We also expect that the number of people aged 65+ will increase by 20%, with the highest increase (38%) in those aged 75 or over.

According to Scottish Index of Multiple Deprivation (SIMD) 2020, 41% of North Ayrshire residents live in areas identified as amongst the most deprived in Scotland.

41% equates to almost 56,000 people

The Comparative Illness Factor and Mortality Ratio are higher in the most deprived areas (a value of 100 in these metrics equates to being equal to the national average, a figure beneath 100 indicates the area is better than national average, where anything above 100 is poorer)

In reviewing key health metrics, a relationship between deprivation and key health outcomes is evident. In the North Coast Locality, where levels of deprivation are lower, we see lower levels of people receiving support allowances and benefits (average CIF of 82) and the mortality ratio across all age groups are lower (average of 84). In areas of higher deprivation, such as the Three Towns locality these measures are much higher, the CIF is above the national standard at 147 and the locality has a much higher mortality ratio at 122.

A snapshot of achievements during 2019-20



The **Community Link Worker** service provided **6,273** links to local and national supports and services.

The **Money Matters Team** undertook 4,951 **cases arising from enquiries or** referrals and achieved financial gains of over £15million for individuals

Our new **Facebook** page launched in February. The page will enable the partnership to reach a wider audience, sharing our news and events with more people within our communities. www.facebook.com/NorthAyrshireHSCP.

Work began on the new **ASN Campus** which will provide respite and residential accommodation for young people with additional support needs.

The **Alcohol and Drug Partnership** produced a new 5-year Alcohol and Drug Strategy 2019-2024 focussed on the prevention of harm across communities.

Justice Services appointed a dedicated Desistance Officer to support people in the justice system to integrate meaningfully within local communities.

Joint working between the Health and Social Care Partnership, North Ayrshire Council's Communities Directorate and partners has led to the creation of a North Ayrshire **Intergenerational working** case study booklet

In collaboration with Carers UK/Scotland, a **Digital resource for Carers** has been launched to provide comprehensive information and support for carers.

The Police Triage Pathway is now fully rolled out with regular referrals through the **Crisis Resolution Team**.

Child and Adult Mental Health Service (CAMHS) the wellness model was implemented in the Largs locality.

NHS Ayrshire and Arran and the three Integration Joint Boards of the health and social care partnerships in East, North and South Ayrshire launched their "**Caring for Ayrshire**" vision, outlining how health and care services could be delivered over the next ten years across Ayrshire and Arran.

Around 150 key partners, stakeholders and members of the community including emergency services, charities and community groups attended a **Drugs Death Summit** to collectively explore what is currently being carried out locally and nationally and discuss what else can be done collectively to prevent drug related deaths.

The new state-of-the-art **Trindlemoss** day service and residential accommodation unit for North Ayrshire residents with learning disabilities is now up and running. It offers the chance for people with learning disabilities to take part in a host of activities and learn new skills whilst promoting their independence.

The interactive staff experience **Thinking Different Doing Better** has welcomed staff, community and students to challenge how we all work together to improve the health and wellbeing of our population.

Organisational performance

The planning and delivery of transformational change within the Health and Social Care Partnership requires our services to make a difference to people's lives within North Ayrshire. To support service change the Partnership continually monitors service performance, and reviews this in various ways.

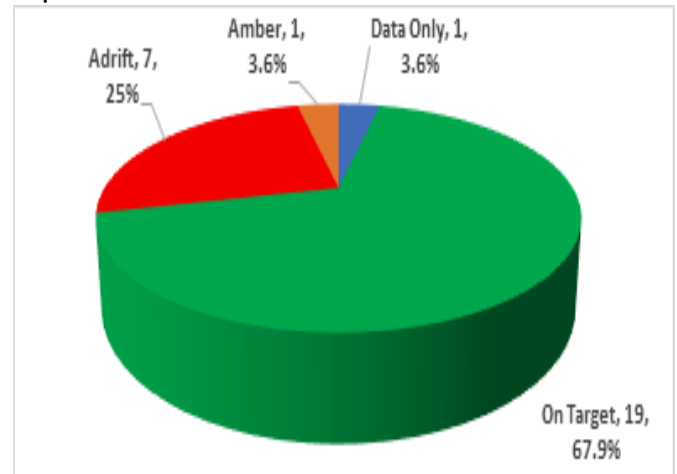
Performance information drives improvement with an outcomes focus on improving how services are provided, as well as the difference that integrated health and social care services should make to individuals. In our performance monitoring and reporting, we show trends over time, where we are against target and where available, how we compare with other geographical areas. We monitor against all the agreed national indicators, including Local Government Benchmarking Framework (LGBF) indicators, Ministerial Steering Group Indicators (MSG), the NHS' Local Delivery Plan HEAT (Health Improvement, Efficiency, Access and Treatment) targets, HSCP National Health and Wellbeing Outcome Indicators, as well as a range of locally defined measures.

All reports comprise of a series of key performance indicators and key actions, which link directly back to our strategic plan. Performance is reported at a number of levels within the organisation including the Integration Joint Board Performance and Audit Committee (IJB PAC), the Integration Joint Board (IJB), the Joint Review with North Ayrshire Council and NHS Ayrshire & Arran Chief Executives, and all service performance reviews within each service area.

Where an indicator is off track, commentary with proposed resolution and future mitigation is provided on how to improve performance.

Services are continually supported in the review of performance indicators to ensure we continue to measure the right things. At the end of 2019-20 we measured 28 key indicators of performance. The latest Performance and Audit Committee Report (Q4 2019-20) shows

progress against the key measures and this is represented in the chart below.



For some measures performance has exceeded targeted levels, however it is clear that the challenges remain for others. These include challenges around workforce gaps, service demand pressures and the pace of transformational change not happening fast enough to ensure performance is achieved or improved in all areas.

As part of our commitment to continuous improvement, we recognise areas where we could do more and by monitoring indicators which present as significantly adrift enables us to identify and target plans to address performance issues.

The key areas off target for 2019-20 are:

- Number of days people spend in hospital when they are ready to be discharged
- Care at Home capacity lost due to cancelled hospital discharges
- Number of people delayed, at point of discharge from hospital, due to funding being confirmed
- Number of Child and Adolescent Mental Health Services (CAMHS) referrals
- Referral to Treatment Times for Psychological Therapies
- Working days lost to sickness absence per employee (for both NHS and North Ayrshire Council employed staff)

The hospital activity outcome indicators have shown improvement towards the end of the period. The partnership now has a hospital-

based team in Crosshouse Hospital with daily huddles to improve the flow of patients through the hospital and assist with the discharge process. This was impacted towards the end of the period when the measures in response to Covid-19 came into place, this included the targets to reduce delays as part of the mobilisation plan. Further work is required to understand the underlying data and interdependencies with community services to inform the future commissioning plans which require to be developed to ensure the set aside arrangements are fit for purpose and support the IJB to plan across the whole of the unplanned care pathway.

Mental health services continue to face challenges in relation to waiting times for Psychological Therapies and CAMHS. There are planned actions to improve performance and these are currently being revised in the context of the Covid-19 emergency response.

Further information on performance will be contained in the Annual Performance Report, this publication is delayed until later in the period.

Annual accounts

The Annual Accounts set out the financial statements of the IJB for the period ended 31 March 2020. The main purpose is to demonstrate the stewardship of the public funds that have been entrusted to the IJB for the delivery of its vision and strategic priorities as outlined in the Strategic Plan. The requirements governing the format and content of the Annual Accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code), the Annual Accounts for 2019-20 have been prepared in accordance with this Code.

The financial plan

Strong financial planning and management is paramount to ensure our limited resources are targeted to maximise the contribution to our objectives. Delivery of services in the same way is not financially sustainable. The updated strategic plan approved for 2018–21 is

underpinned by the need to transform care models to find new solutions as the partnership may not always be the first source of support.

In 2019-20 the IJB agreed a one-year balanced budget which included addressing a historic NHS unallocated savings target and resulted in an overall savings requirement of £6.134m. The financial position was monitored closely during the financial period with a financial recovery plan approved in September 2019 to ensure the partnership could take action to reduce the forecast overspend position.

The ability to plan based on the totality of resources across the health and care system to meet the needs of local people is one of the hallmarks of integrated care. Medium term financial planning is key to supporting this process and identifying the transformation and planned shift in resources to provide sustainable services to the local community over the medium term.

The Medium-Term Financial Plan (MTFP) was due to be presented to the IJB in June 2020. This has been delayed by the focus on responding to the Covid-19 response, including tracking the costs of the response and supporting our commissioned care providers, in addition the pandemic has left greater uncertainty over future funding for the IJB. The refreshed MTFP will need to consider the impact of Covid-19 on service delivery moving forward as some services will need to be redesigned to ensure safe and sustainable delivery. It will also need to support the delivery of the strategic plan. This plan will set out the expectation to start to deliver a shift in care from a hospital setting to a community setting within the resources available.

Financial performance

Financial information is part of the performance management framework with regular reporting of financial performance to the IJB. This included an integrated approach to financial monitoring, reporting on progress with savings delivery, financial risks and any

variations and changes to the delegated budget. There were significant financial challenges during the period due to increasing demand for social care services, the delivery of the transformation programme and associated savings.

Throughout the period there was a projected overspend position, as a consequence a financial recovery plan was approved by the IJB in September to work towards delivering financial balance. The financial recovery plan and progress was monitored throughout the financial period. Progress was made to reduce but not eliminate the projected overspend.

The recovery plan was targeted at reducing the overspend for 2019-20 but also focussed on actions which would address underlying recurring deficits in services to allow the IJB to move into the new financial period in a financially sustainable position. Later in the financial period it was acknowledged that it wasn't going to be possible to bring the position back into line in-year, instead the focus was on ensuring the final outturn position was limited to an overspend of £1.5m to ensure no increase to the overall debt owed to the Council at the period-end.

The overall financial performance against budget for the financial period 2019-20 was an overall overspend of £0.154m (£1.250m over in social care services and £1.096m underspend in health services). This position includes the £1.486m budget being held on behalf of the IJB by the Council for debt repayment, as this was required to be transferred back to the IJB at the financial period-end.

This overall overspend will add to the historic debt carried forward from previous years.

The IJB plans during 2019-20 were that prior to the £1.486m set aside for debt repayment being reallocated to the partnership that the IJB would work towards delivering financial balance in-year which would have allowed the full amount set-aside to be allocated towards

the debt at the period-end. The full repayment was not possible during 2019-20.

The table below reconciles the deficit on the provision of services of £0.224m as noted in the Comprehensive Income and Expenditure Statement to the financial outturn position of £0.154m (overspend):

	£m	£m
Deficit on provision of services		0.224
Earmarked reserves released to services during 2019-20	(0.277)	
NEW Earmarked Reserve Balances during 2019-20	0.207	
Financial Outturn (overspend)		0.154

The table on the following page summarises the financial performance for 2019-20 and 2018-19. This notes the budget outturn on a managed basis (including the full allocation for North HSCP lead partnership services), adjusts this for the net impact of lead partnership allocations across North, South and East Ayrshire and also for new earmarked balances.

The table includes the financial performance for services managed by the IJB during the period, therefore it excludes the large hospital Set Aside Budget of £31.807m which was allocated at the end of the period to the IJB. The set aside budget is included within the financial statements.

During 2019-20 the management of the Douglas Grant and Redburn wards at the Ayrshire Central site was transferred to the partnership from NHS Ayrshire and Arran. The budget has not been accepted by the IJB as being delegated as due diligence highlighted a historic shortfall in funding for these wards. The costs of the services are included in North Ayrshire IJB accounts as the services were delegated to and provided by the North Ayrshire HSCP. The budget shortfall was addressed by a year-end increase to the budget match actual spend on a non-recurring basis.

2018–19 Budget £000	2018–19 Actual £000	Variance (Fav) / Adv £000		2019–20 Budget £000	2019–20 Actual £000	Variance (Fav) / Adv £000
65,900	65,952	52	Health and Community Care	71,521	72,051	530
73,308	72,982	(326)	Mental Health	77,490	78,245	755
35,591	35,705	114	Children, Families and Justice	35,392	36,665	1,273
48,916	48,839	(77)	Primary Care	53,154	53,007	(147)
4,636	4,588	(48)	Allied Health Professionals	5,200	5,089	(111)
6,821	5,970	(851)	Management and Support Costs	9,456	7,114	(2,342)
2,623	2,290	(333)	Change Programme	1,579	1,435	(144)
237,795	236,326	(1,469)	TOTAL EXPENDITURE	253,792	253,606	(186)
(237,795)	(237,795)	0	TOTAL INCOME	(253,792)	(253,792)	0
0	(1,469)	(1,469)	OUTTURN ON A MANAGED BASIS	0	(186)	(186)
0	524	524	Lead Partnership Allocations	0	133	133
0	(945)	(945)	OUTTURN ON AN IJB BASIS	0	(53)	(53)
0	277	277	New Earmarking	0	207	207
0	(668)	(668)		0	154	154

The main areas of variance during 2019-20 are noted below:

Health and Community Care – overspend of £0.530m mainly relates to an overspend in care at home placements, models of care and elderly in-patients partially offset by underspends in care homes, adaptations, district nursing and health care packages.

Mental Health – overspend of £0.755m which relates to an overspend in learning disability care packages partly offset by underspends in community mental health and the Lead Partnership for mental health (psychology, child and adolescent mental health services (CAMHS), Action 15 and psychiatry).

Children, Families and Justice – overspend of £1.273m is mainly related to an overspend in residential and secure placements.

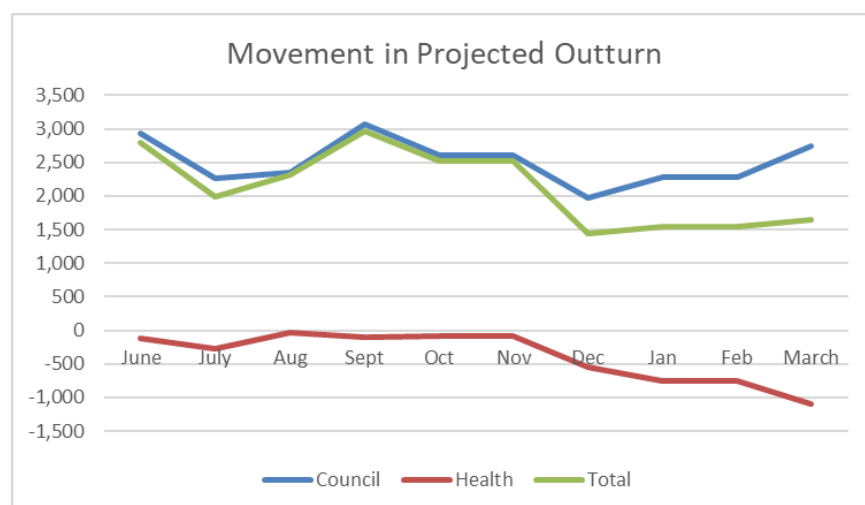
In general, the areas above are overspent within the social care aspect of service provision which is demand led and subject to fluctuations throughout the period. These are at times difficult to deliver within budget as some services by their nature can be low in volume but at very high cost.

Further work has been undertaken to establish for the main demand driven areas, where there has been a significant variation and movement during the period, the impact on the opening financial position for these services moving into 2020-21. The IJB were presented with the opening financial projections for these service areas moving into the new financial period and as part of the budget approved in March 2020 a number of budget re-alignments were approved to ensure services start the new financial period with a deliverable and realistic position.

Management and Support Costs – underspend of £2.342m mainly relates to the period-end allocation of the £1.5m for the debt repayment and budget pressure funding where spend commitments were delayed and therefore funding was not transferred to services in-year.

Movement in Projected Outturn Position:

The overall movement in the projected outturn during the period is illustrated below:



This excludes the period-end transfer of £1.5m for debt repayment, to illustrate the changes in projections and the actual outturn throughout the period. Clearly the position has fluctuated but there is a notable steady stepped reduction in the overspend from September then November onwards reflecting the implementation of the financial recovery plan and the confidence in the actions therein reducing the ongoing financial commitment.

Thereafter there was a growth in social care costs and a steady reduction in health budget commitments, mainly due to increased demand and delays in savings delivery for social care offset by additional vacancy savings in health services.

The accuracy of financial projections overall has improved during 2019-20, however there are still a number of areas where further improvements can be made and these will be taken forward in the new financial period.

Lead Partnership Services

The final outturn is adjusted to reflect the impact of Lead Partnership services. During 2018-19 agreement was reached with the other Ayrshire partnerships that in the absence of detailed service activity information and alternative risk sharing arrangements that the outturn for all Lead Partnership services would be shared across the 3 partnerships on an NRAC (NHS Resource Allocation Committee) basis. This basis is also used in 2019-20 pending completion of the ongoing work by the Ayrshire Finance Leads to establish the baseline resources for each partnership and how this compares to the Fair Share of resources. It was planned that this work would be taken forward early in 2020-21, however this has been delayed due to the prioritising the Covid-19 response.

The outturn of the lead partnership services for each IJB is provided below, the adjustment to the North IJB outturn reflects the impact of reallocating a share of the North lead partnership services underspend to the other two areas and an NRAC share of the outturn for the South and East partnerships. In addition, any allocations of ring-fenced funding are returned to each IJB in line with allocations and expenditure to allow each IJB to carry forward for future use.

IJB	£000	Over/Under	
North	(395)	Underspend	Mental health services, mainly due to vacancies and recruitment delays
South	136	Overspend	Pressures from the Joint Community Equipment Store
East	(650)	Underspend	Primary care mainly due to vacancies in Ayrshire Urgent Care Service, Dental and prison services.

Set Aside Budget

The Integration Scheme establishes that pressures in respect of large hospital set aside budgets will be managed in-year by NHS Ayrshire and Arran. The 2019-20 budget delegated by NHS Ayrshire and Arran includes the acute set aside resource of £31.807m, this is based on Information Services Division Scotland (ISD) data. The set aside allocation below highlights that North Ayrshire's use of the resource is £2.1m above the NRAC (NHS Resource Allocation Committee) 'fair share':

IJB	NRAC Budget Share 2019-20 £m	NRAC %	Set Aside 2019-20 £m	Over / (Under) NRAC Fair Share £m
East Ayrshire	26.161	32.4%	24.024	(2.137)
North Ayrshire	29.726	36.8%	31.807	2.081
South Ayrshire	24.828	30.8%	24.884	0.056
Total	80.715	100%	80.715	-

There is an expectation that each partnership will move towards it's NRAC 'fair share' of resources.

The Scottish Government's Health and Social Care Medium Term Financial Framework refers to system reform assumptions including material savings to be achieved from reducing variation in hospital utilisation across health and social care partnerships, with assumed efficiencies from reduced variation in hospital care coupled with 50% reinvestment in the community to sustain improvement. Furthermore, the Ministerial Strategic Group for Health and Community Care Review of Progress with Integration of Health and Social Care contained the proposal that delegated hospital budgets and set aside requirements must be fully implemented. Each Health Board, in partnership with the Local Authority and IJB, must fully implement the delegated hospital budget and set aside budget requirements of the legislation, in line with the statutory guidance published.

The full implementation of the set aside arrangements is key to delivering this commitment to planning across the whole unplanned care pathway and partnerships must ensure that set aside arrangements are fit for purpose and enable this approach.

This has not been achieved in Ayrshire and Arran during the current financial period. However preparatory work is well underway with the support of the Scottish Government, NHS AA and the other Ayrshire partnerships to progress and develop the set aside arrangements to fully implement the legislative requirement. This includes arrangements in relation to the use of Directions, Commissioning Plans and overall progression towards Fair Share allocations of resources.

It was anticipated that 2020-21 would be used as a shadow period for these arrangements, however this work was put on hold due to the Covid-19 response and the timescales for progressing the work have not yet been agreed. This will also be significantly impacted and will need to be informed by the recovery phase of the Covid-19 response and future plans for acute services and unscheduled care activity.

Overall position

It is essential that the IJB operates within the delegated budget and commissions services from the Council and Health Board on that basis. Financial balance has not been delivered in previous

years, significant progress has been made during 2019-20 to ensure the ongoing financial sustainability of the IJB. This work will continue and be built upon moving into 2020-21. This will need to be considered alongside the impact of Covid-19 and the need to redesign services taking full cognisance of the financial risks and opportunities which this presents.

It is disappointing that the IJB end the financial period with a relatively small increase (£0.154m) to the debt owed to North Ayrshire Council, taking the total closing debt balance to £5.293m. Despite this there were a number of key successes for 2019-20:

- Continue to demonstrate the IJB position being accounted for in a truly integrated way with resource shifting from the NHS budget to offset Social Care pressures;
- Implemented the financial recovery plan and the actions therein contributed to a steady reduction to the forecast overspend through the year, despite new demands for services partly offsetting the financial impact of the plan;
- Savings totalling £4.5m were delivered in-year, against an approved plan of £6.1m, with savings delivered in excess of those being assessed as low risk for delivery at the start of the financial year;
- Progress with reducing the financial overspends specifically for care home and children's residential placements which will have a significant impact on the financial plans and sustainability for future years; and
- Further work has been undertaken to establish where there are areas where there has been a significant variation and movement during the period which has resulted in a re-alignment of the opening budget moving into 2020-21.

Strong financial leadership will continue to be required to ensure that future spend is contained within the budget resources available, the IJB move into the 2020-21 with an approved balanced budget. This budget was approved in March 2020 and it is likely that this will require to be re-visited during the year to ensure ongoing deliverability alongside the financial implications of the Covid-19 response.

Financial outlook, risks and plans for the future

In October 2018, the Scottish Government published the Medium-Term Health and Social Care Financial Framework which sets out the future shape of Health and Social Care Demand and Expenditure. Within the report it outlined that the Institute of Fiscal Studies and Health Foundation reported that UK spending on healthcare would require to increase in real terms by an average of 3.3% per year over the next 15 years to maintain NHS provision at current levels, and that social care funding would require to increase by 3.9% per year to meet the needs of a population living longer and an increasing number of younger adults living with disabilities.

The report recognised that despite additional planned investment in health and social care the system still needs to adapt and change.

The focus of the financial framework is on the main health and social care expenditure commitments, as set out below.

- Over the course of this parliament, baseline allocations to frontline health boards will be maintained in real terms, with additional funding over and above inflation being allocated to support the shift in the balance of care.
- Over the next five years, hospital expenditure will account for less than 50% of frontline NHS expenditure. This relates to the policy commitment to 'shift the balance of care', with a greater proportion of care provided in a setting close to a person's home rather than in a hospital.
- Funding for primary care will increase to 11% of the frontline NHS budget by 2021–22. This will amount to increased spending of £500 million, and about half of this growth will be invested directly into GP services. The remainder will be invested in primary care services provided in the community.



- The share of the frontline NHS budget dedicated to mental health, and to primary, community, and social care will increase in every year of the parliament. For adults, and in some cases for children, these services, along with unscheduled hospital care, are now managed by Integration Authorities.

The Ministerial Strategic Group (MSG) for Health and Community Care published a report following the Review of Progress with Integration of Health and Social Care (February 2019). Within the integrated finance and financial planning area the proposals include:

- Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions as they relate to integration
- Delegated budgets for IJBs must be agreed timeously
- Delegated hospital budgets and set aside requirements must be fully implemented
- Each IJB must develop a transparent and prudent reserves policy
- Statutory partners must ensure appropriate support is provided to IJB Section 95 officers
- IJBs must be empowered to use the totality of resources at their disposal to better meet the needs of their local populations.

The Partnership has a responsibility, with our local hospital services at University Hospital Crosshouse and University Hospital Ayr, for planning services that are mostly used in an unscheduled way. The aim is to ensure that we work across the health and care system to deliver the best, most effective care and support. Service areas most commonly associated with unplanned use are included in the 'Set Aside' budget. Set Aside budgets relate to the strategic planning role of the Partnership. Key areas within this budget are:

- Accident and emergency
- Inpatient services for general medicine
- Geriatric medicine
- Rehabilitation
- Respiratory
- Learning disability, psychiatry and palliative care services provided in hospital

Acute Services within NHS Ayrshire and Arran continue to face particular budget pressures around the costs of covering a high level of medical vacancies and the increasing needs of patients requiring nursing support above funded levels. There have been a high number of unfunded beds in use to meet demands and this pressure has been managed in-year by NHS Ayrshire and Arran in line with the Integration Scheme. The ability to plan with the overall resource for defined populations and user groups and to use budgets flexibly is one of the hallmarks of integrated care.

It is recognised that there is a need to understand the progress that is being made towards planning across the full pathway of care, including the acute hospital component and the way in which the statutory guidance on the use of delegated hospital budgets is being applied in practice.

Set Aside resources, as well as Lead Partnership were recognised as areas requiring further development as part of the review of the Integration Scheme carried out

in 2017 and in the Strategic Planning, Commissioning and Delivery of Health and Social Care Services within NHS Ayrshire and Arran report to the IJB on 13 June 2018.

This report sets out arrangements for the next steps in respect of 'fair share' commissioning within the NHS Ayrshire and Arran health and social care system. The report also outlines future developments in respect of Directions as per the model provided by the Public Works (Joint Working) Scotland Act 2014 for IJBs to commission services from Councils and NHS Boards.

Pan-Ayrshire workshops have been held with representatives from the Scottish Government to take forward a national pilot project on 'fair share' commissioning through the use of Directions. This national pilot will ensure that delegated hospital budgets and Set Aside budget requirements will be fully implemented. The Ministerial Strategic Group for Health and Community Care Review of Progress with Integration of Health and Social Care report published February 2019 set this out as a key proposal under integrated finances and financial planning requirements.

The Scottish Government issued Statutory Guidance in January 2020 outlining the requirements for the use of Directions from Integration Authorities to Health Boards and Local Authorities. The guidance sets out how to improve practice in the issuing (by IJBs) and implementation (by Health Boards and Local Authorities) of directions issued under the Public Bodies (Joint Working) (Scotland) Act 2014. It supersedes the Good Practice Note on Directions issued in March 2016. The Scottish Government worked closely with IJB Chief Officers to better understand the diversity of practice across Scotland surrounding directions and to identify good practice. They also discussed the use of directions with a range of local systems at regular partnership engagement meetings, including with Health Board and Local Authority Chief Executives. The three

Ayrshire HSCPs supported Scottish Government colleagues to develop the guidance and provided feedback on its practical application.

Preparatory work is well underway with the support of the Scottish Government, NHS Ayrshire and Arran and the other Ayrshire HSCPs to progress and develop the set-aside arrangements and lead partnership services to fully implement the legislative requirements. Including arrangements in relation to the use of Directions, Commissioning Plans and overall progress towards a Fair Share allocation of resources. Progress with this work has been delayed due to focussing on the Covid-19 response and will require to be progressed later in 2020-21.

In March 2017, the IJB approved the first Medium Term Financial Plan covering the period 2017-2020. This is being refreshed and will be presented to the IJB during 2020, this was planned to be presented to the IJB in June 2020, however this has not been

possible due to focussing on the Covid-19 response and also the ongoing uncertainty over costs and funding not only for 2020-21 as part of the response but also the impact on future funding for the public sector.

Availability of funding for public services correlates with economic growth, which continues to be weak with continuing uncertainty on the impact of Brexit and the Covid-19 pandemic. The partnership is supporting the continuing work within the Council and NHS Ayrshire & Arran to minimise the impact of Brexit and the Covid-19 pandemic. An area of risk to the partnership is the consequence of the funding pass through from the Council and NHS and the availability of workforce. The implementation of new policy initiatives and the lifting of the public sector pay cap also impact on the funding available for core services and the flexibility to use resource in line with local requirements.

The most significant risks faced by the IJB over the medium to longer term, alongside mitigation, are summarised below:

Impact of budgetary pressures	Delivery of the Change Programme	Culture and practice
•Mitigation <ul style="list-style-type: none"> •Medium Term Financial Plan •Strategic Plan •Change Programme/Service Redesign •Active Demand Management •Covid-19 Funding 	•Mitigation <ul style="list-style-type: none"> •Transformation Board •Programme Leads •Strategic Planning Officers Group (SPOG) •Transformation Team Project Management Support 	•Mitigation <ul style="list-style-type: none"> •Thinking Different, Doing Better HSCP experience •Multi Disciplinary Team Approach •Strategic Workforce Plan •Valued Health and Social Care Services

These risks emphasise the importance of effective planning and management of resources. It is therefore crucial that we focus on early intervention, prevention and recovery if we are to work within the total delegated partnership budget.

However, the main risk to the partnership moving into the new financial period is the uncertainty around Covid-19. From the outset of the pandemic the HSCP acted very swiftly to respond by reprioritising resources to protect and adapt core services to support the safety of our staff and communities. Whilst responding to the specific needs of North Ayrshire communities our approach is informed by the extensive and continually evolving range of national guidance which has been produced at pace by the Scottish Government and other agencies. It has been a real challenge for the North Ayrshire HSCP, and for partnerships across Scotland, to operate in this unprecedented environment, keeping up with the evolving position and associated demands and impacts on services.

The HSCP developed a mobilisation plan detailing the additional activities to support our response to Covid-19, alongside the estimated financial impact. The plan provides a focal point for the partnership's response to the pandemic and this set out clearly from the start how we would adapt and mobilise services to either expand or retract, re-prioritise activities and resources and also highlights the areas of greatest risk.

Key areas of the mobilisation plan submitted to the Scottish Government include:

- Reducing the level of delayed discharges for patients in acute, Mental Health inpatients and community hospitals;
- Island resilience with planning supported by a Multi Disciplinary Team approach including local GPs;
- Our community hospital response to managing potentially high bed occupancy levels, alongside staff availability and the flow from acute;
- Maintain as far as possible mental health services, with community provision limiting face to face contact and flexibility of resources for in-patient services to ensure no cessation of services;
- Resilience and sustainability of current levels of care at home provision, alongside increasing capacity to facilitate hospital discharge and support shielded individuals;
- Step Up/Step Down residential provision, establish provision of temporary residential or nursing care provision to both facilitate quicker hospital discharge and also to avoid further hospital admissions from the community, including planning for contingency surge capacity;
- Supporting adults with complex needs by ensuring alternative community supports on closure of respite and day services alongside social distancing requirements;
- Maintaining existing levels of care in our children's services to protect vulnerable children and adopting new ways of keeping in touch with vulnerable children;
- Established "enhanced" locality-based Community Hubs to support vulnerable individuals, including those shielding; and
- Sourcing and establishing reliable supply chains of Personal Protective Equipment (PPE).

The mobilisation plan is monitored regularly and updates on the costs associated with the NAHSCP response to Covid-19 are submitted to the Scottish Government.

The most recent submission by North Ayrshire HSCP outlines an estimated cost of £7.3m for the duration of 2020-21. The costs remain estimates as the situation continually evolves and there have been several iterations of the financial plan. The majority of the additional costs for the HSCP relate to the provision of social care services and the most significant areas are PPE, additional staff costs for staff absence and student nurses, loss of income due to closed services, additional

care home placements, payments to commissioned care providers to ensure future sustainability and the impact on our approved savings programme.

There is an expectation that the Scottish Government will provide additional funding to IJBs to support additional costs aligned to mobilisation plans. Our full funding allocation has not yet been confirmed by the Scottish Government, and whilst we have received an interim allocation to address immediate social care pressures, this is not sufficient to fund all of our highlighted pressures.

There is a significant risk of insufficient funding being allocated to fund the resultant costs from Covid-19. The current plans nationally exceed the funding available for the Health and Social Care response. It is not clear how this gap will be filled, be it through an expectation that cost estimates will decrease, further funding will be allocated, or resources will be re-prioritised from elsewhere (by Scottish Government or local areas). A number of benchmarking groups have been set up to understand and explain the significant variation in the across areas and costs included in local mobilisation plans to give the Scottish Government confidence and assurance over cost estimates before further funding will be released.

At the time of writing the NHS remains on an emergency footing to ensure capacity if available for any further outbreaks of infection, alongside this there is a need to slowly restart services in line with Scottish Government phased route map out of the crisis. This will require planning as to how services are restarted and redesigned to allow safe and sustainable delivery.

To achieve its vision, the Partnership recognises it cannot work in isolation. The Partnership will continue to strengthen relationships with colleagues within the Community Planning Partnership to ensure a joint approach to improving the lives of local people.

Most importantly, the Partnership must work closer with local people and maximise the use of existing assets within communities to improve the overall health and wellbeing of people in North Ayrshire. 2020-21 is the final period of the current Strategic Plan, the timing of the development of a new Strategic Plan will allow for a period of reflection on the Covid-19 response and a timely opportunity to engage with communities over the future of our Health and Social Care services.

2020-21 Budget

When setting the 2020-21 budget the intention was to bring a refreshed 3-year Medium Term Financial Plan to the IJB for approval, this was not possible due to the delay in the funding announcements being made and then the focus on the Covid-19 related finance work. The MTFP will be refreshed and brought to the IJB for approval later in 2020.

The Scottish Government finance settlement set out a number of conditions and requirements for Health Boards and Councils in relation to funding delegated to Integration Authorities. The delegated funding from both North Ayrshire Council and NHS Ayrshire and Arran meets those Scottish Government requirements. The requirements include:

- In 2020-21, NHS payments to Integration Authorities for delegated health functions must deliver an uplift of at least 3% over 2019-20 recurring budgets, representing a pass through of the baseline uplift for Territorial Health Boards.
- In addition to this and separate from the Board Funding uplift, the Health Portfolio will invest a further £100m in Local Authorities for investment in health and social care integration, and

continued support for school councillors. This will take the total funding transferred from the health portfolio to £811m in 2020-21.

- The additional £100m for local government includes funding to continue the delivery of the Living Wage (£25m), uprating of free personal and nursing care payments (£2.2m), the implementation of the Carer's Act (£11.6m), along with further support for school counselling support (£4m).
- The funding allocated from Councils should be additional and not substitutional to the 2019-20 recurrent budgets for social care services that are delegated. This means that, when taken together, Local Authority social care budgets for allocation to Integration Authorities and funding for school counselling services must be £100m greater than 2019-20 recurring budgets.
- In addition to the baseline funding uplift, a total of £461m will be invested to improve patient outcomes during 2020-21 including in Primary Care, Waiting Times Improvement, Mental Health and CAMHS and Trauma Networks. Full details of the method of allocation and agreed outcomes will be communicated by individual Scottish Government policy areas.
- There is an additional £12.7m being made available nationally to tackle the harm associated with drugs and alcohol, with further information to follow on the investment of this funding. It is expected that in addition to this, investment by Health Boards and Integration Authorities will increase by 3% over and above the 2019-20 agreed recurring budgets for alcohol and drugs services.
- In 2020-21 Integration Authorities will be responsible for more than £9.4bn of expenditure previously managed by Health Boards and Local Authorities and Integration Authorities must be empowered and supported by their partners to use the totality of the resources to better meet the needs of their local populations.
- On 28 February 2020 the Scottish Government announced that similar to 2019-20, flexibility would be available to Local Authorities to offer their adult social care allocations to Integration Authorities by up to £50m based on local need (a reduction of up to 2% of adult social care allocations).

The total flexibility permitted in North Ayrshire for 2020-21 is £1.119m, in line with the flexibility permitted, North Ayrshire Council approved the budget allocation to the IJB with this element of funding to be allocated on a non-recurring basis, providing the Council with the flexibility to re-visit the allocation in future years.

Moving into 2020-21, the Partnership is proactively working to provide safe and effective services for the residents of North Ayrshire within the financial envelope. The IJB approved a one-year balanced budget for 2020-21 on 19 March 2020. This included funding previously unfunded pressures for areas where they were previously not recommended to be funded on the basis that services could potentially be re-designed to reduce the costs, there were uncertainties of the value of the pressure or costs were to be managed in-year through a recovery plan. The pressures now funded in the 2020-21 budget include a historic overspend in Ward 1 Woodland View, paid as if at work for NHS staff, the Heath Visitor pay re-grade and Intermediate Care and Rehab investment.

Funding these pressures, together with new cost and demand pressures resulted in a requirement to identify and approve additional savings of £3.861m, as noted in the summary below:

	Social Care (NAC) £m	Health (NHS A&A) £m	Total £m
Funding Increase	1.612	2.894	4.506
Funded Pressures	(4.657)	(3.710)	(8.367)
Budget Gap / Savings Required	(3.045)	(0.816)	(3.861)

The Integration Joint Board in common with most Public Sector bodies is facing a period of significant financial challenge, with cost and demand pressures expected to outstrip any funding uplifts. The most significant financial pressures continue to be pay awards for staff, inflationary cost increases for contracted services and demographic changes driving increased demand for services, funding these unavoidable pressures year on year drives our savings requirement.

There are a number of highlighted financial risk areas that may impact on the 2020-21 budget during the year, these include:

- High risk areas of low volume / high cost services areas e.g. Learning Disability care packages, children's residential placements, complex care packages
- Progress with the work to develop set aside arrangements and the risk sharing arrangements agreed as part of this
- Ongoing implementation costs of the Scottish Government policy directives, for example Free Personal Care for under 65's and implementation of the Scottish Living Wage
- Lead / hosted service arrangements, including managing pressures and reporting this across the 3 IJBs
- The impact on Lead partnership and acute services from decisions taken by other Ayrshire areas
- North managed Health Wards where there is an impact from capacity used by other areas. For these wards the North financial assumptions include:
 - Ward 2 Woodland View – East Ayrshire partnership intention to reduce funding continuation following a decision to commission less beds, position being negotiated, North assumption is that the position can be mitigated
 - Lochranza – only South and East Ayrshire patients remain in this ward, assumption that from 1 April 2020 financial (and potentially operational) responsibility will transfer
 - Douglas Grant and Redburn – assumption that financial responsibility for wards will transfer to North Ayrshire once costs are reduced and contained within delegated budget, this is a shared responsibility with East Ayrshire.
- The non-recurring nature of an element of Social Care funding which poses a risk to robust medium term financial planning and required the IJB to balance funding recurring costs and pressures acknowledging that £1.1m of funding is non-recurring in nature
- The potential financial impact of the HSCP response to the Covid-19 pandemic and the wider public sector financial impact, including on the Council and Health Board.

The IJB will be required to re-visit the budget for 2020-21, as this was approved just prior to the pandemic and lock down, some of the plans and timescales in the balanced budget are clearly no longer realistic nor deliverable. There is a risk that if the full cost of the Covid-19 response is not

funded that the IJB may be required to recover any overspend in-year, this also impacts on the affordability of the planned instalment of debt repayment to the Council.

This Covid-19 mobilisation plan and the financial risks will be monitored during 2020-21 and the financial impact reported through the financial monitoring report.

Conclusion

The fifth year as an integrated Health and Social Care Partnership has seen progress towards achieving financial balance and overall service sustainability. The IJB has a deficit of £5.293m (2018-19 £5.139m) as it moves into 2020-21. There is a repayment plan to allow the deficit to be recovered over the medium term to support the financial sustainability of the Partnership.

The IJB recognises it must deliver services within its financial envelope for 2020-21 and our transformation programme will continue with delivery of the savings plan and service redesign, albeit with some delays due to services prioritising the Covid-19 response.

There is a focus on the integration of services to deliver real change to the way services are being delivered, with a realism that continuing to deliver services in the same way is no longer sustainable and changes need to be made in the way services are accessed and provided. The scale and pace of change will be accelerated as services need to adapt to 'the new normal' following the Covid-19 pandemic, however the requirement to change and re-design services to improve outcomes for individuals would exist despite the financial and pandemic pressures.

There is an expectation that within North Ayrshire the pattern of spend will change and there will be a shift in the balance of care from institutional to community settings. The integration of health and social care provides a unique opportunity to change the way services are delivered, it is an opportunity to put people at the heart of the process, focussing on the outcomes they want by operating as a single health and social care service.

The IJB through the Strategic Plan outlines the belief that together we can transform health and social care services to achieve the joint vision for the future "all people who live in North Ayrshire are able to have a safe, healthy and active life". Moving into 2020-21, we are working proactively to address the financial challenges, while at the same time, providing high-quality and sustainable health and social care services for the communities in North Ayrshire.

Where to find more information

If you would like more information on IJB strategies, plans and policies and our performance and spending, please refer to the Partnership's website www.nahscp.org



Stephen Brown
Chief Officer

27 August 2020



Cllr Robert Foster
IJB Chair

27 August 2020



Caroline Whyte
Chief Finance Officer

27 August 2020

Statement of responsibilities

Responsibilities of the IJB

The IJB is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the board has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this authority, that officer is the chief finance officer
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets
- Ensure the annual financial statements are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland act 2003)
- Approve the Annual Accounts for signature

I confirm that the audited annual financial statements were approved for signature at a meeting of the IJB on 27 August 2020.



Cllr Robert Foster
IJB Chair

27 August 2020

Responsibilities of the Chief Finance Officer

The Chief Finance 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 the annual accounts, the Chief Finance Officer has:

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

The Chief Finance Officer is also required to:

- Keep proper accounting records which are up to date
- Take reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board

I certify that the financial statements give a true and fair view of the financial position of the North Ayrshire Integration Joint Board as at 31 March 2020, and its income and expenditure for the period then ended.



Caroline Cameron
Chief Finance Officer

27 August 2020

Annual governance statement

The Annual Governance Statement explains how North Ayrshire IJB complies with the Code of Corporate Governance and meets the requirements of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016' and the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.



Scope of responsibility

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

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

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

Purpose of the governance framework

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled and the activities through which it accounts to and engages with the community. It enables the IJB to monitor the achievement

of its strategic priorities and to consider whether those priorities have led to the delivery of appropriate, cost-effective services.

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

Governance framework

The main features of the governance framework that was in place during 2019-20 are summarised below:

- The IJB, comprising all IJB Board members, was the key decision-making body. The Performance and Audit Committee considered all matters in relation to Internal and External Audit, Risk Management and Performance
- Strategic decision-making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of administration, scheme of delegation to officers and financial regulations

- The Integration Scheme sets out the process to determine financial contributions by partners to Integration Joint Boards. This has been supplemented by directives from the Scottish Government in relation to additional resources for Health and Social Care Integration
- The IJB's purpose and vision are outlined in the IJB Strategic Plan which links closely to the vision of the North Ayrshire Community Planning Partnership and the Local Outcome Improvement Plan (LOIP) and is underpinned by an annual action plan and performance indicators. The Strategic Plan was most recently approved by the IJB in April 2018. Regular progress reports on the delivery of the Strategic Plan were provided to the Performance and Audit Committee and the IJB
- The Performance Management Strategy focuses very firmly on embedding a performance management culture throughout the IJB. Regular reporting to Board Members takes place
- A risk management strategy and strategic risk register is in place for the IJB.
- A Health and Care Governance Framework was agreed by the IJB on 9 March 2017. This covers governance arrangements in relation to complaints and customer feedback, risk management, health and safety, Internal Audit, workforce planning and public protection. Regular updates are provided to the IJB by the Health and Care Governance Group.
- The IJB has adopted a 'Code of Conduct' for all of its Board Members and employees, a register of interests is in place for all Board members and senior officers
- The IJB has in place an informal development programme for all Board Members, the Partnership Senior Management Team and senior managers across the Partnership. Performance and Personal Development (PPD) schemes are in place for all staff, the aim of which is to focus all staff on their performance and

development that contributes towards achieving service objectives

- The IJB has established six locality planning forums, reflecting the previously agreed local planning areas. These provide Board Members, health and social care staff and local community representatives with the opportunity to be involved in considering and influencing priorities for each area
- A Transformation programme is in place, covering four main themes of building teams around children, developing a wider range of primary care services, supporting older people and people with complex care needs and creating mental health and learning disability services to better support people to stay well. A Transformation Board has oversight of the programme.

The governance framework was in place during the period ended 31 March 2020.

System of internal financial control

The governance framework described operates on the foundation of internal controls. The system of internal financial control is based on a framework of regular management information, financial regulations, administrative procedures (including segregation of duties), management supervision, and a system of delegation and accountability.

Development and maintenance of these systems is supported by NHS Ayrshire & Arran and North Ayrshire Council in relation to the operational delivery of health and social care services. In particular, these systems include:

- Financial regulations and codes of financial practice
- Comprehensive budgeting systems
- Regular reviews of periodic and annual financial reports that indicate financial performance against the forecasts

- Setting targets to measure financial and other performance
- Formal project management disciplines
- The establishment of a Transformation Board to provide further scrutiny of service re-design and financial delivery
- An effective Internal Audit function

The IJB's financial management arrangements conform to the governance requirements of the CIPFA statement: 'The Role of the Chief Finance Officer in Local Government (2016)'.

Review of effectiveness

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

The Chief Internal Auditor reports directly to the IJB Performance and Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Finance Officer and Chair of the Performance and Audit Committee on any matter. In accordance with the principles of the code of corporate governance, regular reports were made to the IJB's Performance and Audit Committee during 2019-20.

The Internal Audit function has independent responsibility for examining, evaluating and reporting on the adequacy of internal control. During 2019-20, the partnership operated in accordance with relevant professional audit standards and the Public Sector Internal Audit Standards.

The Chief Internal Auditor is responsible for forming an annual opinion on the adequacy and effectiveness of the systems of internal control.

It is the opinion of the Chief Internal Auditor that the systems of internal control relied upon by the IJB continue to provide reasonable assurance against loss.

Developments during 2019-20

The elements noted below incorporate progress with the further actions or developments identified in the 2019-20 Annual Accounts.

Membership of IJB

The following new appointments were made:

- Chair and Vice Chair, IJB
- Chair and Vice Chair, Performance and Audit Committee
- Chair, Strategic Planning Group

Annual Performance Report

The IJB endorsed the Annual Performance Report for 2018-19 at the meeting in August 2019. This report outlined the good performance of the Health and Social Care Partnership and how it delivered against the strategic priorities and the national outcomes.

Review of Progress with Integration of Health and Social Care

The Ministerial Strategic Group's (MSG) final report relating to the review of progress with integration of health and social care was submitted to IJB on 14 February 2019. North Ayrshire HSCP benchmarked and evaluated their position against the 25 proposals outlined in the report and the Audit Scotland report, and produced an action plan which was presented to the IJB in May 2019. A further progress update was provided to IJB in December 2019.

Best Value

The IJB participated in the recent Best Value Audit of North Ayrshire Council. This included officers providing information and evidence in relation to IJB led activities and the contribution to securing Best Value as part of North Ayrshire Council and also through the wider Health and Social Care Partnership.

Audit Scotland indicated that as part of their strategic audit work programme they were considering a consistent approach to Best Value by IJBs, no further guidance on a national approach has been provided.

We continue to undertake an assessment of meeting our requirement to secure Best Value and will look to develop a framework for North Ayrshire IJB during 2020-21.

Reserves Policy

An updated Reserves Policy was approved by the IJB in October 2019.

The main update was to incorporate the policy in relation to holding a negative reserve balance and to be clearer in relation to responsibilities for planning for adequate reserves as part of the IJB budget planning.

This was part of a rolling programme of review of the IJB's key governance documents.

Risk Management

It was planned to undertake a Risk Management development session with the IJB to collectively inform and agree the risk appetite statement.

An IJB member skills self-assessment was issued during the period to gather a fuller understanding of areas for development to inform a fuller programme for an IJB induction and ongoing supported development sessions. This was issued to ensure we had a fuller understanding of knowledge and skills gaps, including risk management, before developing a programme. This was all put on hold due to Covid and will require to be progressed during 2020-21.

Workforce Planning

There was a requirement included within the Integration Scheme to develop an Integrated Workforce Strategy. This was agreed by the IJB in May 2019.

In February 2020, a report was received on the first Integrated Health and Social Care

Workforce Plan for Scotland (published by the Scottish Government in December 2019).

The IJB agreed that this would result in the requirement to update its own Strategy and that this would be done by April 2021.

Joint Inspection Improvement Plan

Scottish Ministers asked Healthcare Improvement Scotland and the Care Inspectorate to report on the effectiveness of strategic planning by Integration Authorities.

North Ayrshire was the fourth Integration Authority to be inspected in this way with the report being published at the end of March 2019.

The North Ayrshire IJB was graded against 3 quality indicators: Key Performance Outcomes (adequate); Policy Development/Strategic Planning (good); Leadership and Direction (good).

In June 2019 the IJB noted the key findings and agreed an action plan to address these findings.

Directions

In January 2020, the Scottish Government issued new statutory guidance for directions from Integration Authorities (IJBs) to Health Boards and Local Authorities.

Directions are the mechanism to action the strategic commissioning plans (Strategic Plan).

In March 2020 the IJB noted the new statutory guidance and agreed to continue to work with partners in East and South Ayrshire to progress improvement plans, including enhancing governance arrangements for lead partnership services.

This work is underway and a follow up development session with the North Ayrshire IJB incorporating Directions, Set Aside, Commissioning Plans and progress towards Fair Shares will be scheduled for later in 2020.

Locality Planning Forums

Dedicated locality pages have been created on the Partnership web site and improved communication routes with the CPP Locality Partnership are also being developed.

All of the public events planned for winter 2019 and spring of 2020 were delivered, with Locality Planning Forums holding locality-based events on Arran, in the North Coast, Kilwinning, Kilbirnie and Irvine, with CPP colleagues, third sector groups, social enterprises. The LPFs also delivered a 2020 engagement vision.

Standing Orders

In August 2019 the IJB agreed an amendment to Standing Orders to allow the webcasting of meetings enabling better engagement with the population of North Ayrshire.

Delegated Authority - COVID-19

On 11th March 2020 the World Health Organisation declared the outbreak of Covid-19 as a global pandemic and on 23rd March the United Kingdom entered a period of lockdown. This had an unprecedented impact on the governance of the Integration Joint Board and the operations through the Health and Social Care Partnership. It was recognised that it was no longer going to be practical to take decisions via the established governance routes, due to the pace of the pandemic response and the availability of individuals to continue to meet formally.

A range of delegated authorities for the Chief Officer, Section 95 Officer and other officers in the HSCP currently form part of the Integration Scheme and Scheme of Delegation for North Ayrshire IJB. There are powers which are reserved to the Board and these are outlined in the Scheme of Delegation. The IJB held a meeting on 19 March where they approved delegated authority for the Chief Officer and S95 Officer for the foreseeable future to take decisions in respect of those matters that would normally require Board approval,

subject to consultation with the Chair and Vice Chair of the Board.

The IJB and formal sub-committees have not formally met since March 2020 and plans are underway for the planned resumption of Committee business as part of recovery. As part of this a formal report will be presented to the IJB to outline those decisions taken during the Covid-19 response period.

Further actions for 2020-21

The IJB has identified the following actions for 2020-21 that will assist with the further strengthening of corporate governance arrangements:

- Further develop the performance management framework and reports, including making more performance information accessible and available for public scrutiny
- Review governance arrangements as formal meeting and committee structures are brought back on line as part of the Covid-19 recovery
- Develop Risk Management arrangements, including an agreed risk appetite statement
- Support the Pan Ayrshire work on developing Directions for Lead Partnership services
- Develop commissioning plans and Directions in relation to the acute set-aside resources
- Continue to review, on a rolling basis, IJB key governance documents, including for example Standing Orders, Scheme of Delegation and Financial Regulations
- Further support and develop Locality Planning Forums to establish and implement locality plans

Some of these areas were planned to be progressed during 2019-20 and were either

delayed due to Covid-19 or due to timescales in co-ordinating work with partners.

Assurance

Subject to the above, and on the basis of the assurances provided, we consider the governance and internal control environment operating during 2019-20 to provide reasonable and objective assurance that any significant risks impacting on the achievement of our actions will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to continually review and improve the governance and internal control

environment and action plans are in place to address identified areas for improvement.

The Annual Governance Statement explains how North Ayrshire IJB complies with the Code of Corporate Governance and meets the requirements of the CIPFA / SOLACE Framework 'Delivering Good Governance in Local Government 2016' and the 'Code of Practice for Local Authority Accounting in the UK: A Statement of Recommended Practice', in relation to the Statement on the System of Internal Financial Control.

The impact of the Covid-19 pandemic has resulted in unprecedented impacts on the governance and operations of the IJB moving into 2020-21.



Stephen Brown
Chief Officer

27 August 2020



Cllr Robert Foster
IJB Chair

27 August 2020

Remuneration report

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 auditor to ensure it is consistent with the financial statements.

Remuneration: IJB Chair and Vice Chair

The IJB comprises eight voting members appointed through nomination in equal numbers by NHS Ayrshire & Arran and North Ayrshire Council. A Chair and Vice Chair are appointed in accordance with the Integration Scheme and the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014. As required in Article 4 of the Order the nomination of the IJB Chair and Vice Chair post holders alternates between a Council and Health Board representative, with the Vice Chair appointment by the constituent authority who did not appoint the Chair.



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. There were no taxable expenses paid by the IJB. Therefore, no remuneration disclosures are provided for the Chair or Vice Chair.

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

Remuneration: Senior Officers of the IJB

The IJB does not directly employ any staff in its own right, however specific post-holding officers are non-voting members of the Integration Joint Board.

Chief Officer and Chief Finance Officer

The appointment of an Integration Joint Board Chief Officer and Chief Finance Officer is required by section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 which includes the statement “an Integration Joint Board is to appoint, as a member of staff, a chief officer”.

The Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer adheres to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer’s employment are approved by the IJB.

Other Officers

No other staff are appointed by the IJB under a similar legal regime. Other non-voting board members who meet the criteria for disclosure are included in the disclosures below.

Total remuneration 2018-19 £	Name and post title	Salary, fees and allowances £	Taxable expenses £	Total remuneration 2019-20 £
108,506	Stephen Brown, Chief Officer	111,761	0	111,761
59,336*	Caroline Cameron, Chief Finance Officer	85,776	0	85,776

* 2018-19 part year salary for the period 14 July 2018 to 31 March 2019. The full year equivalent for 2018-19 is £83,104.

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 period 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 period 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.

	In Period pension contributions			Accrued pension benefits	
	2018-19 £	2019-20 £		Difference from 2018-19	2019-20
Stephen Brown, Chief Officer	0	0	Pension Lump Sum	0 0	0 0
Caroline Cameron, Chief Finance Officer	11,412	16,520	Pension Lump Sum	1,776	2,983

Disclosure by pay bands

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

Number of employees in band 2018-19	Remuneration band	Number of employees in band 2019-20
0	£110,000-£114,999	1
1	£105,000-£109,999	0
0	£85,000-£89,999	1
1	£55,000 - £59,999	0

Exit packages

There were no exit packages during 2018-19 or 2019-20.

Financial statements

The **Comprehensive Income and Expenditure Statement** shows the cost of providing services for the period according to accepted accounting practices.

2018-19		2019-20		
Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
65,751	Community Care and Health	71,919	-	71,919
27,816	Mental Health	29,156	-	29,156
35,300	Children's Services and Criminal Justice	36,665	-	36,665
48,839	Primary Care	53,006	-	53,006
6,306	Management and Support Costs	8,323	-	8,323
2,156	Change Programme	1,434	-	1,434
4,588	Allied Health Professionals	5,089	-	5,089
77,455	Lead Partnership and Set Aside	79,862	-	79,862
268,211	Cost of Services	285,454	-	285,454
(95,169)	North Ayrshire Council Funding	-	(97,973)	(97,973)
(173,987)	NHS Ayrshire & Arran Funding	-	(187,257)	(187,257)
(269,156)	Total Taxation And Non-Specific Grant Income (note 5)	-	(285,230)	(285,230)
(945)	(Surplus) or Deficit on Provision of Services	285,454	(285,230)	224

There are no statutory or presentation adjustments which affect the IJB's application of the 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, an Expenditure and Funding Analysis is not provided in these annual financial statements.

The **Movement in Reserves Statement** shows the movement in the period on the reserves held by the IJB. The movements which arise due to statutory adjustments which affect the General Fund balance are separately identified from the movements due to accounting practices. In 2019-20 there were no statutory adjustments.

Total Reserves 2018-19	Movement in reserves	General Fund Balance 2019-20	Unusable Reserves 2019-20	Total Reserves 2019-20
(5,807)	Opening balance as at 1 April	(4,862)	0	(4,862)
945	Total Comprehensive Income and Expenditure	(224)	0	(224)
0	Adjustments between accounting basis and funding basis under regulations	0	0	0
945	Increase or (decrease) in period	(224)	0	(224)
(4,862)	Closing Balance as at 31 March	(5,086)	0	(5,086)

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 2019 £000		Notes	31 March 2020 £000
277	Short Term Debtors	6	207
(5,139)	Long Term Creditors	7	(5,293)
(4,862)	Net Assets		(5,086)
(4,862)	Usable Reserve: General Fund	8	(5,086)
(4,862)	Total Reserves		(5,086)

The Statement of Accounts present a true and fair view of the financial position of the Integration Joint Board as at 31 March 2020 and its income and expenditure for the period then ended.

The unaudited financial statements were authorised for issue on 25 June 2020 and the audited financial statements will be authorised for issue on 27 August 2020.



Caroline Cameron
Chief Finance Officer

27 August 2020

Notes to the financial statements

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

General principles

The Financial Statements summarise the authority's transactions for the 2019-20 financial period and its position at the period-end as at 31 March 2020.

The North Ayrshire IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a Section 106 body as defined in the Local Government (Scotland) Act 1973.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019-20, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The annual accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. Whilst the financial statements show an overall negative balance sheet position the Integration Scheme outlines the partnership arrangement between the Council and Health Board and the requirements for those organisations to underwrite the financial position of the IJB.

The historical cost convention has been adopted.

Accruals of expenditure and income

Activity is accounted for in the period 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 and 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.

For the Integration Joint Board financial statements a debtor and/or creditor will be recorded where the partner contributions differ from the actual net expenditure in period, this allows any surplus or deficit on the provision of services to be transferred to the reserves held by the Integration Joint Board.

Funding

The IJB is primarily funded through contributions from the statutory funding partners, North Ayrshire Council and NHS Ayrshire & Arran. Expenditure is incurred as the IJB commissions specified health and social care services from the funding partners for the benefit of service recipients in North Ayrshire.

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 on the IJB's Balance Sheet.

Employee benefits

The IJB does not directly employ staff. Staff are 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 at 31 March is accrued, for example in relation to annual leave earned but not yet taken.

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.

Reserves

The Integration Joint Board's reserves are classified as either Usable or Unusable Reserves. The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

The IJB's only Unusable Reserve is the Employee Statutory Adjustment Account. This is required by legislation. It defers the charge to the General Fund for the Chief Officer's absence entitlement as at 31 March, for example any annual leave earned but not yet taken. The General Fund is only charged for this when the leave is taken, normally during the next financial year.

Indemnity insurance

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

Unlike NHS Ayrshire & Arran, the IJB does not have any 'shared risk' exposure from participation in CNORIS (Clinical Negligence and Other Risks Indemnity Scheme). The IJB participation in the CNORIS scheme is therefore equivalent 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.

VAT Status

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

NOTE 2 – CRITICAL JUDGEMENTS AND ESTIMATION UNCERTAINTY

The critical judgements include:

- On behalf of all IJBs within the NHS Ayrshire and Arran area, the IJB acts as the lead partner for Mental Health Services. It commissions services on behalf of the three Ayrshire IJBs and reclaims the costs involved. This arrangement is treated as an agency arrangement. In the absence of an alternative agreement or approach being outlined in the Integration Scheme, the recharges across the partnerships for lead services are based on an NRAC share of costs, this may not reflect the actual cost of delivering services to the population in the three areas.
- In applying the accounting policies, the IJB has had to make a critical judgement relating to the values included for Set Aside services. The Set Aside figure included in the IJB accounts is based upon Information Services Division Scotland (ISD) activity data at historic prices with inflation applied. As such, the Set Aside sum included in the accounts will not reflect actual hospital usage in 2019-20.

There are no material estimation uncertainties included within the Financial Statements. The impact of Covid-19 and associated costs incurred in 2019/20 have been accounted for in the financial statements.

NOTE 3 – EVENTS AFTER THE REPORTING PERIOD

The audited annual financial statements will be authorised for issue by the Chief Finance Officer on 27 August 2020. Events taking place after this date are not reflected in the financial statements or notes.

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:

- Those that provide evidence of conditions that existed at the end of the reporting period - the financial statements are adjusted to reflect such events
- Those that are indicative of conditions that arose after the reporting period – the financial statements are not adjusted to reflect for such events, but where a category of events would have a material impact disclosure is made in the notes of the nature of the events and their estimated financial effect.

On 11 March 2020 the World Health Organisation declared a worldwide pandemic for COVID-19. The IJB's response has gone through a containment phase to delay phase and is currently in the

response phase whilst starting to plan for recovery. Significant resources have been deployed to increase capacity to cope with increased health and social care demand as a result of COVID-19. An estimate of its financial effect cannot be made at the time of reporting.

The impact of Covid-19 and associated costs incurred in 2019/20 have been accounted for in the financial statements and the management commentary provides more information on the impact that Covid-19 has and will have on services.

NOTE 4 – EXPENDITURE AND INCOME ANALYSIS BY NATURE

2018-19 £000's		2019-20 £000's
117,023	Services commissioned from North Ayrshire Council	122,112
151,163	Services commissioned from NHS Ayrshire & Arran	163,315
25	Auditor Fee: External Audit Work	27
(269,156)	Partners Funding Contributions and Non-Specific Grant Income	(285,230)
945	Surplus / (deficit) on the Provision of Services	(224)

NOTE 5 - TAXATION AND NON-SPECIFIC GRANT INCOME

2018-19 £000's		2019-20 £000's
(95,169)	Funding Contribution from North Ayrshire Council	(97,973)
(173,987)	Funding Contribution from NHS Ayrshire & Arran	(187,257)
(269,156)	Taxation and Non-specific Grant Income	(285,230)

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. There was no ring-fenced funding in 2018-19 or 2019-20.

The funding contribution from NHS Ayrshire & Arran shown above includes £31.807m (2018-19 £30.114m) in respect of 'set aside' resources relating to acute hospital and other resources. 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 level of demand placed on, these resources.

NOTE 6 - DEBTORS

31 March 2019 £000's		31 March 2020 £000's
131	North Ayrshire Council	0
146	NHS Ayrshire & Arran	207
277	Total Debtors	207

Amounts owed to the funding partners are stated on a net basis. Debtor and Creditor balances recognised by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the Integration Joint Board.

NOTE 7 – CREDITORS

31 March 2019 £000's		31 March 2020 £000's
(5,139)	North Ayrshire Council	(5,293)
0	NHS Ayrshire & Arran	0
(5,139)	Total Creditors	(5,293)

Amounts owed to the funding partners are stated on a net basis. Debtor and Creditor balances recognised by the funding partners but not yet settled in cash terms are offset against the funds they are holding on behalf of the Integration Joint Board.

The Debtor balances recognised on the Balance Sheet represent the value of reserves held by partners supporting the earmarked element of the General Fund balance. The remaining balance of the surplus on the provision of services is offset against the Creditor in relation to the outstanding debt to North Ayrshire Council. This is in line with the amounts owed to funding partners being stated on a net basis irrespective of settlement in cash terms.

This position is summarised below:

Funding Partner	Surplus / (deficit) on provision of services £000's	Movement in Reserves £000's	Uncommitted Surplus/ / (deficit) £000's
North Ayrshire Council	(1,381)	131	(1,250)
NHS Ayrshire & Arran	1,157	(61)	1,096
Total	(224)	70	(154)

NOTE 8 – USABLE RESERVE: GENERAL FUND

The IJB holds a balance on the General Fund which will normally comprise one of three elements:

- As a working balance to help cushion the impact of uneven cash flows.
- As a contingency to manage the impact of unexpected events or emergencies.
- As a means of building up funds, often referred to as earmarked reserve, to meet known or predicted liabilities.

The table below shows the movements on the General Fund balance, analysed between those elements earmarked for specific planned expenditure and the amount held in unallocated reserves.

Action 15 and the Primary Care Improvement Fund (PCIF) are Scottish Government allocations which require to be carried forward for use in future years.

The IJB has an overall negative reserves position with the unallocated balance representing the balance of payment due to North Ayrshire to repay the debt due for previous year deficits, the movement in this balance represents the increase in debt during 2019-20.

2018-19			2019-20		
Transfers Out 2018-19	Transfers In 2018-19	Balance at 31 March 2019	Transfers Out 2019-20	Transfers In 2019-20	Balance at 31 March 2020
Earmarked Funds					
0	131	131	: Alcohol & Drug Partnership (131)	0	0
0	116	116	: Action 15 (116)	63	63
0	30	30	: PCIF (30)	144	144
0	277	277	Total Earmarked (277)	207	207
0	668	(5,139)	Unallocated General Fund 0	(154)	(5,293)
0	945	(4,862)	General Fund (277)	53	(5,086)

NOTE 9 – AGENCY INCOME AND EXPENDITURE

On behalf of all IJBs within the NHS Ayrshire & Arran area, the IJB acts as the lead manager for Mental Health Services. It commissions services on behalf of the other IJBs and reclaims the costs involved. The payments that are made on behalf of the other IJBs, and the consequential reimbursement, are not included in the Comprehensive Income and Expenditure Statement (CIES) since the IJB is not acting as principal in these transactions.

The amount of expenditure and income relating to the agency arrangement is shown below.

2018-19 £000	2019-20 £000
29,018	Expenditure on Agency Service 30,493
(29,018)	Reimbursement for Agency Services (30,493)
0	Net Agency Expenditure Excluded from the CIES 0

NOTE 10 – RELATED PARTY TRANSACTIONS

The IJB has related party relationships with NHS Ayrshire & Arran and North Ayrshire 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 financial statements are presented to provide additional information on the relationships.

2018-19 £000	Transactions with NHS Ayrshire & Arran	2019-20 £000
(173,987)	Funding Contributions received from NHS Board	(187,257)
0	Service Income received from NHS Board	0
151,121	Expenditure on Services Provided by NHS Board	163,273
54	Key Management Personnel: Non-Voting Board Members	56
0	Support Services	0
(22,812)	Net Transactions with NHS Board	(23,928)

31 March 2019 £000	Balances with NHS Ayrshire & Arran	31 March 2020 £000
146	Debtor Balances: Amounts due from NHS Board	207
0	Creditor Balances: Amounts due to NHS Board	0
146	Net Balances with NHS Board	207

2018-19 £000	Transactions with North Ayrshire Council	2019-20 £000
(95,169)	Funding Contributions received from the Council	(97,973)
0	Service Income received from the Council	0
116,981	Expenditure on Services Provided by the Council	122,069
55	Key Management Personnel: Non-Voting Board Members	56
0	Support Services	0
21,867	Net Transactions with the Council	24,152

31 March 2019 £000	Balances with North Ayrshire Council	31 March 2020 £000
131	Debtor Balances: Amounts due from the Council	0
(5,139)	Creditor Balances: Amounts due to the Council	(5,293)
(5,008)	Net Balances with the Council	(5,293)

There are key management personnel employed by NHS Ayrshire & Arran and North Ayrshire Council, these costs are included in the expenditure on services provided. The non-voting Board members employed by the Council and Health Board include the Chief Officer, Chief Finance Officer, Chief Social Work Officer, representatives of primary care, nursing and non-primary care services; and a staff representative. Details of the remuneration for some specific post-holders is provided in the Remuneration Report.

Support services were not delegated to the Integration Joint Board through the Integration Scheme and are instead provided by NHS Ayrshire & Arran and North Ayrshire Council free of charge as 'services in kind'. These include services such as financial management, human resources, legal services, committee services, ICT, payroll, internal audit and accommodation.

NOTE 11 – VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

The VAT treatment of expenditure in the IJB's financial statements 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 and Customs and all VAT paid is recoverable from it. The Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from H.M. Revenue and Customs.

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

NOTE 12 – ACCOUNTING STANDARDS ISSUED NOT YET ADOPTED

The Code requires the disclosure of information about accounting changes that will be required by new accounting standards that has been issued but not yet adopted. The IJB considers that there are no such standards which would have an impact on the 2019-20 financial statements.

Independent auditor's report

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of the North Ayrshire Integration Joint Board for the year ended 31 March 2020 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 2019/20 (the 2019/20 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2019/20 Code of the state of affairs of the body as at 31 March 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2019/20 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Accounts Commission on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

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

Responsibilities of the Chief Finance Officer and North Ayrshire Integration Joint Board for the financial statements

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

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

The North Ayrshire Integration Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Other information in the annual accounts

The Chief Finance Officer is responsible for the other information in the annual accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Accounts Commission to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which we are required to report by exception

We are required by the Accounts Commission to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

Pat Kenny, CPFA (for and on behalf of Deloitte LLP)
110 Queen Street
Glasgow
G1 3BX
United Kingdom
27 August 2020

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NORTH AYRSHIRE

Health and Social Care Partnership

DIRECTOR (North Ayrshire Health & Social Care Partnership): Stephen Brown
5th Floor West Wing, Cunninghame House, Friarscroft, Irvine KA12 8EE
Our Ref: PK/NAIJB/2020

27 August 2020
Deloitte LLP
110 Queen Street
Glasgow
G1 3BX

Our Ref: PK/CB/NAIJB/2020

Date: 27 August 2020

Dear Pat Kenny,

This representation letter is provided in connection with your audit of the financial statements of the North Ayrshire Integrated Joint Board ('the entity') for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the financial position of the entity as of 31 March 2020 and of the results of its comprehensive net income and expenditure and its cash flows for the year then ended in accordance with the applicable accounting framework as interpreted by the with the Code of Practice on Local Authority Accounting in the United Kingdom.

In addition to the above, this representation letter is provided in connection with your audit of the other information in the annual report, for the purposes set out in the Code of Audit Practice 2016.

We are aware that it is an offence to mislead an auditor of a public body. On behalf of the entity, I confirm as Chief Finance and Transformation Officer, to the best of my knowledge and belief, the following representations.

Financial statements

1. We understand and have fulfilled our responsibilities for the preparation of the financial statements in accordance with the applicable financial reporting framework, as set out in the with the Code of Practice on Local Authority Accounting in the United Kingdom, which give a true and fair view, as set out in the terms of the audit engagement letter.

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value and assessing the impact of Covid-19 on the entity are reasonable. We have made sufficient and appropriate disclosure of the general increased estimation uncertainty arising from the impact of Covid-19.
3. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of IAS24 "Related party disclosures".
4. All events subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment of or disclosure have been adjusted or disclosed. The impact of Covid-19 has been considered a non-adjusting event given the timing of the outbreak of the epidemic in the United Kingdom.
5. There are no uncorrected misstatements and disclosure deficiencies.
6. We confirm that the financial statements have been prepared on the going concern basis and disclose in accordance with IAS 1 all matters of which we are aware that are relevant to the entity's ability to continue as a going concern, including principal conditions or events and our plans. We do not intend to cease operations as we consider we have realistic alternatives to doing so. We are not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. We confirm the completeness of the information provided regarding events and conditions relating to going concern at the date of approval of the financial statements, including our plans for future actions.
7. We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent.

Information provided

8. We have provided you with all relevant information and access as agreed in the terms of the audit engagement letter with Audit Scotland.
9. All transactions have been recorded and are reflected in the financial statements and the underlying accounting records.
10. We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error. We are not aware of any deficiencies in internal control of which you should be aware.
11. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity or group and involves:
 - (i) management;

- (ii) employees who have significant roles in internal control; or
 - (iii) others where the fraud could have a material effect on the financial statements.
- 13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- 14. We are not aware of any instances of non-compliance, or suspected non-compliance, with laws, regulations, and contractual agreements whose effects should be considered when preparing financial statements.
- 15. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 16. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the applicable financial reporting framework. No other claims in connection with litigation have been or are expected to be received.
- 17. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.
- 18. We confirm that:
 - (i) we consider that the entity has appropriate processes to prevent and identify any cyber breaches other than those that are clearly inconsequential; and
 - (ii) we have disclosed to you all cyber breaches of which we are aware that have resulted in more than inconsequential unauthorised access of data, applications, services, networks and/or devices.
- 19. All minutes of the Board and Committee meetings during and since the financial year have been made available to you.
- 20. We have drawn to your attention all correspondence and notes of meetings with regulators.
- 21. We confirm that all of the disclosures relating to sections of the annual report which are considered 'other information' as set out in the Code of Audit Practice 2016 have been prepared in accordance with relevant legislation and guidance.
- 22. I confirm that I have appropriately discharged my responsibility for the regularity of transactions.

We confirm that the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Yours faithfully

A handwritten signature in black ink, appearing to be 'C. Cameron', written in a cursive style.

Caroline Cameron
Signed as Chief Finance and Transformation Officer, and on behalf of the Board