

Subject: **Accounting Policies 2017/18**

Purpose: To seek IJB approval of the accounting policies which will be adopted in the preparation of the Council's annual accounts for the year to 31 March 2018.

Recommendation: That the IJB approves the accounting policies as detailed in Appendix 1.

Glossary of Terms	
NHS AA	NHS Ayrshire and Arran
HSCP	Health and Social Care Partnership
IFRS	International Financial Reporting Standards
CIPFA	Chartered Institute of Public Finance and Accountancy
LASAAC	Local Authority (Scotland) Accounts Advisory Committee

1.	EXECUTIVE SUMMARY
1.1	The annual accounts for the 2017/18 financial year summarise the Partnership's transactions during the year and its position at the year-end of 31 March 2018. Under the Local Authority Accounts (Scotland) Regulations 2014, the Council is required to prepare an annual Statement of Accounts and Section 12 of the Local Government in Scotland Act 2003 requires that these accounts are prepared in accordance with proper accounting practices.
1.2	These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"), supported by IFRS. These are issued jointly by the CIPFA and LASAAC and are designed to give a "true and fair view" of the financial performance of the Council.
2.	BACKGROUND
2.1	Accounting policies are defined in paragraph 3.3.2.1 of the Code as <i>'the specific principles, bases, conventions, rules and practices applied by an authority in preparing and presenting financial statements'</i> .
2.2	Partnerships are required to select accounting policies, and account for changes in accounting policies in accordance with International Accounting Standard 8 - Accounting Policies.

2.3	The Partnership is required to adopt the accounting policies most appropriate to its particular circumstances for the purpose of giving a true and fair view. The accounting policies adopted should be reviewed regularly to ensure that they remain appropriate, and be changed when a new policy becomes more appropriate to the Partnership's particular circumstances. Sufficient information should be disclosed in the financial statements to enable users to understand the accounting policies adopted and how they have been implemented.
3.	PROPOSALS
3.1	<p>For 2017/18 the accounting policies have been reviewed by the Chief Financial Officer in line with the CIPFA Code and there are no changes to the policies approved in 2016/17.</p> <p>The unaudited financial statements are due to be complete by 30 June 2018. It is proposed to apply the accounting policies detailed in Appendix 1 in the preparation of the statements.</p>
3.2	<u>Anticipated Outcomes</u>
	The 2017/18 annual accounts will be prepared in accordance with the relevant accounting policies.
3.3	<u>Measuring Impact</u>
	The 2017/18 annual accounts will be externally audited.
4.	IMPLICATIONS

Financial :	None
Human Resources :	None
Legal :	The Local Government (Scotland) Act 2003 requires accounts to be prepared in accordance with proper practices.
Equality :	None
Environmental & Sustainability :	None
Key Priorities :	None
Risk Implications :	None
Community Benefits :	None

Direction Required to Council, Health Board or Both	Direction to :-	
	1. No Direction Required	X
	2. North Ayrshire Council	
	3. NHS Ayrshire & Arran	
	4. North Ayrshire Council and NHS Ayrshire & Arran	

5.	CONSULTATION
5.1	None
6.	CONCLUSION
6.1	That the IJB approves the accounting policies as detailed in Appendix 1.

For more information please contact Eleanor Currie, Principal Manager – Finance on Tel. No 01294-317814 or email to eleanorcurrie@south-ayrshire.gcsx.gov.uk

Note 1 – Significant Accounting Policies

A. General principles

The Financial Statements summarise the authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

The accounts are prepared on a going concern basis, which assumes that the IJB will continue in operational existence for the foreseeable future. The 2017/18 annual accounts reflect a deficit position for the IJB. A medium term financial plan has been developed for the IJB. Plans are in place to recover this deficit in medium term.

The historical cost convention has been adopted.

B. Accruals of expenditure and income

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

- 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.

C. Funding

The IJB is primarily funded through funding 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.

D. 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.

E. Employee Benefits

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

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

F. 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.

G. Reserves

The IJB's reserves are Usable and there are no 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 either use or owe in later years to support service provision.

H. 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 Boards, 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.