

Report

Edinburgh Integration Joint Board Accounts 2017/18

Edinburgh Integration Joint Board

28 September 2018



Executive Summary

1. This paper presents the 2017/18 annual accounts for the Edinburgh Integration Joint Board (EIJB). These are being presented to the EIJB for approval following scrutiny by the Audit and Risk Committee on 7 September 2018.

Recommendations

2. The Edinburgh Integration Joint Board is asked to:
 - i. approve and adopt the annual accounts for 2017/18
 - ii. delegate authority to the the Chief Finance Officer to resolve and amend any minor textual issues in the annual report up to the date of sign off with Audit Scotland
 - iii. authorise the designated signatories (Chair, Chief Officer and Chief Finance Officer) to sign the annual report and accounts on behalf of the EIJB
 - iv. authorise the Chief Finance Officer to sign the representation letter to the auditors on behalf of the EIJB

Background

3. Integration Joint Boards are required to produce annual accounts. Draft financial statements were presented to the June meetings of the Audit and Risk Committee and the EIJB and have been subject to audit scrutiny over the summer months.
4. This process has now concluded and the final accounts were presented to the Audit and Risk Committee on 7 September 2018. Sign off by the EIJB is the final step in the approval process.

Main report

5. It is the responsibility of the Chief Financial Officer, as the appointed “proper officer”, to prepare the financial statements in accordance with relevant legislation and the Code of Practice on Local Authority Accounting in the United Kingdom.
6. In accordance with this guidance, draft financial statements were produced and presented to the Audit and Risk Committee and the IJB on 1 and 15 June 2018 respectively.
7. Over the summer months these were considered by Scott-Moncrieff, the appointed external auditors. This work has concluded and they are now in a position to give a proposed independent opinion on the financial statements and report on the arrangements in place to ensure the proper conduct of financial affairs and to manage performance and use of resources.

Audit and completion

8. The financial statements for the IJB for 2017/18 are attached as appendix 1 to this report. These reflect several minor changes to reflect issues identified through the audit process. Scott-Moncrieff intend to issue an unqualified opinion on the accounts.
9. The proposed Annual Audit Report from Scott-Moncrieff is attached at appendix 2. It should be noted that, following review by the EIJB, there may be minor changes to the textual content from that of the circulated version. It is proposed that any such minor amendments be negotiated and agreed by the Chief Finance Officer up to the date the accounts are signed by the auditors.

Representation letter

10. International Standard on Auditing (ISA 580) requires external auditors to obtain written confirmation of representations received from management on matters material to the financial statements when other sufficient audit evidence cannot reasonably be expected to exist, before their audit report on the annual report & accounts is issued. A draft letter of representation is included at appendix 3.

Internal audit opinion

11. The Chief Internal Auditor has produced an “Internal Audit Annual Opinion 2017/18” for the EIJB based on activity undertaken for the financial year ended 31 March 2018. This was presented to and discussed by the Audit and Risk Committee on 23rd July 2018 and is a separate item on today’s agenda.

12. This opinion is based on the outcomes of three audits included in the EIJB 2017/18 internal audit annual plan; the outcomes of relevant Partnership reports referred to the EIJB by the Council's Governance, Risk, and Best Value Committee and the NHS Lothian Audit Committee; and the status of open internal audit findings. It states:

“Internal Audit considers that significant enhancements are required to the EIJB control environment and governance and risk management frameworks and is therefore reporting a ‘red’ rated opinion, with our assessment towards the middle of this category”.

Key risks

13. Key risks are set out in the internal audit opinion which is a separate paper on today's agenda.

Financial implications

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

Implications for directions

15. There are no implications for directions.

Equalities implications

16. There are no equalities implications arising from this report.

Sustainability implications

17. There are no sustainability implications arising from this report.

Involving people

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

Impact on plans of other parties

19. As above.

Background reading/references

20. None.

Report author

Judith Proctor

Chief Officer, Edinburgh Health and Social Care Partnership

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Appendices

Appendix 1	Edinburgh Integration Joint Board Annual Accounts 2017/18
Appendix 2	2017/18 Annual Audit Report to the Board and the Accounts Commission for Scotland
Appendix 3	Letter of representation



Edinburgh Integration Joint Board

Annual Accounts 2017/18

The Annual Accounts of Edinburgh Integration Joint Board for the year ended 31 March 2018, prepared pursuant to Section 105 of the Local Government (Scotland) Act 1973 and in accordance with the terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and Service Reporting Code of Practice.

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MANAGEMENT COMMENTARY

Introduction

This management commentary provides an overview of the key messages relating to the objectives and strategy of the Edinburgh Integration Joint Board (EIJB). It considers our financial performance for the year ended 31st March 2018 and gives an indication of the issues and risks which may impact upon our finances in the future.

Role and remit

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

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

2017/18 was our second year of operation and we saw a number of changes in the management and governance arrangements with the departure of the EIJB Chief Officer and the establishment of a new interim senior management team as well as a number of changes in voting members following local elections and some new members being appointed by NHS Lothian.

Strategic Plan

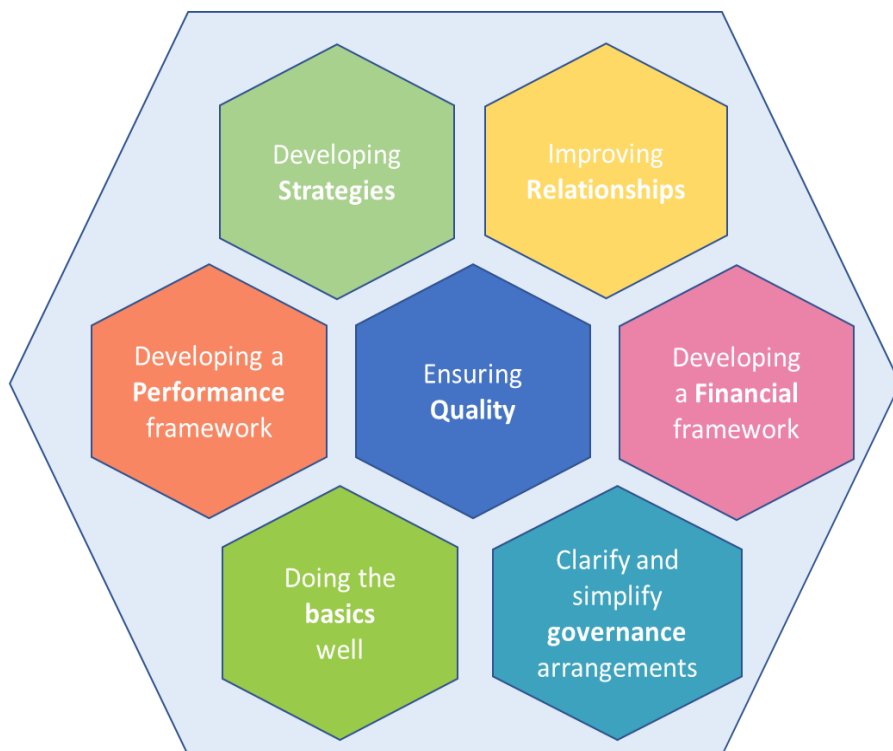
Edinburgh’s population of almost half a million, accounts for 9% of the total population of Scotland and is projected to increase faster than any other area of the country; with a higher rate of growth in some age groups than others. Whilst this growth has many social and economic advantages, it also presents challenges. Although a relatively affluent city, Edinburgh has areas of significant inequality and ‘deprivation’ and one of our key priorities is to lead, where possible, on tackling health and social inequalities.

We are now in the second year of implementing our 3-year strategic plan which was approved by the Board on 11th March 2016. This plan, which is due for renewal by April 2019, sets out how the health and social care services delegated by the City of Edinburgh Council and NHS Lothian will be developed and changed over the three years from April 2016 using the resources available to meet the changing needs of the population and achieve better outcomes for people. Using our budget of around £700 million, delegated from NHS Lothian and the City of Edinburgh Council, we fund community health and social care services, including GP practices and some elements of acute hospital services.

We intend to deliver our vision for a caring, healthier and safer Edinburgh through taking actions to transform how Council and NHS services and staff teams work together, with other partners, those who use services and communities. Our key priorities (as set out in the strategic plan) and 12 areas of focus to deliver these are shown in the diagram below:



Recognising that certain areas of activity require immediate attention, given their mission criticality, the interim management team for the Partnership committed to bringing greater clarity and focus to the activities of the Partnership, with an emphasis on performance, quality and finance. These immediate priorities are reflected in the “Statement of Intent” which has been shared with the EIJB as well as staff throughout the Partnership. The statement highlighted 7 priorities for the remainder of the financial year and into early 2018/19, these are summarised in the diagram below:



Developing strategies was one of these priorities and consequently the outline strategic commissioning plans were produced for 5 client groups: learning disabilities; mental health; physical disabilities; older people; and primary care. These, supported by a number of cross cutting themes were approved by EIJB in early 2018 and will form the basis for ongoing development of plans which, in turn will inform the new strategic plan.

Operational Review

We published our second annual performance report at the end of July 2018 which provides a review of the progress both EIJB and the Partnership made during 2017/18 in terms of:

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

The performance report recognises that our performance over the last financial year has been mixed. We still have significant challenges providing 'the right care, in the right place at the right time' with far too many people waiting far too long to have their needs assessed and start receiving the care and support they need. People are also waiting too long in hospital when they are ready to be discharged. These are both areas we have prioritised for improvement and development.

However, there are some areas where we perform well; our performance in reducing emergency admissions to hospital and treating people in the community remains strong and when people do receive services, they are generally happy with them. In particular, the percentage of people who rated the care they received as excellent or good when responding to the Health and Care Experience Survey had increased slightly from the previous survey undertaken two years ago.

We also recognise that the previous year was a challenging one for both EIJB and the Partnership with significant changes in the senior management team. However, the commitment and dedication of the workforce; and the willingness of our partners in the third, independent and housing sectors to support us in tackling the significant challenges we face in terms of increasing demand for services, financial constraint and recruiting to caring roles in Edinburgh city as a result of virtually full employment continues to be impressive. Our new management arrangements will take time to develop but we have a clear focus on the change we want to oversee and the improvement we want to make.

It is also clear that whilst our performance is far from where we want it to be there have been some noticeable improvements in the last six months of the last financial year and first three months of the current year in terms of the number of people waiting for assessments and the length of wait. There are also some very positive developments underway that will strengthen community capacity (Community Link Workers), reinvigorate our approach to self-directed support (good conversations training) and improve support for carers (North West pilot). You can find out more about each of these initiatives in the full report which can be accessed via this link:

http://www.edinburgh.gov.uk/transformedinburgh/downloads/file/185/annual_performance_report_2017-18

Annual Accounts 2018/19

The annual accounts report the financial performance of EIJB. The main purpose is to demonstrate the stewardship of the public funds that have been entrusted to us for the delivery of our vision and strategic priorities. The requirements governing the format and content of IJBs' annual accounts are contained in The Code of Practice on Local Authority Accounting in the United Kingdom (the Code). These annual accounts have been prepared in accordance with this Code.

Financial Performance

The financial plan sets out how we will ensure our limited resources are targeted to maximise the contribution to our objectives. A financial assurance process was undertaken on the 2017/18 funding contributions made available by NHS Lothian and the City of Edinburgh Council. Through this process a savings requirement of £20.5m against projected income of £615.0m was identified. Funding adjustments during the year increased this budget to £709.5m.

EIJB's financial performance for the year is presented in the comprehensive income and expenditure statement, which can be seen on page 23. The balance sheet (page 24) is also presented and sets out the liabilities and assets at 31st March 2018.

For the year we are reporting a surplus of £4.7m which brings the total value of the EIJB's reserve to £8.4m. this reserve, £6.5m is "ringfenced" (i.e. set aside for specific purposes), including supporting the "Short Term Improvement Measures" and the "Plan for Immediate Pressures and Longer-Term Sustainability" agreed by the IJB in November 2017 and May 2018 respectively. Material earmarked balances include:

- Assessment and review backlog - £4.4m

- Supporting care at home capacity - £1.8m
- Telecare - £0.6m
- Grants programme review - £0.4m

The in-year surplus was only achieved by both the City of Edinburgh Council and NHS Lothian agreeing additional one off contributions to EIJB: £7.2m from the Council and £4.9m from NHS Lothian. These additional payments reflected some of the significant and long standing financial pressures we face, notably:

- **Care at home** continues to be the single most significant financial challenge facing the IJB with a reported in year overspend of £7m. Demographic factors continue to drive demand for these services, as this is also evidenced in the continuing growth in direct payments and individual service funds. This level of overspend is in line with financial projections reported throughout the year and has been factored into the baseline position for budget planning for the next financial year. However, as was the case in 17/18, the 18/19 financial plan is predicated on this growth being offset, at least to some extent, by delivery of savings. Whilst the savings programme is continuing to build momentum, achievement in 17/18 fell well short of target and, as such, a focus on delivery forms a key cornerstone of the financial strategy for 18/19;
- **Prescribing** remains the most significant single financial issue facing delegated NHS services. Similar pressures are evident across Scotland, with short supply and high value drugs offsetting lower than anticipated growth in volumes. Pressures on the GP prescribing budget gave rise to an in year overspend of £2.1 million. Significant efforts have been taken to improve this for 2018/19, including prioritisation of additional funding and the continuation of the pan Lothian effective prescribing fund of £2 million;
- Delivery of **savings and recovery plans** remains a challenge with only a marginal contribution was made towards the Council's transformational savings in 2017/18. Equally, NHS service budgets include elements of unachieved savings carried forward from previous years and not delivered in year. Consequently, this will impact on the 2018/19 financial plan; and
- NHS Lothian **set aside** budgets overspent by £2.4m in the year. Junior doctors is the most significant contributory factor where non-compliant rotas are driving costs upwards. Overall set aside now equates to approximately 50% of the overall NHS position and is clearly an issue which requires to be addressed in partnership with NHS Lothian in 2018/19.

It will be important moving forward to 2018/19 and future years that expenditure is managed within the financial resources available and this will require close partnership working between EIJB as service commissioner and the City of Edinburgh Council and NHS Lothian as providers of services.

Financial Outlook, Risks and Plans for the Future

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

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

- increased demand for services alongside reducing resources;
- impact of demographic changes;
- delays in accessing appropriate services, including social care assessments, reviews and timely discharge from hospital;
- impact of welfare reform on the residents of Edinburgh;
- impact of the living wage and other nationally agreed policies;
- risk that the savings programme does not deliver within the required timescales or achieve the desired outcomes; and
- costs associated with meeting new legislative requirements without adequate resources being put in place.

These risks mean that money is tighter than ever before. It is therefore crucial that we focus on early intervention, prevention and recovery if we are to work within the total annual budget of just over £700 million. Moving into 2018/19, we are working to proactively address the funding challenges presented while, at the same time, providing services for the residents of Edinburgh.

We have identified eight key categories across each of which sustained change is required to achieve the ambitions of the IJB and linked these to actions required in the short, medium and longer term to achieve sustained improvement, given the known demographics of need and likely future resource constraints.

1. Prevention – we need a sustained and meaningful shift of attention and resources towards preventative and early intervention activity that will reduce dependency on acute services and crisis support. Without such a shift, the care and support system as we know it will be unsustainable in the near future, overwhelmed by higher and higher levels of acute need.

2. Wider cultural change – our traditional model of health and social care support is based on expectations that formal care will be provided largely by public services, as part of a long-standing social contract, based on taxation contributions in exchange for universal benefits. Whereas the public funding envelope has reduced significantly in recent years, public expectations regarding the level and standard of provision have not reduced to the same extent. We need to begin a ‘big conversation’ with stakeholders about what it is realistic to expect in terms of public service support, and what might be a reasonable contribution to people’s care from individuals, their relatives, their neighbours and their communities.

3. A reduction is required in the volume of demand and expectation that is generated from initial requests for assistance. We need to redesign the system to create opportunities at each stage in the process for people to receive the right information or support at the right time.

4. This will reduce the **volume** of people waiting for an assessment; it will increase satisfaction rates because people will be able to access relevant and appropriate help either directly or much faster. It will speed up our response times, reduce ‘false positives’ and align the need for formal care more closely with its availability. This will leave a smaller volume of higher level need for formal care at home, residential and nursing provision, or other specialist care. This smaller volume will allow us to commission higher quality care at a market rate that ensures both capacity and sustainability.

5. This change of landscape must be complemented by a **redesign** of some of our internal, high cost, direct care services. These include Hospital at Home, Reablement, Intermediate Care, and other similar intensive support, including emergency responses.

6. **Workforce development:** effective integration requires a focus on organisational development, leadership and support for staff groups who are being asked to work in a new environment. Health and social care job demand is projected to rise; however, similar growth is forecast in the retail and hospitality sectors, and competition for the low paid workforce between sectors is likely to become fiercer. Edinburgh is already carrying significant recruitment and retention challenges in respect of adult social care. Without radical renegotiation and redesign, we will not have the people to deliver the type and level of care that citizens expect.

7. Our ability to focus on these critical and transformational priorities is dependent not only on financial resources and a timetabled, monitored action plan, but also requires adequate **business support, processes and IT infrastructure**. Further work to develop appropriate support mechanisms is required to be progressed with our partners.

8. **Professional/clinical governance and quality** – the integration of staff groups with different employers, terms and conditions and professional backgrounds, requires careful consideration of a range of HR issues and governance arrangements. Each professional group is subject to the registration requirements of a different governing body and to that body’s code of conduct. Notwithstanding these different expectations, the principles of integration require the seamless delivery of coherent, coordinated services.

Linked to the above and emerging from the outline strategic commissioning plans our priorities include:

For people with a learning disability:	For people with mental health issues:
<ul style="list-style-type: none"> • The redesign of the Royal Edinburgh Hospital will require 19 community placements (18 already commissioned); in addition, 15 beds for assessment and treatment will be commissioned from NHS Lothian. • Taking a whole life approach that improves earlier intervention in childhood for people with behaviours that are challenging, and the development of smoother transitions from children to adult services. • Adopting an ‘Ageing in Place’ strategy, which will promote awareness of disability issues in older people’s services and aging issues amongst learning disability services. • Strengthening services that can support people with more complex behavioural or forensic needs in the community, which will lead to the development of four ‘locality 	<ul style="list-style-type: none"> • Prevention – Place-based and person-centred life course approach improving outcomes, population health and health inequalities • Access – Responsive and clear access arrangements connecting people to the support they need at the right time • Parity of esteem between mental health and physical illness through collaborative and mature cross sector working across public sector bodies, third sector and private sector • Sustainability – Ensure the best use of Edinburgh’s funding through improving financial and partnership sustainability by - place-based cohesive and collaborative • Commissioning needs-based care pathways, pooled budgets and more community based models of support, linked to wider Edinburgh’s transformation activity; maximising digital health opportunities and

leadership groups’.

- Identification of a range of housing and support options for people with learning disabilities and people with complex needs with a focus on core and cluster services.
- Reducing the cost of night care by developing a night support service with the option of on-call responders.
- Creating a ‘framework’ or ‘alliance’ agreement for accommodation with support across current partners to improve the links between people and providers.
- Key priorities for people with autism (who do not have a learning disability) include:
- Further development of the existing Edinburgh Autism Plan to reflect the emerging new priorities from the next and final stage of the Scottish Strategy for Autism.
- Ongoing advice and information for people with autism, including finding and maintaining housing and work in Partnership with key stakeholders.
- Continuing the Partnership’s approach to promoting autism awareness with staff and the general public.

For older people:

- Stream 1 – Health and Wellbeing – We want to “take a big step back” by focusing on providing alternative and additional services earlier in the pathway, and by ensuring that appropriate information and support are provided to citizens in making choices that reflect their needs more effectively
- Stream 2 – Access and Assessment – We have taken significant steps forward to meet challenges in accessing care, with the establishment of an assessment and review board, which has sponsored the production of a harmonised assessment process. This

investing in new workforce roles

- Culture – Mental health is ‘everyone’s business’, enabling local areas to make decisions for system wide outcomes supported by shared information. This includes mental health and social care, but more broadly, the opportunities to consider the best approach across public services and the third sector, with a focus on community, early intervention and resilience, building on 5 Ways to Well Being
- Evidence and Research – Learning from local, national and international evidence and research and driving transformational change across traditional silos and with a wide range of partners from public, voluntary and private sectors
- Measurement – Standardised outcomes framework with minimum standards, outcomes and access across all providers of health and social care and shared approaches to strengthening communities and voluntary sector effectiveness
- Employers – All employers promote good employment practice for mental health, building capacity for conversations to support suicide prevention

For people with a physical disability:

- The move from the Astley Ainslie Hospital to the redesigned Royal Edinburgh Hospital will offer opportunities to review current bed use and outpatient services.
- Strengthening services that can support people to be more independent in their community.
- Identification of a range of housing and support options for people with physical disability, with a particular focus on core and cluster services.
- Reducing the cost of night care by developing a night support service, with the option of on-

requires considerable additional work, but has great potential to reduce the size of queues, including investment in Telecare, self-directed support and changes to our support planning approach

- Stream 3 – Short Term Care and Support – We will work collaboratively with our primary care, third, independent and housing sector colleagues to identify different models of care and capacity available to ensure quick and timely discharges from acute services and short-term support required to prevent admission
- Stream 4 – Long Term Care and Support – In light of the significant challenges of acquiring adequate long-term care and support in the community, we will work with the independent, third and housing sectors to create a more coherent design

framework for contracting, with a view to increasing care in the community. We will review how our directly-provided services are run and make recommendations on the future model for improved sustainability and quality. In developing a ‘Realistic Care’ model, self-management and preventative use of equipment to strengthen earlier reablement activity. We will also be engaging with day care and lunch club providers to improve our wider integration. Our work with service users, carers, and the third sector has also identified that we must make more of the opportunities afforded us by self-directed support.

- Stream 5 – Complex care, Accommodation, and Bed-based services – The IJB has outlined its direction of travel for all services, which is to shift the balance of care from institutions to homely settings in the community. Our ambition is to ensure that people are as close to home as possible.

call responders.

- Reviewing the number of community navigators

For the primary care improvement plan:

- The main focus of the plan will be how the new contract outline model can best be implemented at locality/cluster/practice level to stabilise and transform the Primary Care workforce.
- In Edinburgh, we have already implemented a Linkworker Network supporting 20 practices in areas of high deprivation as classified using the Scottish Index of Multiple Deprivation (SMID). The relevance and associated resource of Linkworker to a population not classified as deprived is being tested both through 17C funding in NW Edinburgh and by Transformation and Stability injections.
- Following successful ‘tests of change’ Edinburgh GPs are keen to see rapid expansion of Advanced Nurse Practitioners, pharmacists and CPNs in particular.
- Current tests of change with physiotherapy and clinical admin support are likely to create further demand. (The potential of psychology has not yet been tested).
- 2018/19 will see the first collaborative cluster wide bids for additional capacity.
- 2019/20 is anticipated to see the development of the first cluster services as proposed and funded by the new contract arrangements.

Conclusion

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

Judith Proctor
Chief Officer
28th September 2018

Ricky Henderson
Chair
28th September 2018

Moira Pringle
Chief Finance Officer
28th September 2018

STATEMENT OF RESPONSIBILITIES

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENTS OF ACCOUNT

Responsibilities of the Edinburgh Integration Joint Board

The Edinburgh Integration Joint Board is required:

- to make arrangements for the proper administration of its financial affairs and to secure that it has an officer responsible for the administration of those affairs. In this Integration Joint Board, that officer is the Chief Finance Officer;
- to manage its affairs to achieve best value in the use of its resources and safeguard its assets;
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- to approve the Annual Accounts.

I confirm that these Annual Accounts were approved for signature by the Edinburgh Integration Joint Board on 28th September 2018.

Ricky Henderson
Chair of the Edinburgh Integration Joint Board
28th September 2018

Responsibilities of the Chief Finance Officer

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

In preparing the financial statements I am responsible for:

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

I am also required to:

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

Statement of Accounts

I certify that the Statement of Accounts presents a true and fair view of the financial position of the Edinburgh Integration Joint Board at the reporting date, and its income and expenditure for the year ended 31 March 2018.

Moira Pringle
Chief Finance Officer
28th September 2018

REMUNERATION REPORT

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

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

The voting members of the EIJB are appointed by the respective partner bodies (NHS Lothian and City of Edinburgh Council). The voting members from NHS Lothian and City of Edinburgh Council in the period April 2017 to March 2018 were:

S. Allen (<i>left 31/12/17</i>)	NHS	E. Aitken (<i>left 18/05/17</i>)	CEC
M. Ash	NHS	R. Aldridge (<i>appointed 15/03/18</i>)	CEC
M. Hill (<i>appointed 01/03/18</i>)	NHS	I. Campbell (<i>appointed 15/03/18</i>)	
C. Hirst	NHS	J. Griffiths (<i>left 18/05/17</i>)	CEC
A. Joyce (<i>re-appointed 10/05/18</i>)	NHS	R. Henderson (Chair) (<i>appointed 18.05.17</i>)	CEC
A. McCann (<i>appointed 01/01/18</i>)	NHS	S. Howat (<i>left 18/05/17</i>)	CEC
R. Williams (<i>left 28/02/18</i>)	NHS	D. Howie (<i>appointed 18/05/17, left 15/03/18</i>)	CEC
		M. Main (<i>appointed 24/08/17</i>)	CEC
		C. Miller (<i>left 24/08/17</i>)	CEC
		A. Rankin (<i>left 15/03/18</i>)	CEC
		S. Webber (<i>appointed 18/05/17</i>)	CEC
		N. Work (<i>left 18/05/17</i>)	CEC

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

C. Hirst (Vice Chair)	NHS	R. Henderson (Chair)	CEC
M. Ash	NHS	R. Aldridge	CEC
M. Hill	NHS	I. Campbell	CEC
A. Joyce	NHS	M. Main	CEC
A. McCann	NHS	S. Webber	CEC

Councillors and NHS Non-Executive Directors are able through their parent bodies to reclaim any expenses. In the year to 31 March 2018, no expense claims were made in relation to work on the EIJB. The Chair of the EIJB was in receipt of additional remuneration in 2017/18 relating to his duties for the EIJB of £8,464 (£6,807, part year 2016/17). The Vice-Chair of the EIJB was in receipt of additional remuneration in 2017/18 relating to her duties for the EIJB of £8,251 (£0 2016/17). No allowances were paid to other voting members during the year. The remuneration and pension benefits received by all voting members in 2017/18 are disclosed in the remuneration reports of their respective employer.

Remuneration Paid to Senior Officers

	Year to 31/3/2018				Year to 31/3/2017
	Salary, fees and allowances (£)	Compensation for loss of office (£)	Total remuneration (£)	FYE (£)	Total remuneration (£)
R McCulloch-Graham, EIJB Chief Officer (to 28/08/2017)	96,844	40,490	137,334	150,390	148,901
M Miller, EIJB Chief Officer (from 29/08/2017)	88,940	-	88,940	150,390	n/a
M Pringle, EIJB Chief Finance Officer	77,092	-	77,092	77,092	74,772

Pension benefits

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

Local Government Pension Scheme

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

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

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

The contribution rates for 2017/18 were as follows:

<u>Whole Time Pay</u>	<u>Contribution rate</u>
On earnings up to and including £20,700 (2016/17 £20,500)	5.50%
On earnings above £20,700 and up to £25,300 (2016/17 £20,500 to £25,000)	7.25%
On earnings above £25,300 and up to £34,700 (2016/17 £25,000 to £34,400)	8.50%
On earnings above £34,700 and up to £46,300 (2016/17 £34,400 to £45,800)	9.50%
On earnings above £46,300 (2016/17 £45,800)	12.00%

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

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

NHS Pension Scheme (Scotland) 2015

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

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

Accrued Benefits

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

The pension entitlements of senior officers and current voting members for the period to 31 March 2018 are shown in the table below, together with the employer contribution made to the employee's pension during the year. Where accrued pension benefits are not shown in the table below, this indicates the employee has been a member of the pension scheme for less than 2 years.

	Employer In-Year Contribution			Accrued Pension Benefits	
	For year to 31/3/18 £	For year to 31/3/17 £		As at 31/3/18 £000	Difference from 31/3/17 £000
R McCulloch-Graham, EIJB Chief Officer (to 28/08/2017)	13,090	31,716	Pension	n/a	n/a
			Lump Sum	n/a	n/a
M Miller, EIJB Chief Officer (from 29/08/2017)	17,877	n/a	Pension	55	n/a
			Lump Sum	105	n/a
M Pringle, EIJB Chief Finance Officer	11,487	11,222	Pension	14	2
			Lump Sum	30	0
R Henderson, Chair	5,314	7,017	Pension	5	0
			Lump Sum	2	0

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

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

Judith Proctor
Chief Officer
28th September 2018

Ricky Henderson
Chair
28th September 2018

ANNUAL GOVERNANCE STATEMENT

Scope of Responsibility

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

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

Governance Framework

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

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

Board and Committee Structures

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

The Strategic Planning Group (SPG) was formally established in May 2016. It is chaired by the vice-chair of the EIJB. This ensures a strong link with the leadership of the EIJB but allows an increased focus. The SPG reviews business cases to ensure they are robust and meet the aims of the strategic plan, provides assurance to the EIJB on whether there has been appropriate consultation and engagement in line with statutory responsibilities. The SPG also oversees the delivery of the strategic plan. The annual review of the Strategic Plan has also commenced and is focussing on the financial plan, directions and annual performance.

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

A work programme including annual approval of IJB Accounts, Internal Audit Charter, Internal Audit Plan and Chief Internal Auditor Opinion has been established. The Committee also annually considers the External Audit Plan and External Auditor's Opinion.

The EIJB has agreed to integrate performance reporting from both the City of Edinburgh Council and NHS Lothian. A performance and quality sub-group was also established which was to provide assurance to the EIJB on the quality of the service being provided. This has recently been reviewed to ensure continuous improvement, in line with the requirements to deliver best value. The sub-group will focus on the delivery of the annual performance report and the review and monitoring of this twice a year. This group has been reviewed and its role is set to be subsumed by the Strategic Planning Group.

The EIJB has also retained the Professional Advisory Group. This group was created in 2012 and provides professional guidance to the EIJB. It has membership on the Strategic Planning Group and the Performance and Quality Sub-Group.

Internal Controls

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

The EIJB has agreed the following governance documentation:

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

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

A formal referral process for relevant audit reports has been agreed with the Council's Chief Internal Auditor and the City of Edinburgh Council's Governance, Risk and Best Value Committee. A similar approach has been sought with NHS Lothian. This ensures that audit information can be shared between the three organisations.

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

The EIJB created a risk register in July 2016 following a risk management initiative which prioritised and scored inherent risks was developed by the IJB Senior Management Team, supported by PwC. The risk register has been continually updated, including having specific development sessions where all members could take part in a discussion on risk appetite. The last significant update was in September 2017 and consolidated strategic and operational risks into one document. In February and March 2018, the EIJB agreed that the risk register should be divided into IJB and Health and Social Care Partnership risks in 2018/19. This would allow the IJB to focus on its roles and responsibilities, concentrating on risks regarding strategy, scrutiny and performance.

A lead has been identified for the co-ordination of business continuity and reports directly to the Chief Officer.

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

A review of complaint handling was undertaken in July 2016. The results of this transferred the management of complaints to the Partnership. Further work is necessary to develop a single recording system for the management and co-ordination of complaints to ensure a more efficient and robust system.

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

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

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

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

The Edinburgh Integration Joint Board (EIJB) has information governance responsibilities in relation to strategic planning and delegated functions which it determines and directs with its partners. To achieve appropriate governance in this area, a memorandum of understanding (MOU) has been agreed between the EIJB, NHS Lothian and the City of Edinburgh Council that ensures responsibilities are clearly set out and understood. The MOU will be underpinned by subsidiary agreements to ensure that information governance arrangements support integrated working and practices, and that statutory requirements are fully met.

Review of Effectiveness

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

This review of effectiveness is informed by:

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

The evidence of effectiveness from these sources includes:

- Standing Orders are reviewed annually in a report to the EIJB, to ensure they are up to date and relevant.
- The Health and Social Care Partnership's contract management framework is subject to annual internal review.
- The EIJB considers monthly performance reports.

- A resilience plan was created in January 2018 but was not fully developed due to the opportunities for further exploration of incident readiness following the late winter severe weather. Further work is planned for 2018/19.
- A quarterly Internal Audit update detailing Internal Audit activity on behalf of the EIJB is submitted to the Audit and Risk Committee.
- The Chief Internal Auditor provides an annual audit opinion. For 2017/18 this is: "Internal Audit considers that significant enhancements are required to the EIJB control environment and governance and risk management frameworks and is therefore reporting a 'red' rated opinion, with our assessment towards the middle of this category". This opinion is based on the outcomes of three audits included in the EIJB 2017/18 internal audit annual plan; the outcomes of relevant Partnership reports referred to the EIJB by the City of Edinburgh Council Governance, Risk, and Best Value Committee and the NHS Lothian Audit Committee; and the status of open internal audit findings.
- Progress in implementing recommendations from previous audit reports has been closely tracked by the Chief Officer and the Audit and Risk Committee. However, a validation exercise in late 2017/early 2018 identified that there were some historic audit actions that had not been implemented. An action plan has been created to address the outstanding actions.
- Regular finance monitoring reports are presented to the EIJB and Council and NHS committees. Monitoring arrangements have been effective in identifying variances and control issues and taking appropriate action. This has included allocating funds to offset unachieved saving plans.
- Performance monitoring has been comprehensive but improvements were necessary to ensure sufficient focus on key issues and to join up monitoring with the Strategic Plan and Directions. This is due to be resolved by the role of the Performance and Quality Committee being transferred to the Strategic Planning Group.
- The report on the Joint Inspection of Services for Older People identified a number of areas of concern and identified recommendations that an improvement plan has been agreed to address. It did highlight though that the EIJB had appropriate governance arrangements in place to support the integration of health and social care and that demonstrated a commitment to engage with the community.
- On 29 August 2017, the Chief Officer of the EIJB and the Chief Strategy and Performance Officer left the Health and Social Care Partnership. Interim management arrangements were put in place immediately, and an improvement programme established. The programme was approved by the IJB and additional resources allocated to support the programme, together with formal progress reporting arrangements. A new Chief Officer is in place and the rest of her senior management team will be in place by the summer of 2018.
- There has been significant turnover of members of EIJB, although some of this is stipulated by timescales of appointment, it can have an impact on the quality of scrutiny and decision-making as members adjust to their new role. A period of relative stability in membership would be beneficial.
- Although there has been temporary chairs of the Audit and Risk Committee which has meant the role of the committee could continue effectively; there has not been a permanent chair since September 2017.

Update on prior year issues

Progress with last year's disclosures is summarised in the table below:

	Issue	Update
1	Management and coordination of complaints	The Chief Nurse has established a single process for the management of Partnership complaints.
2	Progress against Joint Inspection Improvement Plan	Whilst the IJB received regular updates on progress against the improvement plan it is recognised that these lacked structure and focus. A follow up inspection is underway, and expected to report in October 2018. This will therefore provide an opportunity to review the improvement plan and ensure that it is aligned with the strategic vision and the range of improvement activity across the Partnership and IJB.
3	Work to review risk register	A major refresh of the IJB risk register was undertaken during the year. This delineated the Edinburgh Health and Social Care risks from those of the IJB. This approach has been endorsed by both the Audit and Risk Committee and the IJB
4	Review of audit capacity	This was considered jointly by the 4 IJBs in Lothian and NHS Lothian.

Further development

	Issue	Responsible Party	Reporting Date
1	Further improvement and development of the mitigating actions for the new separate EIJB Risk Register	Chief Officer	June 2018 and onwards
2	Development of an Integrated Resilience Management Strategy for the Health and Social Care Partnership	Chief Officer	May 2018
3	Review and changes to responsibilities of sub groups regarding performance monitoring	Chief Officer	May 2018
4	Establishment of an Improvement Programme Board to oversee non-savings related work for the Health and Social Care Partnership	Chief Officer	May 2018
5	Appointment of an Audit and Risk Committee Chair	Chief Officer	August 2018
6	The Chief Internal Auditor's annual opinion identified a number of high rated control weaknesses relating to purchasing and	Chief Officer	August 2018

	Issue	Responsible Party	Reporting Date
	commissioning. As a result, internal audit provided a “red rated opinion” (significant enhancements required). An Assurance Oversight Group has been established by the Chief Officer to oversee the implementation of agreed actions.		

Certification

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

Conclusion

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

Judith Proctor
Chief Officer
28th September 2018

Ricky Henderson
Chair
28th September 2018

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

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

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT**FOR THE YEAR ENDED 31 MARCH 2018**

2016/17			2017/18		
Net Expenditure £000		Note	Gross expenditure £000	Gross income £000	Net Expenditure £000
	Health Services	9			
228,797	Core services		250,957	0	250,957
82,154	Hosted services		86,071	0	86,071
49,461	Non- cash Limited		49,623	0	49,623
101,176	Set aside services		99,410	0	99,410
684	Corporate services		1,257	0	1,257
462,272			487,318	0	487,318
	Social Care Services	9			
126,604	External purchasing		124,670	0	124,670
24,710	Care at home		34,616	0	34,616
14,829	Day services		12,698	0	12,698
22,594	Residential care		22,457	0	22,457
11,994	Social work assessment and care management		13,191	0	13,191
0	Corporate services		527	0	527
12,884	Other		8,918	0	8,918
213,615			217,077	0	217,077
277	Corporate services	3	420	0	420
676,164	Cost of services		704,815	0	704,815
-679,854	Taxation and non-specific grant income and expenditure	2	0	-709,477	-709,477
-3,690	Surplus on provision on services		704,815	-709,477	-4,662

BALANCE SHEET

The Balance Sheet shows the value, as at 31 March 2018, of the assets and liabilities recognised by the Board. The net assets of the Board are matched by the reserves held.

BALANCE SHEET AS AT 31 MARCH 2018			
31/03/2017		Notes	31/03/2018
£000			£000
	Current assets		
3,714	Short term debtors	4	8,378
	Current liabilities		
-24	Short term creditors	5	-26
3,690	Net assets		8,352
-3,690	Usable reserves	MIRS ¹	-8,352
-3,690	Total reserves		-8,352

I certify that the Statement of Accounts present a true and fair view of the financial position of the Edinburgh Integration Joint Board as at 31 March 2018 and its income and expenditure for the period.

Moira Pringle
Chief Finance Officer
28th September 2018

MOVEMENT IN RESERVES

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

	31/03/2018	31/03/2017
	£000	£000
Usable reserves – General Fund brought forward	-3,690	0
Surplus on the provision of services	-4,662	-3,690
Total comprehensive income and expenditure	-8,352	-3,690
Balance, as at 31 March, carried forward	-8,352	-3,690

NOTES TO ACCOUNTS

1. ACCOUNTING POLICIES

1.1 General Principles

The Annual Accounts for the year ended 31 March 2018 have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 (the Code) and the Service Reporting Code of Practice. This is to ensure that the accounts 'present a true and fair view' of the financial position and transactions of the Edinburgh Integration Joint Board (EIJB).

1.2 Accruals of Income and Expenditure

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

1.3 VAT Status

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

1.4 Going Concern

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

1.5 Funding

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

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

1.6 Provisions, Contingent Liabilities and Assets

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

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

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

1.7 Employee Benefits

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

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

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

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

1.8 Cash and Cash Equivalents

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

1.9 Reserves

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

The EIJB has one usable reserve, the General Fund which can be used to mitigate financial consequences of risks and other events impacting on the Boards resources. The monies within this fund have been earmarked for specific purposes as set out in the financial plan for 2018/19.

1.10 Support Services

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

2. RELATED PARTY TRANSACTIONS

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

	31/03/2018	31/03/2017
	£000	£000
NHS Lothian	-511,593	-486,410
City of Edinburgh Council	-197,357	-193,444
Total	-708,950	-679,854

Expenditure relating to the two parties was as follows;

	31/03/2018	31/03/2017
	£000	£000
NHS Lothian	487,561	486,398
City of Edinburgh Council	216,697	189,698
Total	704,258	676,096

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

3. CORPORATE EXPENDITURE

	31/03/2018	31/03/2017
	£000	£000
Staff Costs	391	206
Other Fees	3	47
Audit Fees	26	24
Total	420	277

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

EIJB is in receipt of NHS Lothian and City of Edinburgh Council support services. NHS Lothian and the City of Edinburgh Council have agreed to provide support services, without an onward recovery. Support services to a value of £0.709m (£0.751m 2016/17) have been provided.

4. SHORT TERM DEBTORS

	31/03/2018	31/03/2017
	£000	£000
Central Government Bodies	-	12
Other Local Authorities	8,378	3,702
Total	8,378	3,714

5. SHORT TERM CREDITORS

	31/03/2018	31/03/2017
	£000	£000
Other Bodies	-26	-24
Total	-26	-24

6. POST BALANCE SHEET EVENTS

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

7. CONTINGENT LIABILITIES and ASSETS

There are no contingent liabilities or assets to disclose.

8. PRIOR PERIOD ADJUSTMENT

Prior period figures have been re-stated to exclude the resource transfer between NHS Lothian and the City of Edinburgh Council. The impact on the Comprehensive Income and Expenditure is shown below:

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

	2016/17	Resource	2017/18
	Statements	Transfer	Re-stated
	£000	£000	£000
Health Services			
Core Services	252,816	-24,019	228,797
Social Care Services			
Other	-11,135	24,019	12,884

9. SEGMENTAL REPORTING

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

	2017/18 Actual Expenditure £000	2018/19 Actual Expenditure (re-stated) £000
SERVICES PROVIDED BY NHS Lothian		
Core services		
Community hospitals	11,303	10,959
District nursing	10,666	10,349
General medical services	75,269	72,699
Prescribing	82,172	80,167
Other core services	71,547	54,623
Total core services	250,957	228,797
Hosted services		
Mental health, substance misuse and learning disabilities	45,928	38,889
Other hosted services	41,400	43,949
Total hosted services	87,328	82,838
Non- Cash Limited		
Dental	26,684	26,447
Ophthalmology	9,253	9,067
Pharmacy	13,686	13,947
Total Non-Cash Limited	49,623	49,461
Set aside services		
Cardiology	11,163	16,960
General medicine	24,972	32,764
Geriatric medicine	13,100	18,677
Junior medical	13,757	0
Other set aside services	36,418	32,775
Total set aside services	99,410	101,176
TOTAL SERVICES PROVIDED BY NHS Lothian	487,318	462,272
SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL		
External purchasing	124,670	126,604
Care at home	34,616	24,710
Day services	12,698	14,829
Residential care	22,457	22,594
Social work assessment & care management	10,452	11,994
Other services provided by City of Edinburgh Council	12,184	12,884
TOTAL SERVICES PROVIDED BY CITY OF EDINBURGH COUNCIL	217,077	213,615
Useable Reserves	-8,352	-3,690
TOTAL ALL SERVICES	696,043	672,197

10. FUNDING ANALYSIS

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

11. INDEPENDENT AUDITOR'S REPORT

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

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

Report on the audit of the financial statements

Opinion on financial statements

We certify that we have audited the financial statements in the annual accounts of the Edinburgh Integration Joint Board for the year ended 31 March 2018 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 2017/18 (the 2017/18 Code).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its surplus on the provision of services for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 are independent of the Joint Board 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.

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 Joint Board'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.

Responsibilities of the Chief Finance Officer and Edinburgh 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 Joint Board'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 Joint Board is responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that 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 and 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.

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.

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



Edinburgh Integration Joint Board

2017-18 Annual Audit Report to the Board
and the Accounts Commission for Scotland

September 2018

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Key messages

Annual accounts

The annual accounts for the year ended 31 March 2018 were approved by the Board on 28 September 2018. We have reported within our independent auditor's report an unqualified opinion on the annual accounts and on other prescribed matters.

The annual accounts and supporting schedules were of a good standard. Our thanks go to staff at the IJB and City of Edinburgh Council for their assistance with our work.

Wider scope audit

Financial Sustainability

The IJB faces a number of significant challenges relating to the current levels of performance, and associated capacity issues, the rate that the population in Edinburgh is rising, particularly among elderly groups, and a requirement to deliver transformational change within existing resources.

The IJB has considered a high level financial outlook for the next 5 years, which signals that there will be a financial gap of almost £117 million without substantial changes being made to the way that services are delivered.

Financial management

The IJB was able to report a surplus within its annual accounts, but again relied on additional contributions from the City of Edinburgh Council and NHS Lothian to reflect areas of significant overspend.

We have noted improvements in the budgeting process, including joint work with NHS Lothian to produce an improved financial model.

The IJB was unable to make any significant contribution to savings targets during 2017-18, but steps have been taken to improve the monitoring of savings, including the establishment of a Partnership Savings Governance Board.

Governance & transparency

The Board has experienced significant changes in membership during the period of the Strategic Plan, which may undermine the pace of change.

The Board has identified areas for improvement in its governance arrangements, including a number of areas of significant control weakness within operational areas highlighted by the internal auditors. These must be addressed urgently.

We consider that the reporting of progress against improvement plans has lacked clarity and focus.

Value for money

Performance continues to be poor in relation to a number of key targets despite a range of interventions.

The IJB must work with its partners to develop the leadership and financial capacity required to support and deliver a realistic and focused improvement programme.

Conclusion

This report concludes our audit for 2017-18. Our work has been performed in accordance with the Audit Scotland Code of Audit Practice, International Standards on Auditing (UK) and Ethical Standards.

Scott-Moncrieff
September 2018

1

Introduction

This report is presented to those charged with governance and the Auditor General for Scotland and concludes our audit of Edinburgh IJB for 2017/18.

We carry out our audit in accordance with Audit Scotland's Code of Audit Practice (May 2016). This report also fulfils the requirements of International Standards on Auditing (UK) 260: Communication with those charged with governance.

At Edinburgh IJB, we have designated the Audit and Risk Committee as "those charged with governance".

Introduction

1. Audit Scotland appointed Scott-Moncrieff as auditor to Edinburgh Integration Joint Board (“IJB” / “the Board”) for the five year period 2016-17 to 2020-21.
2. The scope of the audit was set out in our External Audit Annual Plan, which was presented to the Audit and Risk Committee in April 2018. The core elements of our work include:
 - an audit of the 2017-18 financial statements and related matters;
 - consideration of the wider dimensions of public audit work, as set out in Exhibit 1; and
 - any other work requested by Audit Scotland (including input into the performance audit on health and social care integration to be reported in autumn 2018).

Exhibit 1: Audit Dimensions within the Code of Audit Practice



Source: Audit Scotland Code of Audit Practice, May 2016

3. The IJB is responsible for preparing an annual report and accounts which show a true and fair view and for implementing appropriate internal control systems. The weaknesses or risks identified in this report are only those that have come to our attention during our normal audit work, and may not be all that exist. Communication in this report of matters arising from the audit of the annual report and accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.
4. This report contains an action plan with specific recommendations, responsible officers and dates for implementation. Senior management should assess these recommendations and consider their wider implications before deciding appropriate actions. Each recommendation has been given a grading to help the Board assess its significance and prioritise the actions required.
5. We discussed and agreed the content of this report with the Chief Officer and Chief Finance Officer. We would like to thank all members of the Board's management and staff who have been involved in our work for their co-operation and assistance during our audit work.

Confirmation of independence

6. International Standards on Auditing in the UK (ISAs (UK)) require us to communicate on a timely basis all facts and matters that may have a bearing on our independence.

7. We confirm that we have complied with Financial Reporting Council's (FRC) Revised Ethical Standard (June 2016). In our professional judgement, the audit process is independent and our objectivity has not been compromised in any way. In particular, there have been no relationships between Scott-Moncrieff and the Board or senior management that may reasonably be thought to bear on our objectivity and independence.

Feedback

8. We aim is to add value to the IJB through our external audit work by being constructive and forward looking, by identifying areas of improvement and by recommending and

encouraging good practice. In this way, we aim to help the Board promote improved standards of governance, better management and decision making and more effective use of resources.

9. Any comments you may have on the service we provide, the quality of our work and our reports would be greatly appreciated at any time. Comments can be reported directly to the audit team or through our online survey: www.surveymonkey.co.uk/r/S2SPZBX
10. While this report is addressed to the Board, it will be published on Audit Scotland's website www.audit-scotland.gov.uk

2

Annual report and accounts

The IJB's annual report and accounts is the principal means of accounting for the stewardship of its resources and its performance in the use of those resources.

In this section we summarise the findings from our audit of the 2017/18 annual accounts.

Annual report and accounts

The annual report and accounts for the year ended 31 March 2018 were approved by the Joint Board on 28 September 2018. We have reported unqualified opinions within our independent auditor's report.

Overall conclusion

An unqualified audit opinion on the annual accounts

11. The annual report and accounts for the year ended 31 March 2018 were considered and approved by the Audit and Risk Committee on 7 September 2018 and thereafter by the Board on 28 September 2018. We have reported within our independent auditor's report:
- an unqualified opinion on the financial statements; and
 - an unqualified opinion on other prescribed matters.
12. We are also satisfied that there are no matters which we are required to report to you by exception.

Good administrative processes were in place

13. We received unaudited annual accounts and supporting papers for the annual accounts in line with our agreed audit timetable. Our thanks go to the Chief Finance Officer and the Finance team at City of Edinburgh Council for their assistance.

14. The annual report and accounts will be submitted to Audit Scotland and the Accounts Commission before the 30 September deadline.

Our assessment of risks of material misstatement

15. The assessed risks of material misstatement described in Exhibit 2 are those that had the greatest effect on our annual accounts audit strategy, the allocation of resources in the audit and directing the efforts of the audit team. Our audit procedures relating to these matters were designed in the context of our audit of the annual accounts as a whole, and not to express an opinion on individual accounts or disclosures. Our opinion on the annual accounts is not modified with respect to any of the risks described in Exhibit 2.
16. We outline three significant risks in Exhibit 2. A further four significant risks were identified within our audit plan relating to wider scope risks.

Exhibit 2: Our assessment of risks of material misstatement and how the scope of our audit responded to those risks

1. Management override

In any organisation, there exists a risk that management have the ability to process transactions or make adjustments to the financial records outside the normal financial control processes. Such issues could lead to a material misstatement in the annual accounts. This is treated as a presumed risk area in accordance with ISA 240.

Excerpt from the 2017-18 External Audit Plan

17. We have not identified any indications of management override in the year. We have reviewed the Board's accounting records and obtained evidence to ensure that all significant transactions were valid and accounted for correctly. We have also reviewed management estimates and the journal entries processed in the period and around the year end and did not identify any areas of bias in key judgements made by management and that judgements were consistent with prior years.

2. Revenue recognition

Under ISA 240 - The auditor's responsibilities relating to fraud in an audit of financial statements, there is a presumed risk of fraud in relation to revenue recognition. The presumption is that the IJB could adopt accounting policies or recognise income in such a way as to lead to a material misstatement in the reported financial position.

Excerpt from the 2017-18 External Audit Plan

18. We evaluated each type of revenue transaction and reviewed the controls in place over revenue accounting, including the financial assurance and due diligence processes undertaken by the Chief Finance Officer. We are satisfied that all income recognised in the Board's annual accounts relate to agreed contributions from the City of Edinburgh Council and NHS Lothian. We have gained reasonable assurance on the completeness and occurrence of income and we are satisfied that income is fairly stated in the financial statements.

3. Risk of fraud in the recognition of expenditure

The FRC published a revised Practice Note 10, which applies to the audit of financial statements of public sector bodies in the UK, for periods commencing after June 2016. The Practice Note recognises that most public sector bodies are net spending bodies and notes that there is an increased risk of material misstatement due to improper recognition of expenditure. In line with the practice note, our presumption is that the Board could adopt accounting policies or recognise expenditure in a way that materially misstates the Board's financial performance.

Excerpt from the 2017-18 External Audit Plan

19. In accordance with our audit plan, we identified the significant expenditure streams and reviewed the controls in place over accounting for expenditure. We have gained reasonable assurance on the completeness and occurrence of expenditure and are satisfied that expenditure is fairly stated in the financial statements. To inform our conclusion we carried

out testing to confirm that the Board’s policy for recognising expenditure is appropriate and has been applied consistently throughout the year. As a result of the testing, we concluded that expenditure was appropriate and was not materially misstated.

Our application of materiality

20. The assessment of what is material is a matter of professional judgement and involves considering both the amount and the nature of the item. This means that different materiality levels will be applied to different elements of the annual accounts.
21. Our initial assessment of materiality for the annual report and accounts was £10 million. On receipt of the 2017-18 draft accounts, we reassessed materiality and increased this threshold to £11 million. Our assessment equates to approximately 1.6% of the IJB’s 2017/18 gross expenditure. We consider this to be the principal consideration for the users of the accounts when assessing the financial performance of the IJB.

Performance materiality

22. Performance materiality is the amount set by the auditor at less than overall materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of the uncorrected and undetected misstatements exceed materiality for the financial statements as a whole.
23. We set a performance (testing) materiality for each area of work which was based on a risk assessment for the area. We perform audit procedures on all transactions and balances that exceed our performance materiality. This means that we perform a greater level of testing on the areas deemed to be of significant risk of material misstatement. Performance testing thresholds used are as set out below:

Area risk assessment	Weighting	Performance materiality
High	40%	£4.95million
Medium	55%	£6.05million
Low	75%	£7.70million

24. We agreed to report on all material misstatements and uncorrected misstatements with a value in excess of £200,000, as well as other misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

Audit differences

25. We are pleased to report that there were no material adjustments to the unaudited annual accounts. We identified some disclosure and presentational adjustments during our audit, which have been reflected in the final set of annual accounts.

Qualitative aspects of accounting practices and financial reporting

26. During the course of our audit, we consider the qualitative aspects of the financial reporting process, including items that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided by the annual accounts. The following observations have been made:

Qualitative aspect considered	Audit conclusion
The appropriateness of the accounting policies used.	The accounting policies, which are disclosed in the annual accounts, are considered appropriate to the IJB.
The timing of the transactions and the period in which they are recorded.	We did not identify any concerns over the timing of transactions or the period in which they were recognised.
The appropriateness of the accounting estimates and judgements used.	We are satisfied with the appropriateness of the accounting estimates and judgements used in the preparation of the annual accounts.
The appropriateness of the going concern assumption	We have not identified any uncertainties, including any significant risk or required disclosures, which should be included within the financial statements.
The potential effect on the annual accounts of any uncertainties, including significant risks and related disclosures that are required.	We have not identified any uncertainties, significant risk or required disclosures, which should be included in the financial statements.
The extent to which the annual accounts have been affected by unusual transactions during the period and the extent that these transactions are separately disclosed.	From the testing performed, we identified no significant, unusual transactions in the period.
Apparent misstatements in the annual report or material inconsistencies with the accounts.	The management commentary contains no material misstatements or inconsistencies with the financial statements.
Any significant annual accounts disclosures to bring to your attention.	There are no significant annual accounts disclosures that we consider should be brought to your attention. All the disclosures required by relevant legislation and applicable accounting standards have been made appropriately.
Disagreement over any accounting treatment or annual accounts disclosure.	There was no material disagreement during the course of the audit over any accounting treatment or disclosure.
Difficulties encountered in the audit.	No significant difficulties were encountered during the financial accounts audit.

3

Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the IJB is planning effectively to ensure they can deliver services in the way envisioned in the Strategic Plan.

Financial sustainability



The IJB faces significant financial pressures, both immediately and over the medium to longer term. Recurring financial balance will not be achieved without the delivery of sustainable, transformational change. The ability to deliver significant change of this scale within available resources will be a key challenge for the Board.

The Board has considered high level financial projections for the next five year period which set out an expected gap of £116 million by 2022-23. There is now an urgent need to work with partners to develop a strategic approach to financial planning.

Introduction

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

Significant audit risk

28. Our audit plan identified a significant risk in relation to financial sustainability under our wider scope responsibilities:

Financial sustainability

The IJB has been able to demonstrate arrangements for short term financial planning. However, it has not yet fully developed medium or long-term financial plans. The IJB recognises that it faces significant challenges over the medium term (5 years) due to increasing demand for services and a climate of constrained financial resources and it has begun to develop a strategic approach to financial planning for the next 3-5 years. At this stage, estimates made based on existing service provision, projected increases in costs and the available information on income indicates deficits in each of the 5 years (from £32.541m in 2018/19 to £116.544m in 2022/23).

Without a medium term financial plan in place, the IJB cannot demonstrate how it will deliver the key priorities identified in their strategic plan within the financial resources that will be available.

Excerpt from the 2017-18 External Audit Plan

29. We have reviewed the financial monitoring and reporting papers, including financial assurance and due diligence reports, presented to the IJB alongside assurance and supporting documentation provided by the City of Edinburgh Council and NHS Lothian. We note that while the IJB has a high level financial outlook which sets out the scale of the challenge, the Board has not yet developed a medium or long-term financial plan or strategy. The Board needs leadership and financial support from partner bodies to be able to change the way services are delivered and achieve the savings required. Financial sustainability will therefore continue to be considered a significant risk in our 2018-19 audit plan.

Action Plan Point 1

Strategic Planning

30. The Board published its Strategic Plan for Health and Social Care in Edinburgh 2016-19 (the strategic plan) in March 2016. The Plan sets out how the IJB intends to develop and charge the services that it controls, using the resources available.
31. The Strategic Plan identifies 6 key priorities:
- Tackling inequalities,
 - Managing resources effectively,
 - Making the best use of capacity,
 - Right care, right place, right time,
 - Person centred care; and
 - Prevention and early intervention.
32. Progress against the Strategic Plan has been more difficult to achieve than envisaged in 2016. The scale of the challenge in Edinburgh is exacerbated by demand pressures including:
- An elderly population that is rising quickly. Population projections envisage a 28% growth in those aged 85+ between 2012 and 2022, a group that makes more intensive use of care services. The number of people aged 85+ is projected to more than double in Edinburgh by 2037;
 - Significant underlying weaknesses identified within the Care Inspectorate/Health Improvement Scotland joint inspection of services for older people in Edinburgh
 - Levels of delayed discharges that are regularly the highest in Scotland.
33. The Board has now begun developing a Strategic Plan for 2019 and beyond. The updated Strategic Plan will build on a plan for “Immediate Pressures and Longer Term Sustainability” that the Board agreed in May 2018. The Plan recognises the scale of the challenges facing the Board and its partners in delivering change and outlines short term and longer term actions to alleviate pressures on services and budgets. Short term actions are underway and planned to be completed in 2018-19. These include:

- The establishment of a temporary funded project team to clear the waiting list for assessments (which had exceeded 2,000 individuals).
- A project to redesign the assessment process. The new assessment will be closely aligned to the redesigned carers’ assessment, which has been co-produced with carers, in readiness for the introduction on 1 April 2018 of the new carers’ legislation.
- Purchase of additional care home beds has been under negotiation between the Partnership and the independent sector since the proposal was approved by the IJB in December 2017. Additional bed capacity began in April 2018. In addition to relieving some delayed discharge pressure, it is anticipated that this will also allow for consideration of the shape and type of residential, respite, nursing and intermediate care beds required in the longer-term.

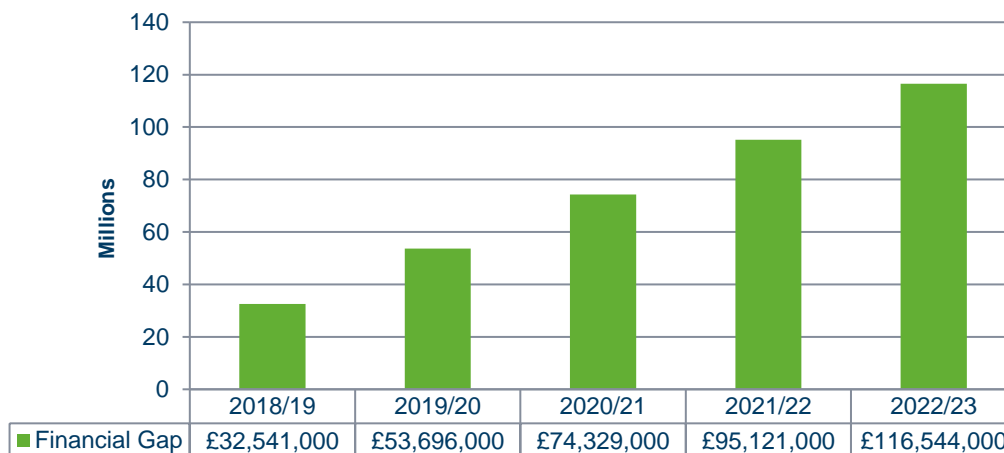
Financial Strategy

The development of a strategic approach to achieving financial sustainability is progressing

34. The current Strategic Plan recognises that the financial pressures faced by the Board and its partners make the current approach to health and social care unsustainable. Under the Plan, the Board committed to work with the City of Edinburgh Council and NHS Lothian to develop sustainable plans to achieve financial balance, including delivery of savings plans.
35. In December 2017, the Chief Finance Officer presented a high level overview of financial projections for the next 5 years. As Exhibit 3 highlights, the projections outline a significant financial challenge for the Board, with the financial gap approaching £117m by 2022-23.
36. The development of the Scottish Government’s national Medium Term Financial Framework for Health and Social Care has been delayed as a result of changes in planning assumptions, such as the Barnett consequential of additional spending on health services in England, and increased pay awards.

37. The IJB is working with NHS Lothian and the City of Edinburgh Council to further refine the financial framework to allow greater understanding of costs and the monitoring of savings.

Exhibit 3: The projected financial gap based on the current model of health and social care in Edinburgh is expected to reach £117 million by 2022-23



Source: *Financial Performance and Outlook paper to the IJB, December 2017*

38. A medium term financial plan is essential to support the delivery of a new Strategic Plan for 2019-22. In November 2017, the senior management team of the Edinburgh Health and Social Care Partnership presented a Statement of Intent to the Integration Board which gave commitments regarding actions to be taken in seven key areas (Exhibit 4).
39. Alongside the development of a financial framework, commissioning strategies will be one of the key approaches to underpin wider transformational change, and therefore financial sustainability.
40. The Board used a development session on 27 April 2018 to consider Outline Strategic Commissioning Plans for the five areas outlined below:
- Physical Disability
 - Primary Care
 - Mental Health,
 - Older People, and
 - Learning Disabilities

Exhibit 4: Statement of Intent Commitments

1. Doing the basics well (including clarifying roles, responsibilities and accountability throughout the Partnership)
2. Developing a performance framework against which the Partnership will prioritise and then manage its operations
3. Establishing a financial framework linked to the performance framework, which will articulate how the Partnership aims to deliver financial balance
4. Ensuring optimum quality
5. Developing strategies, with identifiable, manageable actions that reflect both the EIJB's aspirations and the environment in which it operates.
6. Clarifying and simplifying governance arrangements
7. Improving relationships between the Partnership and the City of Edinburgh Council, NHS Lothian, and the third and independent sectors

41. The Outline Strategic Commissioning Plans are subject to review and approval at the Board's Strategic Planning Group, before being approved by the IJB. The plans to date have included outline financial information and there is a commitment to linking the Commissioning Plans to a financial framework before they are submitted for approval by December 2018.

Workforce plans are under development

42. We highlighted within our annual report for 2016-17 that the integration scheme requires the development of a workforce plan to demonstrate that a strategic approach is in place to manage the risks that the IJB faces in relation to workforce supply and demand challenges.

43. The IJB issued Direction 19 to the City of Edinburgh Council and NHS Lothian, which required the partnership to produce and implement a workforce development strategy that supports the delivery of the strategic plan, taking account of the National Health and Social Care workplan.

44. The national Health and Social Care Workforce Plan is being developed by the Scottish Government and a single, integrated national workforce plan is due to be published later in 2018. During 2017-18, three stages have been published:

- Part I – NHS Workforce
- Part II – Social Care Workforce
- Part III – Primary Care Workforce.

45. The IJB does not yet have a workforce strategy in place, but a Workforce Strategy Group has been established to developing the strategy across the partnership. The Group is chaired by the Chief Nurse and includes representation from finance. The IJB will require further support from partners to understand the potential impact of future pressures, such as the UK withdrawal from the EU, on the health and social care workforce.

Refer to Appendix 3

4

Financial management

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

Financial management



The IJB was able to breakeven in 2017-18, but relied on non-recurrent funding from partners to address continuing areas of overspend.

Governance arrangements to identify and monitor savings have improved but the IJB has not yet delivered any significant savings to date.

Introduction

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

Significant audit risk

47. Our audit plan identified a significant risk in relation to financial management under our wider scope responsibilities:

Projected in-year deficit

Delegated services reported an overspend of £4.0m for the first 7 months of 2017/18, which was projected to rise to £7.1m by the end of the financial year without any further action. At the planning stage of our audit ongoing actions were being progressed to reduce the predicted in-year deficit to achieve a year-end balanced position. However, at December 2017 only limited assurance could be given of the achievement of break even.

There is a risk that the IJB will not achieve the planned outturn position which could have a detrimental impact on short and medium term plans for the delivery of directed services. There is also the potential for underperformance to have a wider impact on, or be reflective of underlying challenges to, longer term financial sustainability.



48. As we describe below, the IJB was able to report an in year surplus within the annual accounts for 2017-18 as a result of additional contributions from partners. During our audit we considered the approach the IJB has taken to financial reporting in 2017/18 and we were satisfied that the partnership approach taken to financial management across the IJB, the City of Edinburgh Council and NHS Lothian meant that overspends incurred were met by the relevant individual partner.

Financial performance in 2017-18

The IJB reported a surplus for the year as a result of additional contributions from partners

49. The IJB spent almost £705 million delivering health and social care services to people in Edinburgh in 2017-18. The Board achieved a surplus in 2017-18 of £4.7 million (2016-17: surplus of £3.69 million). As a result, the IJB now has reserves totalling £8.4 million.

50. However, as Exhibit 4 highlights, the surplus was achieved as a result of additional contributions from the Board's partners to meet significant continuing overspends including:

- A Care at Home overspend of £7 million
- GP prescribing overspend of £2.1million
- An overspend of £2.4 million on NHS Lothian's set aside budgets, including Junior Doctors.

51. As a result, one off contributions were agreed for 2017-18 from the City of Edinburgh Council, totalling £7.5 million, and NHS Lothian providing an additional £4.9 million.

Exhibit 4: Overspends against budget for both health and council services were met by non-recurring contributions from partners in 2017-18

Financial Performance	Budget £000	Actual £000	Variance £000
Health services	506.455	511.336	(4.881)
Council services	185.809	193.273	(7.464)
Gross position	692.264	704.609	(12.345)
Non recurring health contributions	-	(4.881)	4.881
Non recurring council contributions	-	(7.464)	7.464
Reported outturn	692.264	692.264	-

Delivering financial balance

52. The 2017-18 budget was set by the Board in March 2017. In common with other IJBs, the financial planning cycles of the partner bodies have not historically aligned. In practice, this meant that the budget had to be set based on indicative proposals from NHS Lothian.
53. A financial assurance process and due diligence exercise was conducted to ensure that the allocations proposed by the City of Edinburgh Council and NHS Lothian were adequate and fair for the IJB. The financial assurance process identified a savings gap of £20.5 million in 2017-18. While changes to funding meant that the IJB received more income than planned at that time, the IJB acknowledge that very little savings were achieved during 2017-18. In addition, the financial framework used by NHS Lothian has meant that historically it has been difficult to track savings that relate to hosted and set aside services.
54. For 2018-19, there are a number of improvements in place. The Chief Financial Officer has established a Savings Governance Board to provide additional rigour and visibility of savings throughout the partnership.
55. The Chief Finance Officer has also worked closely with NHS Lothian colleagues to support

work on a new financial model. The work aims to map each area of expenditure across the health board from budget to actual to ensure that budgets are fair and that the cost to the IJB is closely aligned to actual spend.

56. During the financial planning process for 2018-19, the partners recognised that the scale of the challenge could not be tackled within existing resources. The City of Edinburgh Council and NHS Lothian have agreed, in principle, to contribute an additional £4 million each to help address some of the capacity issues facing the IJB.

Financial reporting

57. The City of Edinburgh Council and NHS Lothian are responsible for the operational management of their allocated budgets, in line with the integration scheme. We are satisfied that both partners provide information to enable the IJB to prepare a financial update report that is presented to the full IJB Board at each meeting.
58. Financial reports present an overview of the financial position and the projected year end position. Where delegated services are presenting an overspend, further detail is provided on the underlying reasons and the actions being taken within each partner organisation.

59. In addition, the IJB are asked to approve in-year mitigating actions required to deliver a breakeven position. We are satisfied that financial reports provided sufficient information to enable to IJB to effectively manage financial position.

Internal controls

60. We sought and obtained assurances from the external auditor of the City of Edinburgh Council and NHS Lothian regarding the systems of internal control used to produce the transactions and balances recorded in the IJB's annual accounts.

61. We reviewed the approved standing financial instructions and standing orders and consider them adequate for the IJB's purposes.

62. The IJB has adequate systems in place to record, process, summarise and report financial and other relevant data. We have not identified any material weaknesses in the accounting and internal control systems during our audit, although we are aware of weaknesses identified by internal audit.

63. The IJB does not hold assets, directly incur expenditure or legally employ staff. All financial transactions of the IJB are processed through the financial systems of the council and health board. All transactions are subject to the controls and scrutiny of the respective partners, including the work performed by internal audit.

Fraud and irregularity

64. The IJB does not directly employ staff and so places reliance on the arrangements in place within the City of Edinburgh Council and NHS Lothian for the prevention and detection of fraud and irregularities. Arrangements are in place to ensure that suspected or alleged frauds or irregularities are investigated by the partner bodies. Overall, we found the arrangements to be sufficient and appropriate.

5

Governance and transparency

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

Governance and transparency



The Board has experienced significant changes in membership during the period of the Strategic Plan, which may undermine the pace of change necessary.

The Board has reviewed the governance arrangements in place, but there is scope to improve the reporting and assurance processes. The IJB's internal auditors have identified also a number of areas of significant control weakness which must be addressed urgently.

We note that the reporting of progress to address recommendations made within the Joint Inspection of Older People's Services (May 2017) report has lacked clarity and focus. A progress inspection is ongoing and therefore presents an opportunity to recast the improvement plan in line with the findings.

Introduction

65. The IJB is responsible for ensuring the proper conduct of its affairs including compliance with relevant guidance, the legality of activities and transactions and for monitoring the adequacy and effectiveness of these arrangements.

Significant audit risk

66. Our annual audit plan identified a significant audit risk relating to progress against the IJB's Statement of Intent:

Recovery Plan

During 2017/18 the interim management team for the Edinburgh Health and Social Care Partnership (the group overseeing operational delivery of the IJB's directions to its partners) considered that there was a clear requirement to bring greater clarity and focus to the activities of the partnership, with an emphasis on performance, quality and finance. At its development session on 13 October 2017 the IJB considered a "Statement of Intent" setting out:

"a high-level recovery plan to address the immediate, short and medium-term challenges faced by the Partnership, the EIJB and the parent bodies. It is constructed around the three key pillars of quality, performance and finance."

The recovery plan outlined the following seven high-level themes as well as related commitments:

- Doing the basics well.
- Establishing a financial framework.
- Ensuring optimum quality.
- Improving relationships between the IJB and its partners
- Developing a performance framework.
- Developing strategies, with identifiable, manageable actions
- Clarifying and simplifying governance arrangements

The IJB has recognised that without a clear roadmap to work with, it cannot bring clarity to the partnership's activities, nor can the partnership support the IJB in effectively discharging its duties. This in turn would lead to suboptimal performance and quality, and financial imbalance.

67. As part of our 2017/18 audit we reviewed the IJB's development of the recovery plan and reporting arrangements. Progress against the Statement of Intent has not yet been considered by the Board, although some key steps were outlined in a paper presented to the May 2018 meeting titled *A Plan for Immediate Pressures and Longer Term Sustainability*.

68. We do, however, consider that it is too early to conclude on the progress made against the recovery plan and we note below areas for improvement in the governance to support change. We therefore continue to regard the recovery plan as a significant risk and will monitor the key actions in 2018-19.

Governance arrangements

69. As a new body, the IJB continues to refine its governance arrangements. One of the objectives of the IJB's recovery plan is to simplify governance and to clarify reporting processes. In our assessment of governance arrangements, we consider how effectively the Board is able to fulfil its role and to support improvement.

Board membership

70. The IJB has only been in place and responsible for its functions for two full financial years. During that time, we note that the Board membership has been subject to significant change. Only two of the voting members who were in place at the formation of the IJB continue as Board members, although a further member has rejoined. During the same timeframe there have been significant changes at senior management level, including interim arrangements for the role of Chief Officer.
71. The IJB is a complex and unusual organisation and we therefore consider that Board members require sufficient experience and knowledge to make decisions about the future of services and effectively scrutinise the delivery of the Strategic Plan. Such a significant turnover in key decision-makers may have an impact on the pace and scale of improvement.
72. We note that the IJB has recently developed an induction programme for new members, but we would recommend additional arrangements to protect member continuity, particularly during election periods. In addition, additional training and support is being developed for members of the Audit and Risk Committee in recognition of the skills and competencies required for the role.

Openness and transparency

73. One of the sector risks identified by Audit Scotland for 2017-18 relates to public sector organisations keeping pace with public expectations on openness and transparency.

74. We found that the IJB had clear arrangements in place to ensure that members of the public can attend the board meetings as observers, and that agendas were available 5 working days in advance of the meeting. The IJB has also recently agreed to webcasting their meetings for a trial period.

75. Audit Scotland's NHS in Scotland 2017 noted that it is important that the public, staff, and elected officials are able to easily access information about how the NHS and integration authorities are performing so that they can get involved with and hold these bodies to account. The report identified a range of areas where transparency could improve, including allowing the public to attend committee meetings and publishing all committee meeting papers and minutes on the organisation's website.

76. Our own research highlights that Edinburgh IJB is one of only 8 IJBs that do not make audit committee papers publicly available on their website. Any future review of governance arrangements should therefore consider whether the balance of openness is appropriate.

Overall conclusion

77. Overall, we consider that the IJB has appropriate governance arrangements in place, but that greater support could be provided to Board members by reviewing the frequency and formatting of reporting. We note that there are inconsistencies in the language used across the partner organisation, such as the levels of assurance adopted by NHS Lothian. The Board may therefore benefit from the introduction of an assurance framework to provide additional oversight of progress against the Strategic Plan.

Action Plan Point 2

Joint Inspection of Older People's Services: Improvement Agenda

78. In 2016-17, we reported on the outcomes of the Joint Inspection of Older Peoples Services, which was published by the Care Inspectorate/Health Improvement Scotland in May 2017. The recovery plan proposed by the Interim Chief Officer was identified as a significant risk for our audit. Exhibit 5 outlines the timeline of reporting to the Board on the Improvement Plan, along with our observations. We noted areas for improvement including:

- Agreeing a single, succinct format and frequency for reporting progress to ensure that Board members can engage in effective scrutiny;

- Ensuring that action plans are framed in SMART terms to allow Board members to hold officers to account for progress; and
- Providing a clear assessment of progress against actions, including the use of high level/traffic light reports.

79. We also found that tracking individual actions to respond to the recommendations was difficult as reporting lacked clarity and focus. Some 15 months after the report was published, the level of progress made against the 17 recommendations is not clear. A follow up inspection is underway, and expected to report in October 2018. This will therefore provide an opportunity to review the improvement plan and ensure that it is aligned with the strategic vision.

Action Plan Point 3

Exhibit 5: Joint Inspection of Older Peoples Services: Timeline of Reporting to the Board

Date	Event	Our observations
May 2017	Joint Inspection of Older People's Services published, including 17 recommendations for improvement.	-
June 2017	Inspection Report considered by the Board, along with an action plan for improvement. The improvement plan included 59 actions mapped against the recommendations, of which 13 were classified as "Priority 1" to be completed within 3 months.	The Board has received no further updates against this action plan, or how the original actions map against revised plans.
Sept 2017:	The Board received an Older People's Inspection Update report which provided a description of actions taken in relation to each recommendation.	The report is descriptive in nature. It is not cross referenced to the improvement plan, although notes that the plan will be rebased. It does not provide an overall assessment of progress against each recommendation.
Nov 2017	The Interim Chief Officer presented a revised Improvement Plan to reconfigure the previous action plan to address the findings of the inspection more effectively	A progress report against Improvement Plan was presented to Performance and Quality Group but group requested future reports at higher level and more focused on milestones.
Nov 2017	IJB approves the Statement of Intent which articulates 7 key priorities for improvement.	
Dec 2017	The IJB receives a "comprehensive improvement programme" which lists 60 actions mapped against the key priorities within the Statement of Intent	The improvement plan remains at an early stage: <ul style="list-style-type: none"> - Only 1 action is listed as complete - 42 (70%) are either in pipeline or in development
March 2018	The IJB received an Older People's Inspection Update.	The report is descriptive in nature and in some instances lacks clarity about how the actions described will meet the requirements of the recommendation. Progress is not framed in SMART terms and no assessment is given to indicate completion or additional resources required to deliver.

Source: Edinburgh IJB Meeting Papers

Internal Audit

80. The City of Edinburgh Council internal audit team provides the IJB's internal audit service and the Chief Auditor of City of Edinburgh Council has been appointed as Chief Internal Auditor for the IJB.
81. To avoid duplication of effort and to ensure an efficient audit process we have taken cognisance of the work of internal audit throughout our audit. While we have not placed formal reliance on the work of internal audit in 2017/18 for our financial statements audit, we have taken account of internal audit's work in respect of our wider scope responsibilities. We are grateful to the internal audit team for their assistance during the course of our work.
82. During 2017-18, the City of Edinburgh Council internal audit team performed a self-assessment against the Public Sector Internal Audit Standards and found that they had not conformed with all requirements. The non-conformance related to insufficient follow-up of internal audit findings between April 2015 and October 2017; and resourcing challenges within the team which had impacted on the completion of two planned quality assurance reviews to ensure consistency of audit quality.
83. Internal audit noted within their annual audit opinion that these instances of non-conformance have had no direct impact on the quality of internal audit reviews completed in 2017/18.

Internal audit plan and resource

84. The internal audit plan for 2017/18 was approved in principle by the Audit and Risk Committee in June 2017. The plan identified six high and six medium auditable risks upon which assurance could be sought.
85. The Audit and Risk Committee, and internal audit, considered that assurance should be gained on all high-risk areas on an annual basis, with medium risk areas covered on a rolling 3-year basis. Four audits were planned for 2017-18, providing assurance over all high risks identified. However, the resource restraint prevented any medium risks being reviewed. This was also the case in 2016-17.

86. In December 2017, the Audit and Risk Committee approved changes to the Internal Audit Plan, with the proviso that the changes were required due to the lack of audit capacity and should not be long-term. The change was proposed to ensure that sufficient assurance was provided over the existing Health and Social Care Partnership risk relating to budgets and financial models, as the risk had significantly increased during the year.

Significant enhancements required - internal audit opinion

87. In her Annual Opinion, the Chief Internal Auditor notes that significant enhancements are required to the EIJB control environment and governance and risk management frameworks. As a result, internal audit provided a "red rated opinion" (significant enhancements required) and deem there to be significant weaknesses that put the achievement of organisational objectives at risk.
88. Internal audit's opinion is based on the outcomes of the three audits included in the 2017-18 internal audit annual plan; the outcomes of relevant Partnership reports referred to the EIJB by the relevant Audit Committees; and the status of open internal audit findings.
89. The Chief Internal Auditor has drawn attention to the level of opening Internal Audit findings within her annual opinion. As at 31 March 2018, there were 34 (10 High; 20 Medium; and 4 Low). open findings that relate to reviews completed across the 2017-18 EIJB and the Partnership. Of these 28 (82%) were overdue as agreed management actions were not completed by the agreed implementation date.
90. All three audits identified in the revised IJB Internal Audit Plan were delivered in 2017-18. These raised 8 high and 1 medium rated finding.
91. The Health and Social Care Partnership Purchasing Budget Management audit identified four high risk findings. These include:
- The lack of clear allocation of purchasing budget across localities;

- Significant financial control gaps such as the lack of a funding allocation model and clear delegated financial authorities;
- The lack of holistic social care processes or supporting operating procedures are a result of the significant number of teams involved in supporting the delivery of social care

92. A number of significant and systematic control weaknesses in relation to supplier and contract management where third-party providers were used.
93. The Performance Target Data audit was delivered by NHS Lothian internal audit team. This identified three high risk findings including setting timescales and performance objectives, reporting arrangements and the frequency of performance information.
94. The IJB has agreed remedial actions and timescales for addressing these issues. The Chief Officer has established an Assurance Oversight Group to invite action owners to provide assurance on progress against actions. We will monitor progress in addressing the recommendations as part of our 2018-19 audit.

Risk Management

95. Public sector bodies face increasing demand for quality services at a time of significant financial pressure. Well-developed risk management arrangements help boards to make effective decisions and secure better use of resources.
96. The IJB's corporate risk register has been subject to significant revision and review during 2017-18 to ensure that the arrangements are fit for purpose and reflect the Strategic Plan. Both the Audit and Risk Committee and the Board receive regular reports on the corporate risk register, which provide updates on action taken to mitigate risks.

The governance statement

97. Following minor amendments processed during the audit, the governance statement discloses the rationale for internal audit's opinion and other areas of weakness during the year, such as the significant challenges the partnership faces from the level of delayed discharges and the areas of concern raised by the joint inspection of services for older people. Subject to the concerns disclosed, the IJB considered that reasonable assurance could be placed on the effectiveness and adequacy of the systems of governance.
98. We are satisfied that the governance statement within the annual accounts is consistent with the financial statements and that report has been prepared in accordance with the Delivering Good Governance in Local Government: Framework 2016.

Standards of conduct

99. In our opinion, the IJB's arrangements in relation to standards of conduct and the prevention and detection of bribery and corruption are adequate.
100. The IJB implemented a code of conduct based on the template code provided by Scottish Government and the codes in place at the partner organisations. In line with the integration scheme, the IJB utilises the financial governance arrangements in place within the partner bodies including fraud management arrangements.

6

Value for money

Value for money is concerned with using resources effectively and continually improving services. In this section we report on our audit work as it relates to the IJB's own reporting of its performance.

Value for money



The IJB provides the public with an annual report on its performance but more could be done to improve the clarity of reporting and to update the Board on progress against the Strategic Plan throughout the year.

The IJB identified the significant backlog in people awaiting assessment in the community as an immediate priority and invested to clear the backlog waiting list within a planned timescale.

The IJB continues to perform poorly against a number of key indicators, including delayed discharges and waiting lists for assessment, despite investment in interventions.

Performance Framework

101. Under the integration scheme, the IJB is responsible for implementing a comprehensive performance management system that allows for transparent reporting and appraises achievement against the strategic plan. One of the key strands outlined in the IJB's Statement of Intent is the development of a performance management framework.
102. During 2016-17 we noted that there had been limited reporting to the Board on performance against the strategic plan to date. Due to concerns about the acute challenges relating to delayed discharges, the Board receive a regular report on whole system delays. Other regular performance reporting is delegated to other committees and sub-groups, which may mean that Board members are unable to fully scrutinise performance in the round, and therefore make informed decisions about priorities and budgets.
103. In May 2018, the Board agreed to suspend the work of the Performance and Quality Sub-Group and to refer its performance monitoring role to the Strategic Planning Group, with an understanding that a paper on governance arrangements would be brought to the Board at a later date.
104. The Statement of Intent recognises that neither the EIJB nor the Partnership has had sufficient focus on performance, or on accountability for that performance.

105. Work to date has focused on the development of metrics that will be reported to every meeting of the EIJB. We support the introduction of a regular, agreed format of performance reporting to allow Board members to access to succinct and easy to understand performance information. We will therefore continue to monitor progress in performance reporting during 2018-19.

Refer to Appendix 3

Directions – Performance Monitoring

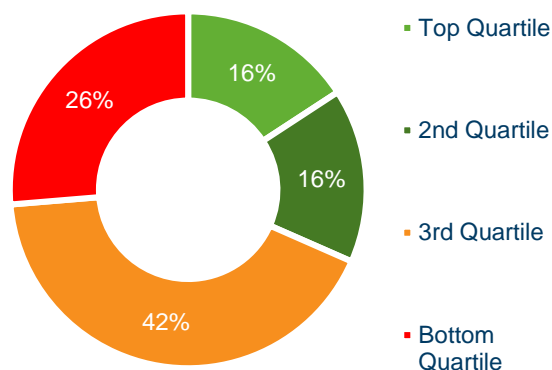
106. During 2017-18, we note that NHS Lothian's internal audit team conducted a review to establish whether performance objectives have been set for each of the Directions issued by the IJB and whether performance was monitored by a relevant Board committee at an adequate frequency.
107. The report was issued in June 2018 and found significant areas for improvement, including:
 - Ensuring that performance measures, with timescales are adopted for each direction to enable more effective performance monitoring;
 - Clarity about reporting arrangements to committee for direction objectives, including the frequency of performance reports; and
 - Outlining the person or group responsible for providing information.

108. An action plan for improvement has been agreed with senior management and should be considered as part of the development of the performance framework.

Performance during 2017-18

109. In line with the requirements of the Public Bodies (Joint Working) Act 2004, the IJB prepares an annual public performance report that considers progress against both the nine National Health and Wellbeing Outcomes and the key priorities identified within their strategic plan.
110. The 2017-18 annual performance report is available on the Transform Edinburgh website and reports on:
- Progress against the six priorities in the strategic plan 2016-19
 - Delivering against the National Health and Wellbeing Outcomes
 - Progress in each locality across North West, North East, South West and South East Edinburgh; and
 - Financial Performance.
111. Performance against the priorities is largely narrative in nature, although indicates significant improvements in areas such as tackling inequalities.
112. The performance report compares the IJB's performance against the 23 core national Indicators to the Scottish average. The report also highlights which quartile the IJB currently performs at, to allow comparison with other IJBs. As Exhibit 6 demonstrates, performance continues to be mixed.

Exhibit 6: Edinburgh IJB performance against the core national indicators



Source: Edinburgh IJB Annual Performance Report 2017-18.

113. The report highlights that the IJB performs strongly against three indicators, and is within the top quartile for:
- The percentage of adults able to look after their health very well or quite well;
 - The Emergency admission rate; and
 - The Emergency day rate.
114. A number of areas show poor performance and the IJB is in the lowest quartile including:
- The number of days people spend in hospital when they are ready to be discharged ("delayed discharges")
 - The percentage of carers who feel supported to continue in their role
 - The proportion of the last 6 months of life spent at home or in a community setting.

Delayed discharges

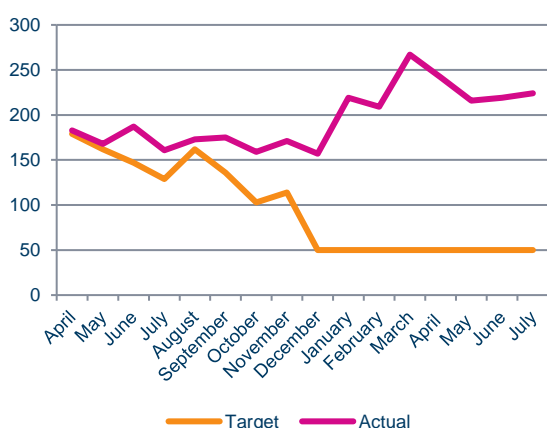
115. The IJB recognise that the levels of delayed discharges in the city present a particular risk to the partnership in providing the right care at the right time. To reflect the importance and urgency of the need to reduce the number and length of delayed discharges the IJB receive regular updates on performance in this area.
116. Over the last 2 years, a number of intervention actions have been taken to reduce delayed discharges, including:

- The Chief Officer has set up a Delayed Discharge Oversight Group which has representation of the whole system and the identified Delayed Discharge Lead for the partnership
- The development of detailed performance reports on a locality basis, which allows performance targets to be set and monitored more locally;
- A weekly 'star chamber' for locality and hub managers to allow any issues having a negative impact to be escalated immediately;
- Capacity planning is ongoing to determine resource requirements; and
- The Care at Home Contract is under review.

117. The IJB planned to reduce non-complex delayed discharges to 50 by December 2017. As Exhibit 7 highlights, the planned targets have not been achieved at any point in the year.

118. The main reasons for the high level of delayed discharges are lack of available care packages (54% of the total reported) and care home places (27%) due to lack of local authority funding and suspensions in admissions.

Exhibit 7: The IJB has not reached delayed discharge targets for 2017/18.



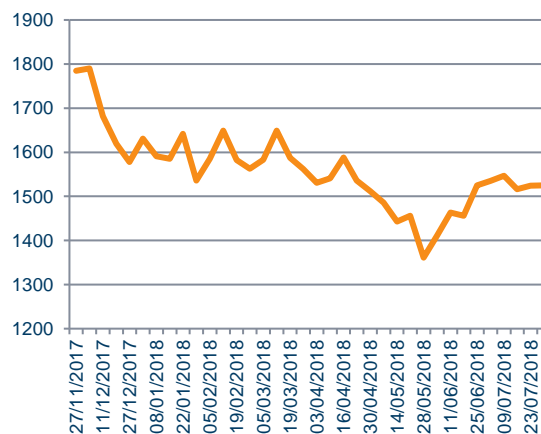
Source: Whole System Delays report to IJB and Executive Management Team

Assessment Waiting List

119. *The Plan for Immediate Pressures and Long Term Sustainability* presented to the IJB in May 2018 identified the backlog in people awaiting assessment in the community as an immediate priority for the Partnership. A short-term team of assessors was recruited with the aim to clear all of the backlog assessments by the end of July 2018. Over 700 individuals were transferred to the team to conduct assessments. The team were able to clear the backlog waiting list within the planned timescale. As Exhibit 8 demonstrates, this reduced the waiting list, but only temporarily.

120. The Partnership must consider the complex reasons behind the continuing capacity challenges, including how hubs and clusters operate, and whether there are alternative routes that could be signposted rather than adding individuals to the waiting list.

Exhibit 8: The Waiting List for Assessments fell during intense intervention but has begun to rise again



121. The Statement of Intent outlines a clearer vision for the future focusing on a shift in the balance of care and a plan for financial sustainability. Early progress has been made within outline strategic commissioning plans, but financial and strategic support from partners will be critical to deliver the vision and make a sustained improvement in performance.

Action Plan Point 4

7

Appendices

Appendix 1: Respective responsibilities of the Board and the Auditor

Responsibility for the preparation of the annual accounts

The IJB is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for administration of those affairs. The Chief Financial Officer has been designated as that officer by the IJB.

In preparing the annual report and accounts, the IJB is also required to:

- Manage its affairs to achieve best value in the use of its resources and safeguard its assets;
- Ensure the annual accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (section 12 of the Local Government in Scotland Act 2003); and
- Approve the annual accounts

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;
- Such internal control as the CFO deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- Selecting suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Keeping proper accounting records which are up to date; and
- Taking reasonable steps to ensure the propriety and regularity of the finances of the Integration Joint Board.

Auditor responsibilities

We audit the annual accounts and give an opinion on whether:

- the financial statements give a true and fair view in accordance with applicable law and the 2017/18 Code of the state of affairs of the body as at 31 March 2018 and of its surplus on the provision of services for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 Code;
- the financial statements 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;
- the auditable part of the Remuneration Report has been properly prepared in accordance with The Local Authority Accounts (Scotland) Regulations 2014;
- 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).

We are also required to report by exception, if in our opinion:

- adequate accounting records have not been kept; or
- the annual accounts and the part of the Remuneration Report to be audited is not in agreement with 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.

Wider scope of audit

The special accountabilities that attach to the conduct of public business, and the use of public money, mean that public sector audits must be planned and undertaken from a wider perspective than in the private sector. This means providing assurance, not only on the annual report and accounts, but providing audit judgements and conclusions on the appropriateness, effectiveness and impact of corporate governance and performance management arrangements and financial sustainability.

The Code of Audit Practice frames a significant part of our wider scope responsibilities in terms of four audit dimensions: financial sustainability; financial management; governance and transparency; and value for money.

Appendix 2: Action plan

The action plan details the weaknesses and opportunities for improvement that we have identified during our audit.

It should be noted that the weaknesses identified in this report are only those that have come to our attention during the course of our normal audit work. The audit cannot be expected to detect all errors, weaknesses or opportunities for improvements in management arrangements that may exist. The weaknesses or risks identified are only those which have come to our attention during our normal audit work, and may not be all that exist. Communication of the matters arising from the audit of the annual accounts or of risks or weaknesses does not absolve management from its responsibility to address the issues raised and to maintain an adequate system of control.

Action plan grading structure

To assist the Board in assessing the significance of the issues raised and prioritising the action required to address them, the recommendations have been rated.

The rating structure is summarised as follows:

Grade 5	Very high risk exposure – major concerns requiring Board attention
Grade 4	High risk exposure – material observations requiring senior management attention
Grade 3	Moderate risk exposure – significant observations requiring management attention
Grade 2	Limited risk exposure – minor observations requiring management attention
Grade 1	Efficiency / housekeeping point

Action plan point	Issue & Recommendation	Management Comments
1. Medium term financial plan	Issue The IJB is forecasting a funding shortfall at current service levels of almost £117 million by 2022-23.	Accepted Responsible officer: Chief Finance Officer
Rating	Recommendation	Implementation date:
Grade 4	The IJB should develop a Medium Term Financial Plan to support the delivery of the vision and priorities within the updated Strategic Plan for 2019-22.	By March 2019
Paragraph ref		
29		

Action plan point	Issue & Recommendation	Management Comments
2. Assurance Framework	Issue During our audit, we noted a number of areas where there was a lack of clarity of requirements for reporting and monitoring performance and improvement plans.	Accepted Responsible officer: Chief Officer
Rating	Recommendation	Implementation date:
Grade 2	We note that the Board has committed to reviewing the governance arrangements during 2018. As part of a review of governance arrangements, the Board should consider the introduction of an Assurance Framework to ensure that Board members share an understanding about assurance needs and sources.	By March 2019
Paragraph ref		
77		

Action plan point	Issue & Recommendation	Management Comments
3. Recovery Plan	<p>Issue</p> <p>We noted that reporting on the Improvement Plan is predominantly narrative in nature and it may therefore be difficult for Board members to scrutinise the scale and pace of improvement.</p> <p>Recommendation</p> <p>The Board should ensure that action plans to deliver improvement actions are:</p> <ul style="list-style-type: none"> Reported on a regular basis, using a succinct format which include a clear assessment of progress against actions Framed in SMART terms 	<p>Accepted</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: By January 2019</p>
Rating		
Grade 3		
Paragraph ref		
79		

Action plan point	Issue & Recommendation	Management Comments
4. Performance	<p>Issue</p> <p>The IJB's performance against a number of key indicators continues to fall below target, despite intervention actions to date. A vision for the future has been set out in the Statement of Intent but strategic support is needed from the Board's partners to deliver transformational change.</p> <p>Recommendation</p> <p>The Board should work with partners to ensure that sufficient financial and leadership capacity is available to deliver sustained improvement.</p>	<p>Accepted</p> <p>Responsible officer: Chief Officer</p> <p>Implementation date: Ongoing</p>
Rating		
Grade 4		
Paragraph ref		
121		

Appendix 3: Follow up on prior year action plan

No.	Issue & recommendation	Management comments	External audit update
1.	<p>Financial reporting</p> <p>The content of the IJB's financial reporting has developed during 2016-17 and continues to develop. We noted examples within 2016-17 reporting where budget lines showed an underspend for the year to date, but forecast an overspend at year-end with no narrative explanation or context provided.</p> <p>There is a risk that the current form of reporting does not fully reflect the actions undertaken or required in order to achieve the forecast outturn.</p> <p>The IJB should look to continue to develop financial reporting in order to ensure that the Board can easily identify areas of poor performance and fully understand any remedial actions undertaken or required.</p>	<p>Whilst recognising that the financial reporting to the IJB could and should continue to develop this needs to be in line with the IJB's responsibilities and information requirements.</p> <p>When resources have been delegated via directions by the IJB, the City of Edinburgh Council (CEC) and NHS Lothian (NHSL) apply their established systems of financial governance to the delegated functions and resources. Accordingly, budget monitoring of IJB delegated functions is undertaken by finance teams within CEC and NHSL. This arrangement reflects the IJB's role as a strategic planning body which does not directly deliver services, employ staff or hold cash resources. However, it is important that the IJB has oversight of the in year budget position as this highlights any issues that need to be accounted for when planning the future delivery of health and social care services.</p> <p>Due Date: March 2018</p> <p>Action owner: Chief Finance Officer</p>	<p>Financial updates are regularly presented to the IJB. In response to the initial concerning financial position, performance against budget has been closely monitored and financial reporting has been developed to support this.</p> <p>Financial reports present an overview of the financial position and the project year end position. Where delegated services are presenting an overspend, further detail is provided on the underlying reasons and the actions being taken within each partner organisation.</p> <p>In addition, the IJB are asked to approve in-year mitigating actions required to deliver a breakeven position. We are satisfied that financial reports provided sufficient information to enable to IJB to effectively manage financial position.</p> <p>Action complete</p>
	Rating		
	Grade 3		

No.	Issue & recommendation	Management comments	External audit update
2.	<p>Savings plans</p> <p>The IJB's achievement of a breakeven position in 2017/18 is wholly dependent on its ability to work effectively with the council and health board to deliver the required</p>	<p>Accepted. However it should be noted that the IJB's ability to confirm how the current NHS Lothian funding gap will be bridged is partly reliant on the overall NHS Lothian financial</p>	<p>The IJB approved the 2018/19 financial plan in May 2018. This acknowledged the need to develop a savings and recovery programme and proposals of £14.9million</p>
	Rating		
	Grade 4		

No.	Issue & recommendation	Management comments	External audit update
	<p>savings.</p> <p>Discussions remain ongoing with NHS Lothian around how the current funding gap of £6.5million will be bridged and there remains a risk that planned efficiencies are not delivered. While responsibility for the actual delivery of the planned savings will fall to the IJB's partners, it is imperative that the IJB can demonstrate it has taken a strategic approach to the identification of appropriate savings options.</p> <p>The IJB should ensure that future financial plans demonstrate sufficient consideration of the identification of potential savings options, including the financial and operational impact they are expected to have in the short, medium and long term. In the short term, the IJB should confirm how the current funding gap of £6.5million will be bridged.</p>	<p>position.</p> <p>Due Date: March 2018</p> <p>Action owner: Chief Officer</p>	<p>were approved by the IJB. It was agreed that additional scrutiny was required over the achievement of these targets and that regular updates should be provided to the IJB.</p> <p>Action complete</p>

No.	Issue & recommendation	Management comments	External audit update
3.	<p>Medium term financial planning</p> <p>The IJB requested in March 2017 that partners work with the Chief Officer and Interim Chief Finance Officer to prepare a financial plan for IJB delegated functions over a minimum three-year period. The requirement to carry out medium term financial planning is also reflected within the integration scheme. However, medium or long-term financial plans have not yet been developed.</p> <p>Without a medium term financial plan in place, the IJB cannot currently demonstrate how it will deliver the key priorities identified in their three-year strategic plan within the financial resources that will be available.</p> <p>The IJB should prioritise developing a medium term financial strategy that includes a clear understanding of costs, saving options and expected demand</p>	<p>An initial high-level financial plan will be presented to the IJB in September. This will be refined in the following months.</p> <p>Due Date: December 2017</p> <p>Action owner: Chief Finance Officer</p>	<p>A high level summary of the financial outlook for the period 2018/19 to 2022/23 was presented to the IJB in December 2017. This details the projected IJB delegated budget, the projected increase in costs, and the projected shortfall in each year.</p> <p>The assumptions used demonstrate that the IJB have considered key cost pressures, expected demand pressures and potential savings options.</p> <p>However, the financial outlook report is not aligned to strategic planning and work is still required to develop this further.</p>
Rating			
Grade 4			

No.	Issue & recommendation	Management comments	External audit update
	pressures.		<p>Management comment</p> <p>Agreed.</p> <p>Whilst progress has been made, in particular with the development of financial frameworks to support the outline strategic commissioning plan, it is recognised further work is required to fully align the financial and emerging strategic plans.</p> <p>Updated due date:</p> <p>March 2019</p>

No.	Issue & recommendation	Management comments	External audit update
4.	<p>Workforce planning</p> <p>The integration scheme requires the IJB to develop an integrated workforce plan for the city.</p> <p>The IJB has not yet developed an integrated workforce plan, and as a result is not meeting the requirements of the integration scheme. Without a documented plan in place, the IJB cannot demonstrate that a strategic overview is being taken over the risks the city faces in relation to workforce supply and demand challenges, communication, staff engagement and training needs to support the implementation of the strategic plan.</p> <p>The IJB should develop an integrated workforce plan for the city.</p>	<p>This is captured in the 2016-17 directions issued to CEC and NHS Lothian. Direction 19 requires:</p> <p><i>"the City of Edinburgh Council and NHS Lothian are directed to work with the Edinburgh Health and Social Care Partnership to:</i></p> <p><i>a. produce and implement a workforce development strategy that supports the delivery of the strategic plan; taking account of the National Health and Social Care Workforce Plan;</i></p> <p><i>b. ensure that any business cases developed in relation to the strategic plan clearly set out any ICT implications."</i></p> <p>Due Date: Timescale for production of strategy to be agreed and set out in delivery plan. Performance measure to be agreed in terms of impact.</p> <p>Action owner: Chief Nurse</p>	<p>The IJB has established a strategy group to focus on workforce planning, chaired by the Chief Nurse.</p> <p>Whilst action is being taken, further work is still required to develop an integrated workforce plan.</p> <p>Management comment</p> <p>Accepted</p> <p>Updated due date:</p> <p>Initial workforce strategy will be presented to the IJB in December 2018.</p>
Rating			
Grade 4			



Scott-Moncrieff
business advisers and accountants

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Scott-Moncrieff
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EH3 8BL

Date : 28th September 2018

Dear Sirs

Edinburgh Integration Joint Board

This representation letter is provided in connection with your audit of the annual accounts of Edinburgh Integration Joint Board (the IJB) for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with 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 2017/18 (the 2017/18 Code).

I can confirm to you, in respect of the financial statements of the IJB for the year ended 31 March 2018, the following:-

Annual accounts and accounting records

1. I have fulfilled my responsibilities for preparing financial statements which give a true and fair view in accordance with the 2017/18 Code and for making accurate representations to you.
2. I have provided you with:
 - access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - additional information that you have requested from me for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

Moira Pringle
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Working together for a caring,
healthier, safer Edinburgh

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THE CITY OF EDINBURGH COUNCIL

3. All transactions have been recorded in the accounting records and are reflected in the financial statements.
4. Except as disclosed in the financial statements, the results for the year were not materially affected by:
 - any change in accounting policies;
 - transactions of a type not usually undertaken by the IJB;
 - circumstances of an exceptional or non-recurrent nature; or
 - charges or credits relating to prior periods.
5. I have reviewed going concern considerations and am satisfied that it is appropriate for the financial statements to have been drawn up on the going concern basis. In reaching this opinion I have taken into account all relevant matters of which I am aware and have considered a future period of at least one year from the date on which the financial statements were approved.
6. I confirm the financial statements are free of material misstatements, including omissions.

Fraud

7. I acknowledge as Chief Finance Officer my responsibilities for the design and implementation of internal control in order to prevent and detect fraud and to prevent and detect error.
8. In my opinion, the risks that the financial statements may be materially misstated as a result of fraud are low. Measures have been put in place by management to reduce the risk of fraud.
9. I have disclosed to you all information in relation to fraud or suspected fraud that I am aware of and that affects the IJB and involves:
 - management
 - employees who have significant roles in internal control
 - others where the fraud could have a material effect on the financial statements.
10. I am not aware of any allegations of fraud or suspected fraud with a potential effect on the financial statements which have been communicated to me by employees, former employees, partner bodies, regulators or other third parties.

Compliance with laws and regulation, and contractual agreements

11. I am not aware of any instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
12. The IJB has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

Accounting estimates and judgements

13. In my opinion, the significant assumptions that have been used in the financial statements are reasonable.
14. In my opinion the significant assumptions used by the IJB in making accounting estimates are reasonable.
15. I do not consider that the remuneration of the Chief Finance Officer is required to be disclosed within the remuneration report under the requirements of the

2017/18 Code and The Local Authority Accounts (Scotland) Regulations 2014 (SSI 2014/200) Schedule (definitions section).

Related parties

16. I have disclosed to you the identity of the IJB's related parties and all related party relationships and transactions of which I am aware.
17. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union and as interpreted and adapted by the 2017/18 Code.
18. In particular, I am not aware of any elected member, connected person, or officer with a disclosable interest in a transaction with the IJB at any time during the year other than as indicated in the financial statements.

Assets and liabilities

19. I have disclosed to you all known actual or possible litigation or claims whose effects should be considered when preparing the financial statements and that they have been accounted for and disclosed in accordance with International Financial Reporting Standards as adopted by the European Union and as interpreted and adapted by the 2017/18 Code.
20. I am not aware of any IJB plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
21. The IJB has no plans to abandon activities.
22. I have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and all guarantees that I have given to third parties.

Subsequent events

23. All events subsequent to the date of the financial statements and for which the 2017/18 Code requires adjustment or disclosure have been adjusted or disclosed. Should any material events occur which may necessitate revision of the figures included in the financial statements or inclusion in the notes thereto, I will advise you accordingly.

I confirm that the above representations are made on the basis of enquiries of members and officers with relevant knowledge and experience (and, where appropriate, of inspection of supporting documentation) sufficient to satisfy myself that I can properly make each of the above representations to you.

Yours faithfully

Moira Pringle
Chief Finance Officer

On 28th September 2018