

REPORT

Item No: 15

SUBJECT:	Audited IJB Annual Accounts 2018/2019
TO:	Integration Joint Board
Lead Officer for Report:	Chief Officer
Author(s) of Report	Chief Financial Officer
DATE:	24 September 2019

1. PURPOSE OF REPORT

1.1 This paper is coming to the Integration Joint Board (IJB):

For approval	<input checked="" type="checkbox"/>	For endorsement	<input type="checkbox"/>	For noting	<input type="checkbox"/>
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1.2 This report provides details of the unsigned audited IJB Annual Accounts 2018/2019 for consideration and approval by the IJB before the statutory deadline of 30 September 2019.

2. ROUTE TO THE INTEGRATION JOINT BOARD

2.1 This paper has been:

Prepared By; Chief Financial Officer	Reviewed By; Chief Officer
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3. RECOMMENDATIONS

3.1 The IJB is asked to agree the following recommendations:

- (1) Note the contents of the report;
- (2) Note that the External Auditor's audit opinions are all unqualified in respect of the IJB Annual Accounts 2018/2019;
- (3) Approve the IJB Annual Accounts 2018/2019 for signature before the statutory deadline of 30 September 2019; and
- (4) Note that the signed audited IJB Annual Accounts 2018/2019 will be advertised as being available to the general public in the office of the Head of Financial Solutions, Council Headquarters, Civic Centre, Motherwell, ML1 1AB and also on the IJB's website.

4. VARIATIONS TO DIRECTIONS

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>	N/A	<input type="checkbox"/>
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5. BACKGROUND/SUMMARY OF KEY ISSUES

5.1 Following the publication of the Local Authority Accounts (Scotland) Regulations 2014, the members of the IJB have to meet to consider whether to approve the audited IJB Annual Accounts 2018/2019 for signature no later than the 30 September 2019.

6. CONCLUSIONS

6.1 This report provides an overview of the unsigned audited IJB Annual Accounts for the financial year 2018/2019 in line with the legislative requirements.

7. IJB ANNUAL ACCOUNTS 2017/2018

- 7.1 The IJB Annual Accounts 2018/2019 were prepared in accordance with the requirements of the Local Government (Scotland) Act 1973 and the Local Government in Scotland Act 2003. This means that suitable accounting policies were selected and applied consistently, reasonable and prudent judgements were made and proper accounting records were maintained. The preparation of the annual accounts also met the statutory deadlines of 30 June 2019 and 30 September 2019.
- 7.2 The unsigned audited IJB Annual Accounts 2018/2019 are attached as an appendix.
- 7.3. The External Auditor has concluded that the financial statements of the North Lanarkshire IJB for 2018/2019 give a true and fair view of the state of affairs and of its net expenditure for the year and have therefore issued an unqualified independent auditor’s report. The findings of the audit process have also been reported to the IJB and an action plan approved as set out in the External Auditor’s Annual Audit Report.
- 7.4. Once signed, the audited IJB Annual Accounts 2018/2019 will be advertised as being available to the general public in the office of the Head of Financial Solutions, Council Headquarters, Civic Centre, Motherwell, ML1 1AB. The signed audited IJB Annual Accounts 2018/2019 will also be available on the IJB’s website.

8. IMPLICATIONS

8.1 NATIONAL OUTCOMES

This relates to all nine national outcomes.

8.2 ASSOCIATED MEASURE(S)

The IJB, the Performance, Finance and Audit Committee and both partners are required to ensure effective governance arrangements are in place.

8.3 FINANCIAL

This paper has been reviewed by Finance:

Yes	<input checked="" type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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The main risk associated with the IJB Annual Accounts is a qualified audit report. The risk has been assessed as low due to the detailed preparation in relation to the year end process and technical training undertaken by key finance staff. The finance staff across the partners co-operated to achieve key deadlines.

8.4 PEOPLE

None.

8.5 INEQUALITIES

EQIA Completed:

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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8.6 CARBON MANAGEMENT IMPLICATIONS

Yes	<input type="checkbox"/>	No	<input type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
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9. BACKGROUND PAPERS

IJB 12 June 2019 Unaudited IJB Annual Accounts 2018/2019

10. APPENDICES

Unsigned Audited IJB Annual Accounts 2018/2019

Appendix

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CHIEF OFFICER (or Depute)

Members seeking further information about any aspect of this report, please contact Marie Moy on telephone number 01698 453709.

**NORTH LANARKSHIRE
INTEGRATION JOINT BOARD**

ANNUAL ACCOUNTS
AUDITED

2018/2019



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NORTH LANARKSHIRE INTEGRATION JOINT BOARD

ANNUAL ACCOUNTS 2018/2019

MANAGEMENT COMMENTARY

Introduction

The North Lanarkshire Integration Joint Board (IJB) was established as a body corporate by order of Scottish Ministers, and became operational in June 2015 with integrated delivery of health and social care services commencing on 1 April 2016. The functions delegated by North Lanarkshire Council (NLC) and NHS Lanarkshire (NHSL) to the IJB are detailed in the Integration Scheme.

The North Lanarkshire Health and Social Care partnership refers to the joint working arrangements between the partners NLC and NHSL. The IJB is a separate legal entity which is responsible for the strategic planning and commissioning of the wide range of health and social care services across North Lanarkshire. The partnership is responsible for the operational delivery of the IJB's strategic directions.

Following approval by the Scottish Ministers effective from 1 April 2019, the [Integration Scheme¹](#) was reviewed and amended to approve the transfer of the discretionary delegated functions for children, families and justice social work services to the newly reshaped Education and Families service within the council. This new vision for the future direction of NLC is set out in [We Aspire - A Shared Ambition for North Lanarkshire²](#). The IJB has also complied with the statutory requirement to review the Integration Scheme within the five year timescale of May 2020.

The purpose of the IJB is to improve the wellbeing of people who use health and social care services and their carers' and to deliver on the nine national health and wellbeing outcomes. There are multi faceted factors which impact on the demand for health and social care services across North Lanarkshire.

- North Lanarkshire is the fourth largest area in Scotland. It is also the fifth most densely populated with a population of 339,960: 18.5% are under 16 years of age, 64.7% are aged between 16 and 64 years and 16.8% are 65 years and over.
- Although the population is projected to increase by a net 1% by 2026, an increase of 3.3% is projected in the age group 65 years and over.
- Between 2026 and 2041, the increase in this age group is projected to be 5.1%. The population across the age groups 0 to 64 will decrease by 6%, with the most significant reduction in adults of working age of 16 to 64 years.
- 21,500 of the residents live in the 5% most deprived areas of North Lanarkshire according to the Scottish Index of Multiple Deprivation. 75,000 residents live in the worst 15% datazones. 21% of children live in households that experience both low income and material deprivation. 24.8% of children live in poverty compared to a national average of 23%.
- In comparison to the Scottish average, life expectancy in North Lanarkshire continues to be lower. Mortality rates for those aged under 75 are well above the Scottish average for cancer and coronary heart disease. Hospitalisation rates for emergencies and chronic obstructive pulmonary disease are also well above the national rates.
- The percentage of the population prescribed drugs for anxiety, depression or psychosis in 2016/2017 was 20.2% which is higher than the Scottish average. This is also a 5% increase since 2009/2010.

¹ <https://mars.northlanarkshire.gov.uk/egenda/images/att91210.pdf>

² <https://mars.northlanarkshire.gov.uk/egenda/images/att88713.pdf>

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Introduction (Cont.)

- 75% of adult patients who participated in a GP survey reported that they are supported to live as independently as possible which is less than the Scottish average of 81%. 33% of carers feel supported to continue in their caring role which is lower than the Scottish average of 37%.
- 23.1% of babies are breastfed at 6 to 8 weeks which is significantly lower than the Scottish average of 41.7%.
- 29% of Lanarkshire residents are living with two or more long term conditions such as anxiety/depression and COPD/asthma. 60.4% of North Lanarkshire residents over the age of 65 have two or more long term conditions. Based on information available, 19 of the 22 long term conditions are projected to see an increase in the overall prevalence over the next 5 years.

This management commentary provides an overview of the key outcomes relating to the objectives and strategy of the IJB. It considers our financial performance for the year ended 31st March 2019 and provides an indication of the issues and risks which may impact upon our finances in the future.

The Role and Remit of the IJB

The IJB has responsibility for the strategic planning and commissioning of a wide range of health and social care services within the North Lanarkshire area. The health and social care partnership services include:

- accident and emergency services provided in a hospital;
- inpatient services related to general medicine, geriatric medicine, rehabilitation medicine, respiratory medicine and palliative care services in a hospital;
- community health services including Lanarkshire-wide (hosted) services; and
- social care services.

The IJB is made up of eight voting members: four elected members appointed by NLC and four non-executive directors appointed by NHSL. Non voting members of the Board include the Chief Officer, the Chief Social Work Officer, the Nurse Advisor, the Medical Advisor, the Chief Financial Officer, the Registered Medical Practitioner and representatives for staff, the third sector, service users and carers. In March 2019, the IJB approved the Strategic Commissioning Summary which set out the commissioning intentions for 2018/2019 to achieve safer, healthier, independent lives.

The IJB's Business Model and Strategy

The business model for the IJB is managed by the partnership through key leadership groups, which ensure cross-care and cross-locality working. The [IJB's Strategic Commissioning Plan, Achieving Integration](#)³, the [NLC Plan for North Lanarkshire, One Place - One Plan](#)⁴, and the [NHS Lanarkshire Healthcare Strategy Achieving Excellence](#)⁵ are aligned.

Front-line service delivery continues to be carried out by NLC and NHSL across six localities in line with the directions from the IJB. The directions from the IJB to NHSL and NLC outline what the IJB requires both bodies to do, the funding allocated to these functions, and the mechanisms through which the performance in delivering the directions will be monitored.

Strong financial planning and management, the achievement of best value and the allocation of resources to support sustainable models of service delivery from a whole system perspective underpin everything that the IJB and the partners do to ensure our limited resources are targeted to achieve our outcomes.

³ <https://mars.northlanarkshire.gov.uk/egenda/images/att88138.pdf>

⁴ <https://www.northlanarkshire.gov.uk/CHttpHandler.ashx?id=22960&p=0>

⁵ <https://www.nhs.uk/lanarkshire-scotland/nhs.uk/download/achieving-excellence/?wpdmdl=4137&ind=1544710644558>

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

The IJB's Outcomes for the Year

The IJB and the partners continue to explore new ways to deliver services that better meet the needs of the people in the community. The focus of service redesign is to reduce inequalities, build community capacity and resilience and decrease demand for services in other parts of the system. The progress made since 2016 is set out in the [Celebration of Achievement](#)⁶ report to the IJB.

The outcome of the intermediate care review was approved by the IJB in June 2018 and complements the new models of Home Support, Rehabilitation and Discharge to Assess which are being implemented. Good progress has also been made with the closure of the Monklands House facility.

The governance structures of the Children's Services Partnership have been reviewed and further consideration is being given to the impact of the removal of children and families social work services from the Integration Scheme effective from 1 April 2019.

A range of services have been developed across Addictions, Justice, Mental Health and Learning Disability Services, one example being the project to provide intensive support to young people under 21 convicted of a serious offence. The Community Justice Partnership continues to set a clear direction for Justice Services as the key vehicle for multi-agency planning and improvement activity. The partnership will remain a key partner during the forthcoming period of structural change.

The Inequalities, Prevention and Anticipatory Care Steering Group has been meeting bi-monthly to progress work across a range of commissioning intentions including the further development of the Making Life Easier website, testing a health hub in the Houldsworth Centre and rolling out the Healthy Schools Approach to all primary schools.

The governance arrangements around the Community Capacity Building and Carer Support structure were reviewed. The programme has made a significant contribution to the nine national health and well-being outcomes and additional funding of £0.485m has been attracted to North Lanarkshire.

The IJB's Financial Position at 31 March 2019

The delegated funds for the IJB come from NLC and NHSL. The level of funding available to the IJB is therefore heavily influenced by these organisations' grant settlements from the Scottish Government. Consistent with the majority of public sector organisations, both NLC and NHSL have, over many years, faced challenges balancing their respective budgets due to cost pressures exceeding the provisional level of funding available. Notwithstanding these pressures, following a process of consultation, an [IJB Financial Plan 2018/2019](#)⁷ was agreed which set out the financial envelope available to each partner. This included savings and budget realignments totalling £8m and reliance on non-recurring funding solutions of £2m, of which £0.6m was to be confirmed during the year.

The total funding for the IJB in 2018/2019 was £619.247m (NHSL- £450.163m; NLC - £169.084m). This is included in the comprehensive income and expenditure statement on page 27 and is further explained at note 5 on page 36. Cost pressures were originally expected to be £20.090m in 2018/2019 comprising of £13.326m across social care services and £6.764m across health care services. Both NLC and NHSL maintained the same level of base cash resources to the IJB. NLC transferred additional funding of £3.937m to the partnership to support social care services. In respect of the pension enrolment costs, although these were delayed to April 2019, the partnership was also able to retain the funding of £0.666m previously allocated to meet this cost. This totalled £4.603m. NHSL transferred additional funding of £3.784m to the partnership to support health care services. A further £1.694m was transferred in June 2018 following confirmation from the Scottish Government. This totalled £5.478m. Additional funding for NHSL was also issued during the year.

⁶ <https://mars.northlanarkshire.gov.uk/egenda/images/att91205.pdf>

⁷ <https://mars.northlanarkshire.gov.uk/egenda/images/att87771.pdf>

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

The IJB's Financial Position at 31 March 2019 (Cont.)

The cost pressures of £20.090m were therefore reduced by £10.081m leaving a remaining funding gap of £10.009m.

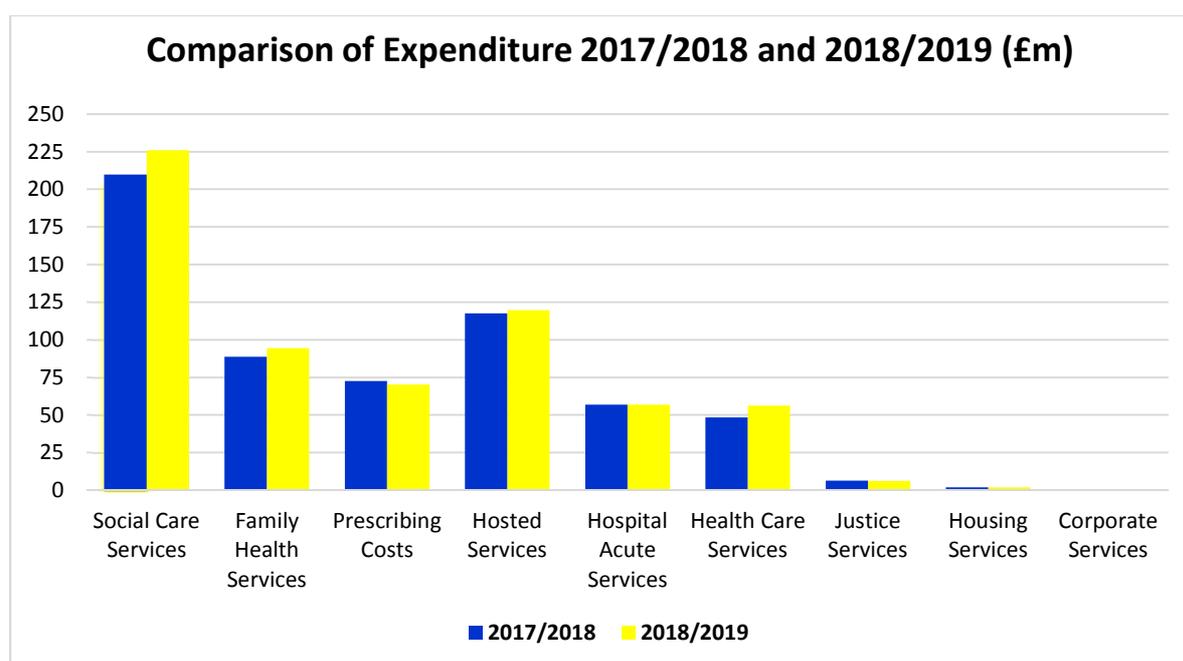
These remaining cost pressures were further reduced by base budget adjustments of £0.894m. Savings of £6.337m were also identified and approved by the IJB (NLC - £4.592m; NHSL - £1.745m). The budgets released from the base budget adjustments and savings were retained by the IJB and re-allocated to address inflationary cost increases and demographic growth.

The financial strategy to address the balance of the remaining cost pressures of £2.778m included management actions (£1.100m), the next phase of the implementation of the transformational change programme (£0.278m) and the use of underspends on a non-recurring basis (£1.400m).

The profile of expenditure which is detailed on page 35 is summarised as follows:

- £225.947m (36%) is allocated to front line social care services
- £94.362m (15%) is allocated to family health services
- £70.288m (11%) is spent on prescribing
- £119.676m (19%) is incurred on a range of hosted services, which includes 100% of all hosted services led by the North Lanarkshire IJB and also the 51% share of those hosted services led by the South Lanarkshire IJB
- £56.978m (9%) is attributable to the notional set-aside budget in relation to large hospital services
- £56.272m (9%) is incurred on a range of health care services
- £6.161m (1%) is allocated to justice services
- £1.872m (0.2%) relates to housing services
- £0.745m (0.1%) is incurred in IJB corporate services

The comparison between 2017/2018 and 2018/2019 of the actual expenditure on services stated gross is illustrated in the graph below. The expenditure aligned to services has increased between the years by a total of £29.992m (2017/2018 - £602.309m; 2018/2019 - £632.301m). Similar to last year, the increase in expenditure in 2018/2019 is mainly attributable to inflationary cost increases and demographic growth.



NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Key Strategic Risks and Uncertainties

The IJB Risk Management Strategy complements the existing risk management processes within each partner. All three risk registers are reviewed regularly by the management team. The three very high risks facing the IJB are detailed within the Annual Governance Statement on page 21.

The Director of Finance of NHS Lanarkshire continued to make progress with the exercise to update the notional set-aside budget. Based on the 2016/2017 activity levels at the 2018/2019 prices, this notional budget, which represents the consumption of hospital resources by North Lanarkshire residents, is estimated to be £56.978m.

Similar to the previous year, the notional budget can also be included as the estimated expenditure for the 2018/2019 annual accounts. It is recognised that this will not necessarily reflect the actual usage of these hospital services by the IJB in 2018/2019 however it has been endorsed as an acceptable approach pending further updates from the Information Services Division.

This critical judgement in respect of the complex accounting treatment of the hospital acute services (set-aside) therefore follows the advice issued by the Scottish Government on how the sum set-aside should be recorded in the annual accounts and is explained in more detail at note 2 on pages 32 and 33. Further information on the set-aside budget is also included in the Annual Governance Statement on page 22 (Estimates and uncertainties).

Matters of Strategic Importance

The budgets associated with the transfer of the children, families and justice social work services will result in a reduction in the current 2019/2020 IJB budget. The planned budget reduction will be implemented in July 2019.

In order to comply with section 44 of the Public Bodies (Joint Working) (Scotland) Act 2014, NLC and NHSL must carry out a review of the Integration Scheme by June 2020. It was agreed that the changes to the Integration Scheme presented an opportunity to expedite the review, to build on the learning to date and agree the key priorities for the future. The [Outcome of the Review](#)⁸ which consisted of themed work streams, self-assessment exercises and structural review was reported to the IJB on 12 June 2019. The report details a range of comprehensive actions which will be developed into a detailed action plan to further support the integration of front-line service delivery and enable the seamless delivery of services.

The [IJB Financial Plan 2019/2020](#)⁹ was approved on 26 March 2019. Cost pressures were projected to be £25.017m. Both NLC and NHSL confirmed that the same level of base cash resources would continue to be provided to the IJB. In addition to this, additional funding totalling £17.694m has been passed to the IJB by NHSL and NLC. This includes £6.516m for the inflation uplift of 2.5% on the health services delegated to the IJB and the additional funding of £11.178m to implement the agreed national priorities.

The funding gap was therefore £7.323m. Base budget adjustments of £1.005m (NHSL - £1.005m; NLC - Nil) and savings of £3.758m (NHSL - £0.430m; NLC - £3.328m) were approved. The savings proposals recommended to the IJB were the best fit with the strategic commissioning intentions and the best value requirement to use resources more effectively. The budgets released have been retained by the IJB and re-allocated to address the funding gap. The balance of cost pressures remaining is £2.560m. Until further savings are identified, reliance placed on the contingency reserves.

⁸ <https://mars.northlanarkshire.gov.uk/egenda/images/att91211.pdf>

⁹ <https://mars.northlanarkshire.gov.uk/egenda/images/att90491.pdf>

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Matters of Strategic Importance (Cont.)

The 10 year national strategy for mental health and learning disability services focuses on increasing access to seamless care pathways and efficient, effective utilisation of resources. The North Lanarkshire IJB is the lead for the hosted service Mental Health and Learning Disability Services (£58.482m).

In October 2018, the IJB endorsed the development of the Lanarkshire Mental Health and Wellbeing Strategy. Key stakeholders included Education, the Scottish Ambulance Service, NHS24, voluntary organisations and the third sector. The aim of the strategy, which is being implemented during 2019/2020, is to improve access to mental health support services and align both physical and mental health needs in order to tackle stigma and discrimination whilst promoting good mental health for all. The strategy will give due consideration to the workforce requirements.

Transformation of mental health in primary care is also a priority in the Primary Care Improvement Plan. Additional funding was received in 2018/2019 and 2019/2020 to recruit additional mental health workers over the five year period to 2023. The increase in the workforce is to give access to dedicated mental health professionals across A&Es, GP practices, police station custody suites and prisons.

The partnership's model of mental health care offers appropriate support to individuals at the right time. The Primary Care and Mental Health Transformation programme has seen increased contributions from a wide range of healthcare professionals, increased access to the right help at the right time, GPs feeling more supported with this agenda, fewer unnecessary hospital admissions and an increased ability to self-manage. Distress Brief Intervention/crisis services have also been introduced to support staff in the Police and Accident and Emergency Departments in recognising and supporting people with mental health issues. In 2018/2019, the mental health funding was £1.358m. This will increase to £2.099m in 2019/2020.

The modernisation of Primary Care Services and the General Medical Services Contract are two of the most significant planning and policy developments aimed at changing how services are developed and transformed to meet different demands in the future. The development of the primary care service is therefore a priority for Lanarkshire. South Lanarkshire IJB is the lead for this hosted service.

The Primary Care Improvement Plan is an ambitious transformational programme for Lanarkshire comprising of a range of workstreams covering the digital plan, vaccination transformation programme, pharmacotherapy implementation plan, community treatment and care services, urgent care in-hours services and premises. In support of this agenda, the use of 'Attend Anywhere' has also been expanded between GPs and Acute Services to allow the more efficient use of resources. As the lead partner for this hosted service, the South Lanarkshire IJB is responsible for the implementation of the 2018 GMS Contract, which came into effect on 1st April 2018. The Scottish Government also published "The National Code of Practice for GP Premises" which set out the plan to facilitate the shift to a model which does not entail GPs providing their practice premises.

The sustainability of General Practice (GP) services has been an emerging national issue for some years. A number of community hospitals also rely on GP availability. Community support has been enhanced in line with national policy on shifting the balance of care and, where necessary, care for patients will be safely provided in the most appropriate setting. The longer term options to support GPs are still under consideration.

The additional Primary Care Improvement Fund in 2018/2019 was £2.128m, 51% of which related to North residents (£1.085m). An underspend of £0.412m was reported at 31 March 2019. This is held as a ring-fenced reserve by South Lanarkshire IJB on behalf of both partnerships. The 2019/2020 Primary Care Investment Fund is £7.767m.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

Matters of Strategic Importance (Cont.)

A whole system approach is being adopted by the partners to support the use of, and where possible, the transfer of set-aside resources. The set-aside budget is a notional budget which represents the consumption of hospital resources by North Lanarkshire residents. In respect of the IJB Annual Accounts for 2018/2019, the notional budget of £56.978m has been included as the estimated expenditure across the large hospitals. Although this did not necessarily reflect the actual usage of these hospital services by the IJB, it has previously been endorsed as an acceptable approach pending further updates from the Information Services Division.

Legislative changes continue to influence the landscape, including the extension of free personal care to under 65s (e.g. Frank's Law) and the proposed Safe Staffing Bill and the second year of the Carers (Scotland) Act 2016. Workforce challenges continue to be a key issue both nationally and across the partnership, particularly within Urgent Care Out of Hours Services. Fewer GPs are prepared to work during the out-of-hours period. There continues to be uncertainty about what the post-Brexit rules will be with the European Union. There is also some reliance on the recruitment of EU nationals to deliver services, including across the independent providers and the voluntary sector. In partnership with NHSL, NLC and the third and independent sector, the Health and Social Care Academy has recently been established with a view to developing and promoting a range of entry routes into health and social care roles. New models of service delivery are being implemented across Lanarkshire. The recruitment and retention of Advanced Nurse Practitioners is a key priority. A test of change pilot to explore a new role of Integrated Support Worker has commenced albeit later than originally planned.

Annual Accounts 2018/2019

As the North Lanarkshire IJB was established under the Public Bodies (Joint Working) (Scotland) Act 2014, it falls within section 106 of the Local Government (Scotland) Act 1973 and is required to prepare annual accounts in accordance with the Local Authority Accounts (Scotland) Regulations 2014.

The deficit on the provision of services and total comprehensive income and expenditure in 2018/2019 is £2.217m. This is highlighted on the Comprehensive Income and Expenditure Statement on page 27 and is also included in the Movement in Reserves Statement on page 28. The total movement on reserves at 31 March 2019 is therefore a net reduction of £2.217m. The final year-end position at 31 March 2019 reported to the IJB is a net underspend of £2.968m (NHSL underspend - £5.035m; NLC overspend - £2.067m). The final year-end position and the movement in reserves are reconciled in the table below.

Financial Outturn 2018/2019		Movement In Reserves Reduction / (Increase)	Returned to Partner
	£m	£m	£m
NLC - General Overspend	(2.465)	2.465	
NLC -HRA Underspend	0.398		(0.398)
NLC - Net Overspend	(2.067)	2.465	(0.398)
NHSL Underspend	5.035	(5.035)	
Total As At the 31 March 2019	2.968	(2.570)	(0.398)
Expenditure incurred against reserves in 2018/2019		4.787	
Deficit or (surplus) on provision of services and total comprehensive (income) and expenditure (Note 11)		2.217	

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

Annual Accounts 2018/2019 (Cont.)

The additional costs incurred in 2018/2019 across social care services reflect the demographic changes as a result of the increasing population of older people. Earlier projections during the current financial year had assumed that the cost reduction trends experienced during the final quarter of 2017/2018 would materialise again during 2018/2019. However, this projection was revised due to the significant demand pressures within home support, independent care homes and family placements. There has also been an increase in the demand for equipment and adaptations to maintain people at home, prevent admission to and facilitate discharge from hospital. Cost pressures also increased over the winter period.

The overspend across social care services is mainly due to employee costs (£2.833m) as a result of the nationally agreed pay award for 2018/2019 of 3.5%, which was higher than originally budgeted for, the increase in the demand for home support services and also the inclusion of non-recurring severance costs associated with the 2019/2020 savings which, based on available information, is estimated to be £0.425m. There was an overspend of £1.357m in respect of care home placements due to the demand for services and an overspend of £0.503m due to the demand for equipment and adaptations.

Family placements including kinship payments and external fostering services, overspent by £0.921m. This overspend was partly offset by an underspend of £0.455m within the continuing care budget allocation. Secure residential placements also overspent by £0.225m due to the number of secure placements. This is outwith the partnership's control.

Contracts were being finalised during 2018/2019 to establish new services to support carers. As a result, there was an underspend of £1.100m in respect of the funding from the Scottish Government to support the first year of the implementation of the Carers (Scotland) Act 2016.

The savings target for 2018/2019 was £6.337m (NHSL - £1.745m; NLC - £4.592m). The partners reported that the savings achieved were £5.487m (87%). The balance of the saving which was not achieved in 2018/2019 of £0.850m (13%) related to the time taken to finalise human resources processes and procedures for social care services staff affected by service changes. These savings will be achieved in full during 2019/2020.

An underspend of £0.398m is reported in respect of the housing services delegated to the IJB. This is due to lower than anticipated demand for housing adaptations within Council houses. In line with the accounting policy, this underspend will be retained within the Housing Revenue Account.

The achievement of a balanced position at 31 March 2019 across social care services has relied on the implementation of a budget recovery plan and non-recurring funding solutions. The costs associated with the social care service at 31 March 2019 were partly addressed by the transfer from IJB reserves of £1.400m and the contribution from NHSL of £1.259m, both of which were non-recurring and originally approved on 27 March 2018. A further non-recurring contribution from health of £0.249m was agreed at the year-end for the North Lanarkshire Joint Home Loan Store. The IJB also approved the draw down of further reserves of £2.465m in order to achieve a balanced budget across social care services.

One of the main factors contributing to the underspend of across health care services was the level of vacancies which averaged 5% (138 WTE) over the year. This compares to an average of 3.1% during 2017/2018. Additional hours are worked through bankaid, overtime and excess part time hours, the cost of which is included within the financial position reported. The phasing of the expenditure for the new service developments against the funding received in-year has also contributed to the NHSL underspend. Both of these factors taken together resulted in an underspend across pay costs of £3.305m.

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Annual Accounts 2018/2019 (Cont.)

The allocation of funding of £1.092m for the Alcohol and Drug Partnership Programme for Government was not spent by 31 March 2019. There was an underspend of £1.464m in respect of prescribing costs which was achieved as a result of the action taken to effectively manage prescribing activity. Recruitment timescales also influenced the position. Underspends on non-pay costs across other services areas totalled £0.433m.

There was an underspend of £0.445m across the hosted services led by the North Lanarkshire IJB. This was retained by the IJB and is included within the underspends across pay and non-pay costs referred to in the preceding paragraphs.

The services which are hosted by North Lanarkshire IJB on behalf of the South Lanarkshire IJB and the hosted services which are led by the South Lanarkshire IJB on behalf of the North Lanarkshire IJB are detailed in note 10 on pages 38 to 39. In line with the Integrated Resource Advisory Group Finance Guidance, the lead partner for a hosted service is responsible for managing any overspends incurred. With the exception of ring-fenced funding, the lead partner can also retain any underspends which may be used to offset the overspends. This arrangement has been in place since 1 April 2016. The North Lanarkshire IJB and the South Lanarkshire IJB both endorsed this principle in respect of 2018/2019.

The total underspend across health care services was therefore £6.294m. On 27 March 2018, the IJB Financial Plan for 2018/2019 was approved and included the transfer of £1.259m by NHSL to NLC on a non-recurring basis. The net underspend across health care services was therefore £5.035m. In respect of this total underspend, £2.376m (47%) requires to be transferred to ring-fenced reserves. The amount of £1.251m (25%) which occurred as an underspend in 2018/2019 has been identified by NHSL as part of the savings strategy for 2019/2020.

Expenditure incurred against reserves in 2018/2019 totalled £4.787m (NHSL - £2.268m; NLC - £2.519m).

The [IJB Reserves Strategy 2019/2020¹⁰](#) was aligned to reflect the revised [IJB Reserves Policy¹¹](#) which was approved by the IJB on 12 June 2019. The balance on the IJB reserves at 31 March 2019 is £15.983m. The ring-fenced (£2.421m), earmarked (£5.022m), risk-based (£8.487m) and contingency reserves (£0.053m) are detailed at note 11 on page 40. It is good financial management to maintain a contingency reserve. The contingency reserve however has reduced by £4.338m from £4.391m to £0.053m. In the absence of a sufficient contingency reserve, reliance requires to be placed on the Integration Scheme and the IJB Financial Regulations which set out the options for addressing overspends.

In 2019/2020 and beyond, the main financial risk is that NHSL and/or NLC may overspend.

- Social care services continues to face demand pressures for service provision within home support, independent care homes and family placement services. A budget recovery plan for 2019/2020 is being developed. The social care cost pressures are expected to continue. A recurring funding solution will require to be identified.
- Prescribing costs continue to represent a high risk area within the NHSL element of the partnership's budget. There is a risk that the EU withdrawal in October 2019 will adversely impact on prescribing costs.

¹⁰ <https://mars.northlanarkshire.gov.uk/egenda/images/att91215.pdf>

¹¹ <https://mars.northlanarkshire.gov.uk/egenda/images/att91214.pdf>

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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Conclusion

Internal audit concluded that the financial management and financial planning arrangements for the IJB are consistent with financial guidance/regulations and good practice through the production of an annual financial plan, identification of financial risks in the IJB risk register and the identification and monitoring of savings. No issues or weaknesses were identified. The auditors concluded that the control environment is adequate and has substantially operated as intended.

Our joint focus will continue to be ensuring all the resources available are used to achieve the health and well-being outcomes.

Dr. Avril Osborne

Chair

Date 24 September 2019

Ross McGuffie

Chief Officer

Date 24 September 2019

Marie Moy

Chief Financial Officer

Date 24 September 2019

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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STATEMENT OF RESPONSIBILITIES

Responsibilities of the North Lanarkshire Integration Joint Board

The North Lanarkshire Integration Joint Board (IJB) is required to:

- make arrangements for the proper administration of its financial affairs and to secure that the proper officer of the IJB has responsibility for the administration of those affairs (section 95 of the Local Government (Scotland) Act 1973). In this IJB, that officer is the Chief Financial Officer.
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- ensure the Annual Accounts are prepared in accordance with legislation (The Local Authority Accounts (Scotland) Regulations 2014), and so far as is compatible with that legislation, in accordance with proper accounting practices (s12 of the Local Government in Scotland Act 2003).
- approve the Annual Accounts for signature.

I confirm that these Annual Accounts were approved for signature at a meeting of the North Lanarkshire Integration Joint Board on 24 September 2019.

Signed on behalf of the North Lanarkshire Integration Joint Board

Chair: Dr. Avril Osborne

Date: 24 September 2019

Responsibilities of the Chief Financial Officer

As Chief Financial Officer I am responsible for the preparation of the IJB's statement of accounts which, in terms of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019 (the "Code of Practice"), as supported by the International Financial Reporting Standard (IFRS), is required to give a true and fair view of the financial position of the IJB at the financial year end and its income and expenditure for the year then ended.

In preparing the Annual Accounts, I am responsible for:

- Selecting suitable accounting policies and applying them consistently;
- Making judgements and estimates that are reasonable and prudent; and
- Complying with the Code of Practice.

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 IJB.

I certify that these Annual Accounts present a true and fair view of the financial position of the North Lanarkshire Integration Joint Board as at 31 March 2019 and the transactions for the year then ended.

Chief Financial Officer: Marie Moy

Date: 24 September 2019

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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REMUNERATION REPORT

1 Introduction

The Remuneration Report has been prepared in accordance with the Local Authority Accounts (Scotland) Regulations 2014 which requires, at least, disclosure about remuneration and pension benefits of any persons whose remuneration is £150,000 or more. The Regulations also require disclosure of remuneration information for 'relevant' persons. A 'relevant person' in relation to the Remuneration Report for a financial year includes a senior officer holding office with associated authority, whether on a permanent or temporary basis, in the financial year to which that Remuneration Report relates.

All information disclosed in the tables at sections 6, 7 and 8 in this Remuneration Report has been audited by Audit Scotland. The other sections of the Remuneration Report were reviewed by Audit Scotland to ensure that they are consistent with the financial statements.

2 Integration Joint Board

The Standing Orders of the IJB, as prescribed by the Public Bodies (Joint Working) (Integration Joint Board) Order 2014, sets out the detail regarding IJB membership, voting, calling of meetings and the quorum for meetings.

The IJB comprises eight voting members, four of whom are elected members appointed by North Lanarkshire Council and four of whom are non-executive directors appointed by the NHS Lanarkshire Health Board. The term of office of members is for a period of three years. There are also non-voting representatives on the IJB drawn from health and social care professionals, employees, the third sector, service users and carers.

3 Remuneration: IJB Chair and Vice Chair

The Board Members do not currently receive remuneration or expenses directly from the IJB however voting board members will be remunerated by their relevant IJB partner organisation.

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting member costs borne by the partner.

During 2018/2019, the Chair of the IJB was Councillor Paul Kelly and the Vice Chair was Dr Avril Osborne. The details of the Chair and Vice Chair appointments held during 2018/2019 are shown below. No taxable expenses were paid by the IJB in 2018/2019.

Name	Post Held	Nominated by
Mr P. Kelly	Chair (1 April 2018 to 31 March 2019)	North Lanarkshire Council
Dr. A.Osborne	Vice Chair (1 April 2018 to 31 March 2019)	NHS Lanarkshire

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

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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REMUNERATION REPORT (Cont.)

4 Senior officers

The Chief Officer is appointed by the IJB in consultation with NHSL and NLC.

During 2018/2019, following structural changes in NLC, the Assistant Chief Executive, Janice Hewitt was offered and accepted voluntary severance, effective from 8 April 2019. Ms Hewitt also held the post of Chief Officer. Ms Hewitt was employed by North Lanarkshire Council and seconded to the IJB.

The post of Chief Officer was assumed by Ross McGuffie on an interim basis from 23 October 2018 until 25 June 2019. Following a selection process, Mr McGuffie was appointed to the Chief Officer post on a substantive basis. Mr McGuffie is employed by North Lanarkshire Council and seconded to the IJB.

The Chief Financial Officer is appointed by the North Lanarkshire IJB and is employed by South Lanarkshire Council. The Chief Financial Officer is seconded to the IJB in line with the local arrangements.

5 Remuneration policy

The remuneration of the Chief Officer is set with reference to national arrangements as well as local decisions on management structures and their associated remuneration levels.

The Scottish Joint Negotiating Committee for Local Authority Services sets out the spinal column salary points for Chief Officers which can be utilised in setting salary levels for such posts. The grade of the Chief Officer post was reviewed during the year.

6 Remuneration: Officers of the IJB

The senior officers received the following remuneration in the period:

Name	Salary, Fees, Allowances	Compensation for loss of office	2018/2019 Total Remuneration	2017/2018 Total Remuneration
Janice Hewitt ¹² Chief Officer (1 April 2018 to 22 October 2018)	£146,033	£119,401 plus annual compensation of £13,740	£265,434	£124,384
Ross McGuffie Chief Officer (23 October 2018 to 31 March 2019)	£41,456 (FYE - £94,571)	N/A	£41,456 (FYE - £94,571)	N/A
Marie Moy ¹³ Chief Financial Officer (1 April 2018 to 31 March 2019)	£34,026	N/A	£34,026	£32,889

¹² The transfer of social work services for children and families' and criminal justice back to the council resulted in a voluntary redundancy. The remuneration of the post holder is also disclosed in the North Lanarkshire Council 2018/2019 Remuneration Report where further details can be found.

¹³ The remuneration of the post holder is also disclosed in the South Lanarkshire IJB Annual Accounts 2018/2019 Remuneration Report

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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REMUNERATION REPORT (Cont.)

6 Remuneration: Officers of the IJB (Cont.)

The Chief Financial Officer is also appointed to the South Lanarkshire IJB. The remuneration disclosed in the table on the previous page is the proportion of remuneration received in relation to the activity of the North Lanarkshire IJB during 2018/2019. The remuneration in respect of South Lanarkshire IJB is therefore shown separately in the South Lanarkshire IJB Annual Accounts.

The IJB does not directly employ any Health or Social Care staff. They are employed by either NHS Lanarkshire or North Lanarkshire Council and remuneration for staff is reported in the employing organisation.

Pay band information is not separately provided as all staff pay information has been disclosed in the information above.

7 Pension benefits

In respect of officers' pension benefits, the statutory liability for any future contributions to be made rests with the relevant employing partner organisation.

On this basis, there is no pensions liability reflected on the IJB balance sheet for the Chief Officer or any other officers.

The IJB however, has responsibility for funding the employer contributions for the current year in respect of the officer time spent on fulfilling the responsibilities of their role on the IJB.

The senior officers are members of the Strathclyde Pension Fund which is a Local Government Pension Scheme (LGPS). The LGPS is a defined benefit statutory scheme, administered in accordance with the Local Government Scheme Regulations 2014.

Costs of the pension scheme contributions for the year to 31 March 2019 are shown in the table below:

Name	In-year pension contributions		Accrued pension benefits			
	To 31 March 2019	To 31 March 2018	As at 31 March 2018	Movement In Year	As at 31 March 2019	
	£000	£000	£000	£000	£000	
Janice Hewitt Chief Officer	£350,116 ¹⁴	£27,484	Pension	49	4	53
			Lump Sum	89	3	92
Ross McGuffie Chief Officer	£17,075	N/A	Pension	2	1	3
			Lump Sum	N/A	N/A	Nil
Marie Moy Chief Financial Officer	£13,134	£12,695	Pension	24	2	26
			Lump Sum	39	2	41

The pension benefits detailed in the table above relate to the total amount attributable to each post on a full-time basis. A pro-rata approach has not been adopted.

The pension benefits disclosed relate only to the post holder's IJB role. As Mr McGuffie assumed the role of Interim Chief Officer on 23 October 2018, the pension benefits disclosed relate only to the current financial year 2018/2019.

¹⁴A payment of £325,179 was made to the pension fund as part of the voluntary redundancy settlement.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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REMUNERATION REPORT (Cont.)

8 Severance Costs

The Accounting Code of Practice requires disclosure of severance costs agreed in bands of £20,000 up to £100,000 and bands of £50,000 thereafter. The severance costs which require to be disclosed include the strain on the pension as a result of employees retiring before the assumed retirement ages, compensated added years lump sums, redundancy lump sums and payments in-lieu of notice. The costs included in the bands are those for which there is a demonstrable commitment, which may be legal, contractual or constructive, at the end of the financial year under review.

The compensation for loss of office is detailed in section 6 at page 15 and the cost of pension scheme contributions is detailed in section 7 at page 16.

In addition to actual severance costs incurred by NLC, the Accounting Code of Practice also requires disclosure of capitalised compensatory added years' payments that NLC may be required to pay to the pension fund up until the age at which the former employee is assumed to cease being a member of the pension scheme. It should be stressed that these cost assumptions are based on average life expectancies and so may be subject to change based on actual circumstances impacting on individual pension members.

The following table therefore details, by cost banding, an estimate of the total severance costs that may potentially be incurred by NLC up until the age at which the relevant employee(s) are assumed to cease being members of the pension scheme.

Exit Packages Bands	2018/2019		2017/2018	
	No. of employees	Notional Projected Lifetime Costs	No. of employees	Notional Projected Lifetime Costs
£800,001-£850,000	1	£835,559	N/A	N/A

There were no redundancies during 2017/2018.

Dr. Avril Osborne

Ross McGuffie

Chair

Chief Officer

Date: 24 September 2019

Date: 24 September 2019

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

ANNUAL GOVERNANCE STATEMENT

Introduction

The Annual Governance Statement explains how the North Lanarkshire Integration Joint Board (IJB) complies with the Code of Corporate Governance and meets the requirements of the Delivering Good Governance in Local Government Framework developed by CIPFA and SOLACE in 2016. This statement reports on the effectiveness of the governance arrangements and the system of internal control for the IJB.

Scope of Responsibility

The Public Bodies (Joint Working) (Scotland) Act 2014 (the Act) sets out the legislative responsibilities for the delivery of integrated health and social care services. The original North Lanarkshire Health and Social Care Integration Scheme was approved by the Scottish Parliament in May 2015 and the IJB became a public sector organisation in June 2015. In April 2019, the Cabinet Secretary approved an updated North Lanarkshire Integration Scheme to reflect the transfer of the discretionary delegated functions for Children and Families and Justice Social Work Services to the newly reshaped Education and Families service in North Lanarkshire Council.

The system of internal control is proportionate to the IJB's strategic responsibility and reliance is placed on the NHSL and NLC systems of internal control. Within a strategic context, the IJB has a statutory duty of best value and is required to ensure that public money is safeguarded and properly accounted for.

The Governance Framework

The terms of reference for the IJB are formally set out in the Public Bodies (Joint Working) (Integration Joint Boards) (Scotland) Order 2014 with particular reference to the Scottish Statutory Instruments 2014 No.285. This Order sets out provisions which apply in relation to the membership, proceedings and operation of all IJBs. Article 17 also confers powers on IJBs to establish committees and delegate functions to those committees. The roles and responsibilities of the IJB and the IJB (Performance, Finance and Audit) Committee are set out in the [Terms of Reference](#)¹⁵.

The IJB Code of Corporate Governance, which describes the IJB's governance arrangements, will be updated to reflect the outcome of the review of the Integration Scheme in June 2019. The effective operation of each partner's financial and corporate systems, processes and internal controls are key to achieving the IJB's outcomes. The internal control system can only provide reasonable and not absolute assurance of effectiveness.

Review of Adequacy and Effectiveness

A review of the effectiveness of the IJB's governance arrangements during 2018/2019 has been undertaken and took into consideration the following:

- the review of the Integration Scheme between October 2018 and June 2019 which considered (1) Finance; (2) Information and Communication Technology; (3) Strategic Planning; (4) Governance; (5) Human Resources and Workforce; (6) Performance and (7) Operational services
- the self-evaluation of the proposals outlined in the Ministerial Strategic Group for Health and Community Care's report on the Review of Progress with Integration of Health and Social Care
- an annual self-assessment against the IJB's Local Code of Corporate Governance consistent with the seven core principles and recommendations of the CIPFA/SOLACE Framework (2016);
- reports by internal audit, external audit, external scrutiny bodies and inspection agencies.

The review was also informed by cross-assurances from each of the partners, NHSL and NLC, including consideration of their relevant internal audit and external audit reports.

¹⁵ <https://mars.northlanarkshire.gov.uk/egenda/images/att87070.pdf>

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Assessment of Governance Arrangements

The assessment of the North Lanarkshire IJB governance framework and internal control system confirmed that no significant control weaknesses or significant failures have arisen in the expected standards for good governance, risk management and internal control. There are therefore no issues arising that would require to be disclosed in this statement. The key conclusions which contributed to this overall assessment are detailed below.

➤ Strategic Commissioning Framework

On 27 March 2018, the IJB approved the directions to each of the partners. This included the [Commissioning Summary](#)¹⁶ which set out the eight key commissioning intentions for 2018/2019. It also included four intentions which were continued from 2017/2018 and four intentions which had been previously identified for delivery in 2018/2019. At that stage of the financial year, ten new commissioning intentions were also highlighted for further development in 2019/2020.

On 27 September 2018, NLC set out a new vision for the future direction of the council in [We Aspire](#)¹⁷. This vision included a proposal to revise the Integration Scheme and transfer the discretionary delegated functions for children, families and justice social work services to the newly reshaped Education and Families service within the council.

The [North Lanarkshire Integration Review and Self-Assessment](#)¹⁸ was undertaken between October 2018 and June 2019 and reported to the IJB on 12 June 2019. Improvement actions were identified and a detailed action plan is being developed to further develop integration.

In partnership with NHSL and NLC, the IJB continues to have effective and robust structures in place to deliver the commissioning intentions. The good governance arrangements across the partnership also effectively contribute to the implementation of [NHS Lanarkshire Healthcare Strategy Achieving Excellence](#)¹⁹, the [Health and Social Care Delivery Plan](#)²⁰ and the [Annual Operating Plan](#)²¹ and [The Plan for North Lanarkshire](#)²². A Lanarkshire Unscheduled Care Improvement Board is in place, jointly chaired by the North and South IJB Chief Officers and the Director of Acute Services, with representation from all key stakeholders. Key strategic projects include “front door” assessment, discharge to assess, re-ablement and re-direction. Performance and improvement actions are progressed to further improve the unscheduled care targets. Notwithstanding this work, there are challenges in trying to move further funding from the acute sector into the community sector.

The hosted services arrangements were reviewed in May 2019 in consultation with the South Lanarkshire IJB. The membership of the hosted services group was reduced to a core group of 10 officers and the terms of reference were revised to focus on significant variance in performance from target, significant variance from budget, service development requests and savings proposals. The objective of the review is to create the conditions to agree a shared response to mutual issues of strategic importance. The health ‘hosted services’ that currently sit within the NLHSCP locality management, alongside Home Support management, will be placed into the area-wide services structure to gain greater autonomy, oversight and synergies. It is intended that Integrated Addictions Services and Social Work Locality Support Services will move in the opposite direction to be locality delivered.

The strategic commissioning arrangements are effective and continue to be improved.

¹⁶ <https://mars.northlanarkshire.gov.uk/egenda/images/att87773.pdf>

¹⁷ <https://mars.northlanarkshire.gov.uk/egenda/images/att88713.pdf>

¹⁸ <https://mars.northlanarkshire.gov.uk/egenda/images/att91211.pdf>

¹⁹ <https://www.nhslanarkshire.scot.nhs.uk/download/achieving-excellence/?wpdmdl=4137&ind=1544710644558>

²⁰ <https://www.gov.scot/publications/health-social-care-delivery-plan/>

²¹ <https://www.nhslanarkshire.scot.nhs.uk/download/2018-august-29-board-papers/?wpdmdl=3137&ind=1535455710598>

²² <https://www.northlanarkshire.gov.uk/CHttpHandler.ashx?id=22960&p=0>

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Assessment of Governance Arrangements (Cont.)

➤ Performance Monitoring Framework

The IJB and the Performance, Finance and Audit Committee receive quarterly reports on performance, as well as six-monthly updates on the Measuring Performance Under Integration dataset. This is the framework which was introduced in 2017 by the Scottish Government as a means of providing a consistent approach to understanding the impact of integration on the health and social care system across a small number of indicators.

A continuous improvement programme is in place and includes an action to continue to use performance data to drive further improvement and support informed decision making in respect of strategic planning and commissioning.

The North Lanarkshire IJB Annual Performance Report 2018/2019 was published in July 2019 and provides further information on our progress in respect of the key service developments and achievements realised in 2018/2019 including the Children and Adult Mental Health Services Deep Dive Review.

Internal audit undertook a review of the IJB's performance management arrangements and were satisfied that the performance framework appeared adequate and generally effective. A number of areas where improvements could be made were identified.

The performance monitoring arrangements are effective and continue to be improved.

➤ Financial Monitoring Framework

The [IJB Financial Plan 2018/2019²³](#) was agreed on 27 March 2018. In accordance with the requirements set out in the Public Bodies (Joint Working) (Scotland) Act 2014, the IJB issued directions effective from 1 April 2018 to NHS Lanarkshire Health Board and North Lanarkshire Council in respect of the delivery of integrated functions and how resources were to be allocated for resultant services. The budget was further refined during the course of the year by both partners and also updated to reflect additional in-year funding.

The Health and Social Care Medium Term Financial Framework was published by the Scottish Government on 4 October 2018. This framework supports the Health and Social Care Delivery Plan and sets out in more detail the potential approach and type of initiatives required to ensure continued delivery of a financially balanced and sustainable Health and Social Care system. The financial assumptions upon which this national framework has been based are still to be tested locally. The Scottish Government has committed to providing longer term financial settlements in 2019/2020 for the financial years 2020/2021 and beyond. This is a significant development. Up-front investment however is still required to ensure sufficient health and social care community services can be established and sustained.

The development of the medium to long term financial outlook for the IJB is being progressed to provide a balanced and objective analysis of service priorities, financial affordability and other resource constraints, including the workforce. The financial outlook will set the context for ongoing decisions on significant delivery issues and responses to the changes in the external environment. These include consideration of the Safe Staffing legislation, the national care home contract, the Carers (Scotland) Act 2016, the implementation of free personal care for individuals under the age of 65 and the EU withdrawal. This plan is currently under review. In the interim, reliance is being placed on the medium term financial strategies of each partner.

²³ <https://mars.northlanarkshire.gov.uk/egenda/images/att87771.pdf>

NORTH LANARKSHIRE INTEGRATION JOINT BOARD ANNUAL ACCOUNTS 2018/2019

Assessment of Governance Arrangements (Cont.)

➤ Financial Monitoring Framework (Cont.)

The financial position of the IJB for 2018/2019 is set out at pages 5 to 6 and pages 9 to 11 of the management commentary. The 2019/2020 Financial Plan was approved by the IJB on 26 March 2019 and set out the parameters to achieve a balanced budget by 31 March 2020. It is highlighted that reliance continues to be placed on non-recurring funding solutions.

The establishment of a minimum level of contingency reserves is recommended good practice. During 2018/2019, the demand for services necessitated the draw down of the contingency reserve. The IJB Reserves Policy has been updated to better reflect the allocation of non-recurring funding to ring-fenced, earmarked, risk-based and contingency reserves. In particular, the introduction of a category for risk-based reserves reflects those anticipated cost pressures that are not completely within the control of the IJB.

The effectiveness and transparency of the financial framework across the partnership continues to be developed. The NLC partner is also undertaking work to reduce as far as possible the financial risk associated with the range of uncertainties of demand led services. A total of nine financial monitoring reports were presented to the IJB and the PFA Committee during the year. The timing of the meetings at the start of the financial year however still requires to be addressed to reduce the gaps in the availability of the reports.

In 2019/2020, a due diligence exercise will be undertaken in consultation with NLC to agree the disaggregation of the budget as a result of the changes to the Integration Scheme.

The findings and recommendations of internal audit, external audit and inspection bodies are reported to the IJB. The Performance, Finance and Audit Committee is integral to ensuring that recommendations are acted upon and improvements in internal control and governance are monitored.

The financial monitoring arrangements are effective and continue to be improved.

➤ Risk Management Framework

Following a risk management workshop in May 2018, an updated protocol was agreed. Risks have been effectively monitored throughout the year with action being taken to mitigate those risks which are higher than the tolerance level set. There are currently 17 risks which are assessed as follows: 3 – Very High; 5 – High; 8 – Moderate and 1 – Low. The [Risk Register](#)²⁴ includes the following notable risks:

- The availability and sustainability of GP services (Very High Risk)
Practical measures to reduce pressure on GP practices include additional pharmacists and the transfer of responsibilities for vaccinations and properties to the NHS board, as appropriate.
- Prescribing Cost Increases (Very High Risk)
Cost increases and volatility continue to impact on prescribing budgets. Reliance continues to be placed on the prescribing reserve which totals £2.881m.
- EU Withdrawal (Very High Risk)
EU withdrawal is an external factor. Mitigating actions cannot fully diminish this risk and there continues to be significant uncertainty. An operational group has been set up to prepare for EU withdrawal.

²⁴ <https://mars.northlanarkshire.gov.uk/egenda/images/att91218.pdf>

Assessment of Governance Arrangements (Cont.)

➤ **Risk Management Framework (Cont.)**

- **Financial Budget Settlements and In-year Budget Pressures (High Risks)**
Both of these risks were recorded as high risks in 2018/2019. The assessment of the IJB's future financial sustainability will be reviewed as part of the management of the 2019/2020 budget.

The remaining 12 risks are reviewed at least every 2 to 3 months. A key development is the transition to one joint register for all six localities for both health and social care services. A collaborative exercise has also commenced with the South Lanarkshire Health and Social Partnership and NHSL to further strengthen the risk management framework with a particular focus on shared risks and assurance arrangements.

Making transformational change, at the same time as managing existing services and funding pressures, continues to be challenging, particularly within the current financial climate. It is recognised that it is vital that the appropriate professional capacity is in place to meet all statutory and professional requirements including high risk decision making, professional supervision and quality assurance. Arrangements are also in place to manage the practical implications of the disaggregation of Children & Families and Justice Social Work services.

The vacancy factor in 2018/2019 was an average of 5% (138 WTE), which is higher than the average vacancy factor of 3.1% in 2017/2018. The workforce plan continues to be developed to address the future implications of the Safe Staffing legislation and the requirement to maintain staffing levels. The establishment of the Care Academy has been a key priority for the partnership in this regard.

Internal audit undertook a review of the maturity of the IJB's risk management arrangements and concluded that good progress had been made and adequate risk management arrangements are in place. A number of areas where further actions are required to embed risk management more fully within the IJB's activities were identified.

The risk management arrangements are effective and continue to be improved.

➤ **Estimates and uncertainties**

As highlighted at note 2 on page 32 and page 33, the operation of the set-aside budget for unscheduled care services is a key area of uncertainty. Both hospital and community services must operate together to maximise the efficacy of unscheduled care services. A whole system approach is adopted by the partners.

The management of 'set-aside' budgets is complex however NHSL have been committed to establishing an appropriate mechanism for its operation. Due to the complexity of allocating costs, there is a substantial time lag with ISD data to agree the notional set-aside budget which means the strategic review of changes in resource use is 18 months in arrears. This does not prevent service changes as these are modelled on a case by case basis based on local data. Local development work with ISD is underway to assess if more basic but more timely information linked to the financial ledgers could be more useful for monitoring purposes.

Cost pressures across acute services, for both the set-aside and non-set-aside services, have been managed by the health partner since 2016. Given the extent of the pressures which are facing acute services now and in the future, it will be challenging to sustain this approach if the current financial constraints continue.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

Overview of Control and Governance Improvements during 2018/2019

Improvement areas to further strengthen the IJB's governance arrangements were identified in the 2017/2018 Annual Governance Statement. The timeline for achieving these improvements was a two year period to 31 March 2020. A progress report in respect of these ongoing actions is detailed below.

Ref.	Area for improvement identified for 2018/2019	Action Undertaken 2018/2019
1	<p>Ensure the financial and commissioning strategies of the IJB and each partner continue to be aligned in order to progress the health and social care integration agenda and respond to the national and local policy initiatives within the context of on-going significant financial challenges.</p> <p>Review Financial Framework</p> <ul style="list-style-type: none"> ▪ Review Financial Regulations ▪ Finalise the medium to long term financial strategy ▪ Further develop transparency and financial management reporting ▪ Specify the resources to be attached to the directions in line with strategic commissioning plan intentions. ▪ Consider the options to review the alignment of financial resources to reflect the population and locality needs <p>Chief Financial Officer April 2018 to March 2020</p>	<p>Ongoing.</p> <p>The Commissioning Framework 2019 to 2022²⁵ was approved by the IJB on 26 March 2019.</p> <p>A budget was set for 2018/2019. Savings plans were progressed. Reliance was placed on non-recurring funding and the identification of in-year solutions. A budget recovery plan was also implemented to address an overspend across social care services which emerged in-year due to an increase in the demand for services as a result of demographic growth. Work has progressed on the medium to long term financial strategy and an update will be presented to a future meeting of the IJB. An audit trail has also been developed to aid financial management reporting and transparency.</p> <p>The North Lanarkshire Integration Scheme has been reviewed.</p> <p>Careful consideration is also being given to: (1) The Audit Scotland report on Health and Social Care Integration Update on Progress (November 2018); and (2) The Ministerial Strategic Group for Health and Community Care's report on the Review of Progress with Integration of Health and Social Care (February 2019)</p> <p>A self-evaluation has been undertaken and an action plan is being developed to further strengthen the existing arrangements in consultation with the partners.</p> <p>Notwithstanding the further improvements which will be progressed, the current financial governance framework has been complied with.</p>

²⁵ <https://mars.northlanarkshire.gov.uk/egenda/images/att90476.pdf>

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Overview of Control and Governance Improvements during 2018/2019 (Cont.)

Ref.	Area for improvement identified for 2018/2019	Action Undertaken 2018/2019
2	<p>Further develop the performance management framework to maintain improvement activity and evidence the shift in the balance of care.</p> <p>Review Performance Framework</p> <ul style="list-style-type: none"> ▪ Review performance targets and outcomes ▪ Review shifting the balance of care ▪ Review the ongoing sustainability of services <p>Head of Planning, Performance and Quality Assurance April 2018 to March 2020</p>	<p>Ongoing.</p> <p>A performance work stream was established to support the North Lanarkshire Review of the Integration Scheme. Both Lanarkshire partnerships are viewed nationally as leading the way in integrated performance management arrangements. Notwithstanding this, further improvement actions have been identified by the key stakeholders involved in this work stream and an action plan has been agreed.</p> <p>The performance management framework has continued to be embedded across each of the localities during the year. Performance outcomes are referred to on page 5 of the management commentary and are included in the North Lanarkshire IJB Annual Performance Report 2018/2019 which was published in July 2019. Internal audit undertook a review of the performance monitoring arrangements and were satisfied that the IJB's performance framework appeared adequate and generally effective. A number of areas where improvements could be made were identified.</p>
3	<p>Continue to embed governance structures across the partnership</p> <p>Review Governance Arrangements</p> <ul style="list-style-type: none"> ▪ Embed governance framework and link to the directions pathway ▪ Provide ongoing support and personalised development opportunities for IJB members ▪ Progress learning and review opportunities which actively encourage meaningful and constructive feedback from key stakeholders <p>Chief Officer April 2018 to March 2020</p>	<p>Ongoing.</p> <p>The review of the North Lanarkshire Integration Scheme, which included consideration of governance arrangements, concluded in June 2019. The governance structure moving forward proposes the key interfaces around clinical and care governance. The understanding of the governance requirements underpinning health and social care integration is developing including an increased awareness of decision-making responsibilities.</p> <p>NLC completed an audit of the IJB's governance arrangements and concluded that substantial assurance can be placed on the IJB's arrangements for reviewing and assessing its governance framework and that this framework is consistent with relevant legislative requirements and with expected good practice. Two areas of good practice were noted during the audit. The further development of collaborative leadership and building relationships with key stakeholders continue to be key improvement actions.</p>

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Overview of Control and Governance Improvements during 2018/2019 (Cont.)

Ref.	Area for improvement identified for 2018/2019	Action Undertaken 2018/2019
4	<p>Implementation of national agreements and new legislative duties</p> <ul style="list-style-type: none"> ▪ GMS 2018 contract ▪ Carers (Scotland) Act 2016 ▪ Contribute to consultations (e.g. Safe Staffing Bill and Free Personal Care to under 65s) <p>Chief Officer April 2018 to March 2020</p>	<p>Ongoing.</p> <p>Significant progress has been made in respect of the implementation of legislative changes and national policy initiatives. Progress reports have been presented to the IJB throughout the year.</p> <p>Work on key priorities is ongoing including contributing to Scottish Government consultations.</p>

Overview of Control and Governance Improvements for 2019/2020

Following consideration of the internal review of the adequacy and effectiveness of the IJB governance arrangements, in addition to the four ongoing continuous improvement actions identified for the period from April 2018 to March 2020, further actions will be progressed in 2019/2020 to strengthen the good governance controls.

These actions, including the timeline, are summarised in the table below.

Ref.	Area for Improvement and Outcome To Be Achieved	Improvement Action Agreed	Lead Officer	Timeline
1	Implementation of the outcome of the Review of the Integration Scheme.	<p>Improvement actions have been agreed following the outcome of each of the seven work streams.</p> <p>Update reports will be presented to the IJB to advise of progress as appropriate.</p>	Chief Officer	April 2019 to March 2021
2	Further consideration of the Ministerial Strategic Group (MSG) proposals.	<p>A range of actions have been agreed across the partnership to take forward the MSG proposals.</p> <p>The MSG have indicated that a second self-evaluation will be undertaken in 12 months to assess progress.</p> <p>Update reports will be presented to the IJB to advise of progress during 2019/2020 as appropriate.</p>	Chief Officer	April 2019 to March 2021

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Internal Audit Opinion

The Internal Audit Plan for 2018/2019 included the following assignments:

- A review of the IJB's performance management arrangements which concluded that the framework appeared adequate and generally effective. Improvement areas were identified.
- A review of the main sources of assurance available to the IJB. This assignment has been deferred to 2019/2020 to allow the developments in joint risk management to be implemented following the conclusion of the internal audit assignment on Risk Maturity Assessment.

Based on the programme of internal audit work undertaken in 2018/2019, it is internal audit's opinion that reasonable assurance can be placed on the adequacy and effectiveness of the North Lanarkshire Integrated Joint Board's framework of governance, risk management and internal control arrangements for the year ending 31 March 2019. No issues have been identified during the course of the internal audit work which would require to be disclosed in the Annual Governance Statement. Planned Internal Audit work for 2019/2020 will continue to focus on key strategic and operational areas of risk for the IJB.

Conclusion and Opinion on Assurance

During 2018/2019, the IJB has adhered to the stated principles of good governance, acted in the public interest and been committed to continuous improvement. The IJB continued to demonstrate that the governance arrangements and framework within which it operates is sound and effective and is consistent with the principles and recommendations of the CIPFA/SOLACE Framework (2016). The IJB considers that systems are in place to regularly review and improve the governance framework and the internal control environment and that, in respect of the third year of operation for the IJB, these were effective and fit for purpose during 2018/2019 and there were no significant weaknesses.

The [North Lanarkshire Council Best Value Assurance Report](#)²⁶ was published by Audit Scotland in May 2019. One of the key findings concluded that "the transformation of health and social care in North Lanarkshire is being progressed. North Lanarkshire is achieving high levels of care at home for people aged 65 or over and is investing in reablement to sustain this". Satisfaction levels for care services however have declined. NLC will investigate the reasons for this. On 15 November 2018, Audit Scotland published a report on the progress of integration. On 4 February 2019, the Ministerial Strategic Group for Health and Community Care also undertook a review of progress and made twenty five proposals. The result of the self-evaluation can be reviewed at [North Lanarkshire Integration Review and Self Assessment \(Appendix 3 Pages 43 to 71\)](#)²⁷. Relationships and partnership working with the third and independent sector were evaluated as exemplary. 17 proposals were assessed as already established and 4 were partly established.

While recognising that continuous improvement actions will be progressed during the fourth year of operation as set out in the 2019/2020 action plan, it is the IJB's opinion that reasonable and objective assurance can be placed upon the adequacy and effectiveness of the IJB's governance arrangements and that any significant risks impacting on the IJB's principal objectives will be identified and actions taken to avoid or mitigate their impact. This assurance is limited, however, to the work undertaken during the year, the assurances provided by each partner and the evidence available at the time of preparing this statement.

Dr. Avril Osborne
Chair

Date 24 September 2019

Ross McGuffie
Chief Officer

Date 24 September 2019

²⁶ https://www.audit-scotland.gov.uk/uploads/docs/report/2019/bv_190523_north_lanarkshire.pdf

²⁷ <https://mars.northlanarkshire.gov.uk/egenda/images/att91211.pdf>

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 31 MARCH 2019

This statement shows the actual cost of providing services in accordance with generally accepted accounting practices, the total funding contributions from the partners and the surplus on activities during the year.

2017/2018				2018/2019		
Gross Expenditure	Gross Income Restated	Net Expenditure Restated		Gross Expenditure	Gross Income	Net
£m	£m	£m		£m	£m	£m
209.623	(2.424)	207.199	Social Care Services	225.947	(2.336)	223.611
88.701	0.000	88.701	Family Health Services	94.362	0.000	94.362
72.636	0.000	72.636	Prescribing Costs	70.288	0.000	70.288
117.472	0.000	117.472	Hosted Services (Note 10)	119.676	0.000	119.676
56.877	0.000	56.877	Hospital Acute Services (Notional Set Aside Budget)	56.978	0.000	56.978
48.423	0.000	48.423	Health Care Services	56.272	0.000	56.272
6.324	(6.692)	(0.368)	Justice Services	6.161	(6.629)	(0.468)
1.993	(1.993)	0.000	Housing Services	1.872	(1.872)	0.000
0.260	0.000	0.260	Corporate Services (Note 6)	0.745	0.000	0.745
602.309	(11.109)	591.200	Cost of Services	632.301	(10.837)	621.464
0.000	(601.938)	(601.938)	Taxation and Non-Specific Grant Income (Note 5)	0.000	(619.247)	(619.247)
602.309	(613.047)	(10.738)	Deficit or (surplus) on provision of services and total comprehensive (income) and expenditure (Note 11)	632.301	630.084	2.217

The IJB was established on 27 June 2015. Integrated delivery of health social care services commenced on 1 April 2016. 2018/2019 is the third year of operation for the IJB.

There are no statutory or presentation adjustments which affect the IJB's application of the funding received by partners.

The movement in the General Fund balance is therefore solely due to the transactions shown in the Comprehensive Income and Expenditure Statement. Consequently, an Expenditure and Funding Analysis is not provided in these annual accounts.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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MOVEMENT IN RESERVES STATEMENT

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

Movements in Reserves during 2018/2019	General Fund Balance £m	Total Reserves £m
Opening balance at 1 April 2018	18.200	18.200
Total Comprehensive Income and Expenditure	2.217	2.217
Increase or (decrease) in 2018/2019	(2.217)	(2.217)
Closing balance at 31 March 2019	15.983	15.983

Movements in Reserves during 2017/2018	General Fund Balance £m	Total Reserves £m
Opening balance at 1 April 2017	7.462	7.462
Total Comprehensive Income and Expenditure	10.738	10.738
Increase or (decrease) in 2017/2018	10.738	10.738
Closing balance at 31 March 2018	18.200	18.200

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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BALANCE SHEET AS AT 31 MARCH 2019

The balance sheet shows the value as at 31 March 2019 of the IJB's assets and liabilities at the balance sheet date. The net assets of the IJB are matched by the reserves held by the IJB.

	Notes	31 March 2019 £m	31 March 2018 £m
Current assets			
Short term debtors	7	15.983	18.200
Net assets / (liabilities)		15.983	18.200
Usable reserves	11	15.983	18.200
Total reserves		15.983	18.200

The Statement of Accounts present a true and fair view of the financial position of the North Lanarkshire Integration Joint Board as at 31 March 2019 and its income and expenditure for the year then ended.

The unaudited accounts were authorised for issue on 12 June 2019 and the audited annual accounts were authorised for issue on 24 September 2019.

Marie Moy

Chief Financial Officer

Date: 24 September 2019

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

1.1 General principles

The financial statements summarise the transactions of the IJB for the financial year 2018/2019 and its position at the year end of 31 March 2019.

The IJB was established under the requirements of the Public Bodies (Joint Working) (Scotland) Act 2014 and is a section 106 body as defined in the Local Government (Scotland) Act 1973. It is a joint venture between North Lanarkshire Council and NHS Lanarkshire.

The financial statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/2019, supported by the International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

1.2 Going concern

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

1.3 Accounting convention

The annual accounts are prepared under the historical cost convention.

1.4 Accruals of income and expenditure

Activity is accounted for in the year that it relates to and not simply when financial transactions are undertaken. In particular:

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

1.5 Funding

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

1.6 Cash and cash equivalents

The IJB does not operate a bank account or hold cash. Transactions are settled on behalf of the IJB by the funding partners. Consequently, the IJB does not present a "cash and cash equivalent" figure on the balance sheet. There is therefore no requirement for the IJB to prepare a cash flow statement. The funding balance due to or from each funding partner as at 31 March 2019 is represented as a debtor or creditor on the IJB's balance sheet.

1.7 Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

1. Accounting policies (Cont.)

1.8 Corporate services

The IJB has a legal responsibility to appoint a Chief Officer. A Chief Financial Officer has also been appointed to the IJB. The details in respect of these arrangements are outlined in the Remuneration Report. The charges from the employing partner are treated as employee costs within Corporate Services.

The absence entitlement of both the Chief Officer and the Chief Financial Officer as at 31 March 2019 is not material and has therefore not been accrued.

1.9 Contingent Liability

A contingent liability is a possible liability arising from events on or before 31 March 2019 whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's balance sheet but is disclosed in a note where it is material.

1.10 Indemnity Insurance

The IJB has indemnity insurance for costs relating primarily to potential claim liabilities regarding board member and officer responsibilities.

NHS Lanarkshire and North Lanarkshire Council have responsibility for claims in respect of the services that they are statutory responsible for and that they provide.

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

1.11 Debtors and creditors

Where income and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the balance sheet.

Debtors have been analysed between short term debtors which is income receivable within one year and long term debtors which fall due after more than one year. A bad debt provision is not assessed as necessary as the debtor balances represent usable reserves held by each partner on behalf of the IJB.

There are no creditor balances.

1.12 Reserves

A reserve is the accumulation of surpluses, deficits and appropriation over a number of years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the IJB. Reserves should be split between usable and unusable on the balance sheet. As at 31 March 2019, the usable reserve balance totals £15.983million. There are no unusable reserves.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

2. Critical judgements and estimation uncertainty

The critical judgements made in the financial statements relating to complex transactions are in relation to the accounting treatment of hosted services, the hospital acute services (set-aside) and specific service income.

Expenditure in respect of hosted services and hospital acute services are included in the financial statements on the basis of estimated figures. Estimates are made taking into account the best available information, however, actual results could be materially different from the assumptions and estimates used. This is further explained at note 2.1 and 2.2. Specific service income has been reviewed and reclassified. This is detailed at note 2.3.

2.1 Hosted Services

In applying the accounting policies set out above, the IJB has had to make a critical judgement relating to complex transactions in respect of values included for services hosted within North Lanarkshire IJB for South Lanarkshire IJB.

Within Lanarkshire, each IJB has operational responsibility for the services which it hosts on behalf of the other IJB.

In delivering these services the IJB has primary responsibility for the provision of the services and bears the risk and reward associated with this service delivery in terms of demand and the financial resources required.

As such, the IJB is considered to be acting as “principal” and the full costs are now reflected within the annual accounts for the services it hosts.

This is the basis upon which the 2018/2019 annual accounts have been prepared.

The relevant share of the pan Lanarkshire and area wide service expenditure is therefore included in the North Lanarkshire IJB on the basis of 51% of the total expenditure. 49% of the services relating to the South Lanarkshire IJB are also included as the North Lanarkshire IJB is acting as the principal for the delivery of these services.

In line with the Integrated Resource Advisory Group Guidance, the IJB responsible for the management of the hosted service is also responsible for managing overspends. As a result, these are accounted for within the annual accounts of the lead IJB. The same accounting treatment was adopted where an underspend arose in respect of a hosted service.

2.2 Hospital Acute Services (Set Aside)

The legislation sets out that Integration Authorities are responsible for the strategic planning of hospital services most commonly associated with the emergency care pathway along with primary and community health care and social care services.

In respect of the current financial year 2018/2019, the notional figure for the sum set aside for 2018/2019 has been agreed with NHSL as £56.978m. This amount will be included in both the NHSL Health Board and IJB annual accounts 2018/2019.

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

2. Critical judgements and estimation uncertainty (Cont.)

2.2 Hospital Acute Services (Set Aside) (Cont.)

This notional figure is based on 2016/2017 activity levels updated to reflect the 2018/2019 price basis and adjusted for planned service changes which have resulted in the transfer of resources from acute services to community services during 2018/2019. This figure has been reviewed and supplemented by additional planning information on resource use.

It should be noted therefore that the sum set aside recorded in the annual accounts will not therefore reflect actual hospital use in 2018/2019.

The agreement in place between NHSL and the IJB is that the services covered within the set aside arrangements will be provided for the agreed notional sum and that the risk of the cost of the directed services exceeding the agreed notional sum is borne by NHSL during the year.

The methodology to cost these set-aside services is complex. The activity data upon which the set-aside figure is based is currently 18 months in arrears.

The notional figure for the sum set-aside which was originally reported in the annual accounts in 2016/2017 was £60.000m. This was based on 2014/2015 activity levels updated to reflect the 2016/2017 price basis.

Based on the 2016/2017 activity data which is now available, the 2016/2017 restated budget was £57.251m and the actual cost was estimated to be £57.445m, in line with the agreed costing methodology. The costing methodology was also refined to improve accuracy which also contributes to the movement in the notional set-aside figure.

In comparison to the budget, the additional cost borne by NHSL in 2016/2017 in respect of the set-aside services was therefore estimated to be £0.194m.

In comparison to the amount included in the 2016/2017 annual accounts, the variance is £2.555m, which represents 0.4% of the net cost of services in 2016/2017 which totalled £585.692m.

This arrangement continues to be transitional pending further advice from the Scottish Government on the set-aside concept in order to further develop the arrangements required to meet the legislation and the statutory guidance.

In line with the agreed cost allocation methodology, the cost estimates will be updated when more information becomes available in order to inform how the set-aside services are being used and to aid the future strategic planning of this resource.

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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

2. Critical judgements and estimation uncertainty (Cont.)

2.3 Specific Service Income

Income may be received from individuals as a contribution towards the cost of their social care services. Following a review of the accounting treatment of this income, the amount collected is allocated to the relevant expenditure category and the net cost is reported in the Comprehensive Income and Expenditure Statement. This is the basis upon which the 2018/2019 annual accounts have been prepared. The 2017/2018 figures have also been restated to ensure expenditure and partner funding contributions are comparable. The effect of the restatement on the 2017/2018 annual accounts is outlined in the table below.

Restatement of 2017/2018 Annual Accounts		2017/2018 Original £m	Adjustment £m	2017/2018 Restated £m
Comprehensive Income and Expenditure Statement – Gross Income (Page 27)	Social Care Services	0.000	(2.424)	(2.424)
	Cost of Services	(8.685)	(2.424)	(11.109)
	Taxation and Non-Specific Grant Income (Note 5)	(604.362)	2.424	(601.938)
Comprehensive Income and Expenditure Statement – Net Expenditure (Page 27)	Social Care Services	209.623	(2.424)	207.199
	Cost of Services	593.624	(2.424)	591.200
	Taxation and Non-Specific Grant Income (Note 5)	(604.362)	2.424	(601.938)
Note 4 (Page 35)	Specific Service Income	(8.685)	(2.424)	(11.109)
	Other Service Income	(2.424)	2.424	0.000
Note 5 (Page 36)	Funding Contribution from North Lanarkshire Council	(170.002)	2.424	(167.578)
	Total	(604.362)	2.424	(601.938)
Note 12 (Page 41)	Funding Contributions received from North Lanarkshire Council	(170.002)	2.424	(167.578)
	Service Income received from North Lanarkshire Council	(8.685)	(2.424)	(11.109)

3. Events after the reporting period

The Chief Financial Officer authorised the unaudited annual accounts for issue on 12 June 2019. There have been no other material events since the date of the balance sheet which require revision to the figures in the annual accounts.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

4. Expenditure and Income Analysis by Nature

2017/2018 Restated £m		2018/2019 £m
209.623	Social Care Services	225.947
88.701	Family Health Services	94.362
72.636	Prescribing Costs	70.288
97.062	Hosted Services - Led by the North IJB (Note 10)	97.837
20.410	Hosted Services - Led by the South IJB	21.840
117.472	Hosted Services – Total	119.676
56.877	Hospital Acute Services (Notional Set Aside Budget)	56.978
37.844	Health Care Services - Localities	45.770
6.911	Health Care Services - Area Wide	6.563
3.668	Health Care Services - Out-of Area	3.939
48.423	Health Care Services – Total	56.272
6.324	Community Justice Services	6.161
1.896	Housing Services - Housing Revenue Account	1.785
0.097	Housing Services - General Fund	0.087
1.993	Housing Services – Total	1.872
0.260	Corporate Services	0.745
602.309	Total Gross Expenditure	632.301
(167.578)	Funding Contribution - North Lanarkshire Council	(169.084)
(434.360)	Funding Contribution - NHS Lanarkshire	(450.163)
0.000	South Lanarkshire IJB Hosted Service Funding	0.000
(11.109)	Specific Service Income	(10.837)
(613.047)	Total (Income)	(630.084)
(10.738)	Deficit or (surplus) on the provision of services	2.217

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

5. Taxation and Non-Specific Grant Income

2017/2018 Restated £m		2018/2019 £m
(434.360)	Funding Contribution from NHS Lanarkshire	(450.163)
(167.578)	Funding Contribution from North Lanarkshire Council	(169.084)
(601.938)	Total	(619.247)

The funding contribution from the NHS Board shown above includes £56.978 million in respect of the “set aside” resources relating to acute hospital and other resources. These are provided by NHS Lanarkshire which retains responsibility for managing the costs of providing these services.

The IJB however, has responsibility for the consumption of, and level of demand placed on, these resources.

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

The ring fenced contributions received by the North Lanarkshire IJB are detailed as follows:

2017/2018 £m		2018/2019 £m
(6.692)	Community Justice Grant	(6.619)
0.000	Other Justice Services Grant	(0.010)
(6.692)	Community Justice Services	(6.629)
(1.896)	Housing Revenue Account	(1.785)
(0.097)	Garden Assistance Scheme Income	(0.087)
(1.993)	Housing Services	(1.872)
(8.685)	Total	(8.501)

The funding contributions from the partners shown above also exclude specific service income contributions from individuals towards the cost of their social care services. In 2018/2019, this income totalled £2.336m and is presented as income in the Cost of Services in the Comprehensive Income and Expenditure Statement.

There are no other non-ring fenced grants or contributions.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

6. Corporate Services

31 March 2018 £m		31 March 2019 £m
0.233	Staff Costs	0.717
0.024	External Audit Fee	0.025
0.003	Administration Costs	0.003
0.260	Total	0.745

7. Short Term Debtors

31 March 2018 Restated £m		31 March 2019 £m
7.056	NHS Lanarkshire	9.823
11.144	North Lanarkshire Council	6.160
18.200	Total	15.983

All balances due to the IJB from the partner bodies have been reclassified as short term debtors on the basis that these reserves could be utilised at any time.

8. Contingent Liabilities

Contingent liabilities represent items that at 31 March 2019 are not recognised in the IJB's annual accounts because there is significant uncertainty at that date as to the necessity of the Council to make payments in respect of them. The IJB is aware that the partner, NLC, continues to work with providers to finalise the payment of the sleepover rate as a result of the implementation of the Scottish Living Wage. Due to the uncertainty of any potential liability on conclusion of the process with the providers, no value has been attributed to these payments in the financial statements. The financial risk in respect of this matter has been mitigated by the approval of the earmarked reserve, Self Directed Support Services, at note 11 on page 40. The IJB is unaware of any other material contingent liability as at 31 March 2019.

9. VAT

The IJB is not VAT registered and as such the VAT is settled or recovered by the partner agencies. The VAT treatment of expenditure in the IJB's annual accounts depends on which of the partner agencies is providing the service as these are treated differently for VAT purposes. Where North Lanarkshire Council is the provider, income and expenditure excludes any amounts related to VAT, as collected VAT is payable to HM Revenue & Customs and all VAT paid is recoverable from it.

North Lanarkshire Council is not entitled to fully recover VAT paid on a very limited number of items of expenditure and for these items the cost of VAT paid is included within service expenditure to the extent that it is irrecoverable from HM Revenue & Customs. Where NHS Lanarkshire is the provider, expenditure incurred will include irrecoverable VAT as, generally, NHS Lanarkshire cannot recover VAT paid as input tax and will seek to recover its full cost as income from the IJB.

The services provided by the Chief Officer to the IJB are outside the scope of VAT as they are undertaken under a specific legal regime.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

10. Principal Income and Expenditure

On behalf of the South Lanarkshire IJB within the NHS Lanarkshire area, the North Lanarkshire IJB acts as the lead for a number of delegated services. It therefore commissions services on behalf of the South Lanarkshire IJB and reclaims the costs involved. The payments that are made on behalf of the South Lanarkshire IJB, and the consequential reimbursement, are included in the Comprehensive Income and Expenditure Statement, since the North Lanarkshire IJB is acting as principal in these transactions. The net amount of expenditure and income relating to these principal arrangements is shown below:

2017/2018			Delegated Services - Services hosted by the North Lanarkshire IJB On behalf of the South Lanarkshire IJB	2018/2019		
Expenditure on hosted services	Income from hosted services	Net Expenditure		Expenditure on hosted services	Income from hosted services	Net Expenditure
£m	£m	£m		£m	£m	£m
1.135	(1.135)	0.000	Sexual health Services	1.186	(1.186)	0.000
1.059	(1.059)	0.000	Continence Services	1.033	(1.033)	0.000
1.082	(1.082)	0.000	Immunisation Services	1.053	(1.053)	0.000
2.588	(2.588)	0.000	Speech and Language Therapy Services	2.573	(2.573)	0.000
2.691	(2.691)	0.000	Children and Adult Mental Health Services	2.881	(2.881)	0.000
4.886	(4.886)	0.000	Children's Services	5.043	(5.043)	0.000
0.265	(0.265)	0.000	Integrated Equipment and Adaptation Service	0.265	(0.265)	0.000
1.589	(1.589)	0.000	Dietetics Services	1.671	(1.671)	0.000
1.800	(1.800)	0.000	Podiatry Services	1.842	(1.842)	0.000
0.693	(0.693)	0.000	Prisoner Healthcare Services	0.736	(0.736)	0.000
0.777	(0.777)	0.000	Blood Borne Virus Services	0.757	(0.757)	0.000
0.000	0.000	0.000	Hospital at Home Services	0.935	(0.935)	0.000
29.722	(29.722)	0.000	Mental Health Services	28.657	(28.657)	0.000
48.287	(48.287)	0.000	South Lanarkshire IJB Total	48.632	(48.632)	0.000
48.775			North Lanarkshire IJB Total	49.205	(49.650)	(0.445)
97.062			Total services hosted by the North Lanarkshire IJB (Note 4)	97.837	(98.282)	(0.445)

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

10. Principal Income and Expenditure (Cont.)

Similarly, the South Lanarkshire IJB within the NHS Lanarkshire area acts as the lead for a number of delegated services on behalf of the North Lanarkshire IJB. The payments that are made by the South Lanarkshire IJB on behalf of the North Lanarkshire IJB, and the consequential reimbursement, are included in the Comprehensive Income and Expenditure Statement, since this expenditure is incurred for the residents of North Lanarkshire. The net amount of expenditure and income relating to those principal arrangements hosted by the South Lanarkshire IJB is shown below:

2017/2018			Delegated Services - Hosted Services	2018/2019		
Expenditure on hosted services	Income from hosted services	Net Expenditure		Expenditure on hosted services	Income from hosted services	Net Expenditure
£m	£m	£m		£m	£m	£m
1.844	(1.844)	0.000	Primary Care Improvement Fund	1.085	(1.085)	0.000
3.075	(3.075)	0.000	Community Dental Services	3.071	(3.071)	0.000
2.949	(2.949)	0.000	Out of Hours Services	3.979	(3.979)	0.000
1.475	(1.475)	0.000	Diabetic Services	1.696	(1.696)	0.000
3.446	(3.446)	0.000	Occupational Therapy Services	3.722	(3.722)	0.000
3.133	(3.133)	0.000	Palliative Care Services	3.485	(3.485)	0.000
0.318	(0.318)	0.000	Primary Care Services	0.327	(0.327)	0.000
4.170	(4.170)	0.000	Physiotherapy Services	4.475	(4.475)	0.000
20.410	(20.410)	0.000	Services hosted by the South Lanarkshire IJB on behalf of the North Lanarkshire IJB	21.840	(21.840)	0.000

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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NOTES TO THE FINANCIAL STATEMENTS (Cont.)

11. Usable Reserve: General Fund

The purposes of the General Fund are detailed in the [IJB Reserves Policy²⁸](#). Funding received for a specific purpose and not yet spent will be allocated to a ring-fenced reserve. Funding for future expenditure needs and key financial risks will be allocated to earmarked reserves. A contingency reserve is required to cushion the impact of unexpected events or emergencies. This is a key part of the risk management strategy. The table below shows the movements on the General Fund balance, analysed between these purposes and the amount held as a general contingency.

2017/2018				Useable Reserve	2018/2019		
Balance as at 1 April 2017	Transfers Out	Transfers In	Balance as at 31 March 2018		Transfers Out	Transfers In	Balance as at 31 March 2019
£m	£m	£m	£m	Ring-fenced Reserves	£m	£m	£m
0.403	0.000	0.000	0.403	Alcohol and Drug Partnership Fund	(0.358)	1.092	1.137
0.979	(0.600)	0.391	0.770	Ring-fenced Reserves – Other Services	(0.770)	1.284	1.284
1.382	0.600	0.391	1.173	Ring-fenced Reserves Total	(1.128)	2.376	2.421
				Earmarked Reserves			
0.000	0.000	0.000	0.000	Health Visitor Training Fund	0.000	0.584	0.584
0.000	0.000	0.840	0.840	Palliative Care Services	(0.569)	0.298	0.569
0.000	0.000	3.320	3.320	Self-Directed Support Services (Risk based)	(0.106)	0.000	3.214
0.616	0.000	2.265	2.881	Prescribing Fund (Risk based)	0.000	0.000	2.881
0.000	0.000	1.400	1.400	Social Care Services (Risk based)	(1.400)	2.025	2.025
0.000	0.000	0.000	0.000	Winter Plan Fund (Risk based)	0.000	0.367	0.367
1.170	(0.924)	3.949	4.195	Earmarked Reserves – Other Services	(2.957)	2.631	3.869
1.786	(0.924)	11.774	12.636	Earmarked Reserves Total	(5.032)	5.905	13.509
4.294	0.000	0.097	4.391	Contingency Reserve Total	(4.605)	0.267	0.053
7.462	(1.524)	12.262	18.200	General Fund Total	(10.765)	8.548	15.983
				Transfer Between Reserves	3.513	(3.513)	0.000
				Movement In Reserves	7.252	5.035	2.217

²⁸ <https://mars.northlanarkshire.gov.uk/egenda/images/att91214.pdf>

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

12. Related Party Transactions

The IJB has related party transactions with NHS Lanarkshire and North Lanarkshire Council. In particular, the nature of the partnership means that the IJB may influence, and be influenced by, its partners. The following transactions and balances included in the IJB's annual accounts are presented to provide additional information on the relationships.

2017/2018 £m	Transactions with NHS Lanarkshire	2018/2019 £m
(434.360)	Funding Contributions received from NHS Lanarkshire	(450.163)
384.109	Expenditure on Services Provided by NHS Lanarkshire	397.576
0.027	Support Services	0.028
(50.224)	Net Transactions with NHS Lanarkshire	(52.559)

Key Management Personnel: The non-voting Board members are not directly employed by NHS Lanarkshire however a contribution of 50% of the cost of the Chief Officer and the Chief Financial Officer is made by NHS Lanarkshire, excluding severance costs which were met in full by the employing partner. This payment is included in the Corporate Services cost in the Comprehensive Income and Expenditure Statement. Details of the remuneration of these post holders is included in the Remuneration Report.

NHS Lanarkshire provide a range of support services for the IJB including finance services, personnel services, planning services, audit services, payroll services and creditor services. There is no charge from NHS Lanarkshire to the IJB for these support services.

31 March 2018 £m	Balances with NHS Lanarkshire	31 March 2019 £m
7.056	Debtor balances: Amounts due from NHS Lanarkshire	9.823
7.056	Net Balance with NHS Lanarkshire	9.823

2017/2018 Restated £m	Transactions with North Lanarkshire Council	2018/2019 £m
(167.578)	Funding Contributions received from North Lanarkshire Council	(169.084)
(11.109)	Service Income received from North Lanarkshire Council	(10.837)
217.940	Expenditure on Services Provided by North Lanarkshire Council	233.980
0.233	Key Management Personnel: Non-Voting Board Members	0.717
39.486	Net Transactions with North Lanarkshire Council	54.776

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

NOTES TO THE FINANCIAL STATEMENTS (Cont.)

12. Related Party Transactions (Cont.)

Key Management Personnel: The Chief Officer is a non-voting Board member and is directly employed by North Lanarkshire Council.

The Chief Financial Officer is also a non-voting Board member and is directly employed by South Lanarkshire Council. The cost of the Chief Financial Officer post is shared equally between North Lanarkshire and South Lanarkshire Council.

The total cost of the Chief Officer and the Chief Financial Officer is made by North Lanarkshire Council. This payment is included in the Corporate Services cost in the Comprehensive Income and Expenditure Statement. A contribution of 50% of this cost is met by NHS Lanarkshire, excluding severance costs which were met in full by the employing partner. Details of the remuneration of these post holders is included in the Remuneration Report.

North Lanarkshire Council also provide a range of support services for the IJB including finance services, personnel services, planning services, legal services, audit services, payroll services and creditor services. There is no charge from North Lanarkshire Council to the IJB for these support services.

31 March 2018 £m	Balances with North Lanarkshire Council	31 March 2019 £m
11.144	Debtor balances: Amounts due from North Lanarkshire Council	6.160
11.144	Net Balance with North Lanarkshire Council	6.160

The financial information contained in the IJB annual accounts excludes any values associated with transactions between each of the partners. This has been removed to prevent double counting.

13. New standards issued but not yet adopted

The Code requires the disclosure of information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. The IJB considers that there are no such standards which would have significant impact on its annual accounts.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

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

Report on the audit of the financial statements

Opinion on financial statements

I certify that I have audited the financial statements in the annual accounts of North Lanarkshire Integration Joint Board for the year ended 31 March 2019 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 2018/19 (the 2018/19 Code).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with applicable law and the 2018/19 Code of the state of affairs of North Lanarkshire Integration Joint Board as at 31 March 2019 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 Code; and
- have been prepared in accordance with the requirements of the Local Government (Scotland) Act 1973, The Local Authority Accounts (Scotland) Regulations 2014, and the Local Government in Scotland Act 2003.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Accounts Commission for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed under arrangements approved by the Accounts Commission on 10 April 2017. The period of total uninterrupted appointment is three years. I am independent of North Lanarkshire Integration Joint Board in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to North Lanarkshire Integration Joint Board. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me 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 Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about North Lanarkshire Integration 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.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Chief Financial Officer and North Lanarkshire Integration Joint Board for the financial statements

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

In preparing the financial statements, the Chief Financial Officer is responsible for assessing North Lanarkshire Integration 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.

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

Auditor's responsibilities for the audit of the financial statements

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

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

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
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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 my auditor's report.

Other information in the annual accounts

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

In connection with my audit of the financial statements, my 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 my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am 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 I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on other requirements

Opinions on matters prescribed by the Accounts Commission

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

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

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

Matters on which I am required to report by exception

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

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

I have nothing to report in respect of these matters.

**NORTH LANARKSHIRE INTEGRATION JOINT BOARD
ANNUAL ACCOUNTS 2018/2019**

Conclusions on wider scope responsibilities

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

Use of my report

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

Brian Howarth, Audit Director
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

September 2018