

Agenda Item

8

Title/Subject: 2018/19 Annual Accounts and Annual Audit Report to the Integration Joint Board and the Controller of Audit

Meeting: Integration Joint Board

Date: 6 December 2019

Submitted By: Chief Officer

Action: For Decision

1. INTRODUCTION

- 1.1 The purpose of this report is to present 2018/19 Audited Annual Accounts of the Falkirk IJB to 31 March 2019 and the key messages coming out of EY's 2018/19 Annual Audit Report to the Integration Joint Board and the Controller of Audit.

2. RECOMMENDATION

The IJB is asked to:

- 2.1 consider the Audited Annual Accounts of the Falkirk IJB to 31 March 2019
- 2.2 note the contents of this report.

3. BACKGROUND

- 3.1 The IJB's appointed auditors, EY, are required to produce a number of reports as part of their annual audit. The International Standard on Auditing 260 (ISA 260) "Communication of audit matters to those charged with governance" requires auditors to communicate matters relating to the audit of the financial statements to those charged with governance of a body, in sufficient time to enable action. In addition, an annual report on matters of significance that have arisen out of the audit process is required. The EY report attached as appendix one covers both these requirements.
- 3.2 As part of the audit process EY prepare an action plan which requires management responses. This is included at appendix one.

4. KEY AUDIT FINDINGS

Audit of the Financial Statements

- 4.1 The unaudited accounts were considered by the Audit Committee on 27 June 2019 and passed to EY on 30 June. EY completed their audit of the financial statements and issued an Auditor's Certificate which is free from qualification. The Audit Committee approved the annual accounts on 27 September 2019. These are included at appendix two.

4.2 There are a number of points to note in respect of the audited annual accounts as noted below:

- There were no adjusted or unadjusted audit differences arising from the audit.
- No material issues or unusual transactions were found.
- No material weaknesses were found in the controls tested as part of the audit work.

4.3 A number of improvement actions have been identified as part of the wider scope audit work covering financial sustainability, financial management, governance and transparency and value for money. These have been included in an action plan in appendix one. Eight actions have been identified and all have been agreed with management. These actions are:

- The IJB must ensure that the timeliness of financial reporting from partners supports greater transparency on the use and impact of reserves.
- Risk sharing arrangements need to be embedded and agreed between the partners.
- Work is required to finalise a medium term financial strategy.
- There is an urgent need to agree support service arrangements to provide additional resource and capacity for the IJB to deliver the Strategic Plan.
- Board members need to be clear about their corporate responsibilities to the IJB and demonstrate the leadership needed to deliver the necessary change and make key decisions about the future shape of services.
- The IJB must satisfy itself that risk management support is sufficient from both partners and that mitigation arrangements for key strategic risks are prioritised and appropriate.
- The IJB should review the processes in place to produce the Annual Performance Report to ensure that it provides sufficient information to allow users to assess whether the IJB is achieving Best Value.
- The IJB must ensure that key areas of performance are prioritised to deliver improvement and pace.

4.4 In addition, of the four recommendations identified as part of the 2017/18 audit, two were incomplete and two were assessed as limited progress being made. These are also included in appendix one and link with some of the recommendations listed at

paragraph 4.3, particularly the medium term financial strategy and risk sharing agreement.

5. CONCLUSIONS

- 5.1 The audit of the IJB's annual accounts for 2018/19 has concluded. EY have made a number of recommendations in their report which suggest that progress is not being made in critical areas. This poses a risk to the delivery of the Strategic Plan.
- 5.2 The action plan arising from the audit process has been agreed and will be monitored to ensure completion.

Resource Implications

There are no resource implications arising from the report recommendations.

Impact on IJB Outcomes and Priorities

The production and audit of annual accounts is a statutory requirement of the IJB.

Legal & Risk Implications

There are no legal and risk implications arising from the report recommendations. Failure to deliver improvements in respect of the external audit recommendations could impact on delivery of the vision and outcomes set out in the Strategic Plan.

Consultation

No consultation is required on this report. The audited accounts are available online.

Equalities Assessment

There are no equality implications arising from the report recommendations.

Approved for Submission by: Patricia Cassidy, Chief Officer

Author – Amanda Templeman, Chief Finance Officer

Date: 11 November 2019

List of Background Papers:

Falkirk Integration Joint Board

**Annual Audit Report to Members
and the Controller of Audit - year
ended 31 March 2019**

27 September 2019

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Accounts Commission has appointed us as external auditor of Falkirk Integration Joint Board (the IJB) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Local Government (Scotland) Act 1973 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the IJB and is made available to the Accounts Commission, the Controller of Audit and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients

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If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Diane McGiffen, Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary: Key Conclusions from our 2018/19 audit

| | | |
|--|---|-------|
| Financial statements: Audit Opinion | <p>We have concluded our audit of the IJB's financial statements for the year ended 31 March 2019.</p> <p>No audit adjustments were required to be made and there are no unadjusted differences that we are required to communicate.</p> <p>We concluded that the other information subject to audit, including parts of the Remuneration Report and the Annual Governance Statement were appropriate.</p> | GREEN |
| Presentation and disclosures | <p>The draft financial statements and supporting working papers were of a good quality. We worked with the Chief Finance Officer to draw upon good practice guidance issued by Audit Scotland to make improvements to the Management Commentary and other minor disclosures.</p> <p>We were satisfied that the Annual Governance Statement materially reflects the requirements of the <i>Delivering Good Governance Framework</i>.</p> | GREEN |
| Wider Scope: Financial Management | <p>The IJB relied on non-recurring funding to deliver a £19,000 surplus in 2018/19, including transfers from reserves and £2.7 million in additional contributions from NHS Forth Valley to meet overspends on health services.</p> <p>Unexpected reserve transfers underlines that there has been insufficient transparency about spending and the impact of priority areas of investment from partners during the year.</p> | AMBER |
| Financial Sustainability | <p>The IJB does not yet have key strategies to support the delivery of the Strategic Plan, including a Medium Term Financial Plan and Integrated Workforce Plan.</p> <p>Only 61% (£2.6 million) of planned savings were delivered in 2018/19. A funding gap of £5.2 million has been identified for 2019/20 but it is unclear how NHS Forth Valley will deliver their share of savings, totalling £3.47 million (68.7%).</p> | RED |
| Governance and Transparency | <p>While progress has been made on implementing integrated structures, the pace of change remains slow and, as reported by us in 2017/18, a number of key governance processes that are required to support integration have not been completed.</p> <p>The IJB's self-evaluation of progress against key features of integration highlights that a significant level of work is required to provide the level of collaborative leadership necessary to increase the pace of change.</p> | RED |
| Value for money | <p>The IJB receives regular performance reports that provide assessments of areas for improvement. The Annual Performance Report was published by 31 July 2019, in line with legislation, but was subject to substantial data gaps which mean that it is difficult to assess whether the IJB is delivering Best Value.</p> <p>During the year, the IJB and its partners responded to significant performance challenges. While the IJB can demonstrate that specific interventions in adult social care have been effective in delivering improvements in a short period of time, performance overall remains poor.</p> | RED |



Introduction

Purpose of this report

In accordance with the Local Government (Scotland) Act 1973, the Accounts Commission appointed EY as the external auditor of Falkirk Integration Joint Board (“the IJB”) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both members of the IJB and the Controller of Audit, and presented to those charged with governance. This report is provided to Audit Scotland and will be published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the IJB. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the IJB employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the IJB in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as your external auditor.

Scope and Responsibilities

The Code of Audit Practice (Code) sets out the responsibilities of both the IJB and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the Audit Committee on 28 March 2019.

Our Annual Audit Plan set out an overview of our audit scope and approach for the audit of the 2018/19 financial statements. We can confirm that we carried out our audit in accordance with the plan, and no changes were made to the level of materiality that we applied. In accordance with the plan, we have set our reporting threshold to communicate the details of errors identified at £100,000.

Overall Materiality

£2.1 million

2% of the IJB's net expenditure

Tolerable Error

£1.5 million

Materiality at an individual account level

Nominal amount

£100,000

Level that we will report to committee

As outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

Financial statement audit

We are responsible for conducting an audit of the IJB's financial statements. We provide an opinion as to:

- Whether they give a true and fair view of the financial position of the IJB as at 31 March 2019 and its expenditure and income for the year then ended; and
- Whether they have been properly prepared in accordance with the Local Government (Scotland) Act 1973 and the 2018/19 Code of Practice on Local Authority Accounting in the United Kingdom.

We also review and report on the consistency of the other information prepared and published along with the financial statements. Our findings are summarised in Section 2 of this report.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- Financial management;
- Financial sustainability;
- Governance and transparency; and
- Value for money.

Our findings for each dimension are summarised in Section 3 of this report.



Financial Statements audit

Introduction

The Annual Accounts provide the IJB with an opportunity to demonstrate accountability for the resources that it has the power to direct, and report on its overall performance in the application of those resources during the year. This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The Annual Audit Plan highlighted one area that we identified as a fraud risk relating to the risk of fraud in revenue and expenditure recognition, including through management override of controls.

Compliance with Regulations

The Local Authority Accounts (Scotland) Regulations 2014 set out the statutory requirements on the IJB to prepare financial statements, ensure their availability for public inspection and consideration by the Board or a committee with an audit or governance remit.

The IJB's unaudited financial statements were considered by the audit committee on 27 June 2019, prior to their submission to us for audit, and in advance of the deadline of 31 August. The inspection notice was published on 17 June 2019, in accordance with Regulations.

Preparation of the financial statements

In April 2019, Audit Scotland published a good practice note on improving the quality of integration joint board financial statements. The note included an improvement checklist to assist IJB's in improving the quality and effectiveness of their annual accounts. During the audit process, we drew on the good practice note to highlight areas for improvement, including:

- Improved explanation on the IJB's overall performance, including greater analysis of performance indicator trends.
- Clarity about the risks facing the IJB and the potential impact.

Audit outcomes

There were no adjusted or unadjusted audit differences arising from the audit. Our overall audit opinion is summarised on the following page.

Our audit opinion

Element of opinion

Basis of our opinion

Conclusions

Financial statements

- Truth and fairness of the state of affairs of the IJB at 31 March 2019 and its expenditure and income for the year then ended
- Financial statements in accordance with the relevant financial reporting framework

We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement.

We are satisfied that accounting policies are appropriate and estimates are reasonable

We have considered the financial statements against Code requirements, and additional guidance issued by CIPFA and Audit Scotland.

We have issued an unqualified audit opinion on the 2018/19 financial statements for the IJB.

Going concern

- We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting

We conduct core financial statements audit work, including management's assessment of the appropriateness of the going concern basis

Wider scope procedures including the forecasts are considered as part of our work on financial sustainability.

We have no matters to report.

Other information

- We are required to consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit

We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:

- Review of committee and board minutes and papers, regular discussions with management, our understanding of the IJB and the wider sector.
- Audit Scotland's *Improving the Quality of Local Government Annual Accounts: Integration Joint Boards* Good Practice Note.

We are satisfied that the Annual Report meets the core requirements set out in the Code of Practice on Local Authority Accounting.

Matters prescribed by the Accounts Commission

- Audited part of remuneration report has been properly prepared.
- Management commentary / annual governance statement are consistent with the financial statements and have been properly prepared.

Our procedures include:

- Agreeing the format of the reports to regulations and agreeing the disclosures to underlying accounting records, including to the underlying partner's accounting records.
- Reviewing the content of narrative disclosures to information known to us.
- Our assessment of the Annual Governance Statement against the Delivering Good Governance Code.

We have issued an unqualified opinion.

Matters on which we are required to report by exception

We are required to report on whether:

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

We have no matters to report.

Significant and fraud audit risks

Risk of Fraud in expenditure recognition, including through management override of controls

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

Due to the nature of funding to the IJB from Falkirk Council and NHS Forth Valley, we rebutted the assumed fraud risk in respect of the income. For expenditure we associated the risk to the assurance over the existence and occurrence of expenditure incurred by the IJB in commissioning services from partners.

Specific procedures relating to the fraud risk

We undertake specific, additional procedures for income and expenditure streams where we identified a fraud risk. For 2018/19 our work included:

- We challenged management on how the IJB gains assurance over the expenditure it incurs and the basis of payments it makes to its partner bodies to deliver commissioned services. Management present financial information to the IJB that clarifies the source of information provided by each of the IJB partners. Reports to the IJB at the year end also made clear that the year end outturn represented the approval by the IJB of the final expenditure incurred in commissioning services from Falkirk Council and NHS Forth Valley.
- As part of the year end process, the IJB obtained confirmation statements from the senior finance professionals at NHS Forth Valley and Falkirk Council of the spend of their respective bodies on delivering services, and hence their request for payment from the IJB to cover those costs. We obtained a copy of those confirmations and agreed figures within the financial statement to source documentation.
- We obtained independent confirmation from the appointed auditor at both Falkirk Council and NHS Forth Valley of the income and expenditure transactions recorded at their respective audited bodies. The confirmations agreed the income and expenditure amounts transacted in the year.

Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

- We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

- We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. We obtained all journals posted by management to record the transactions of the IJB, which are hosted on the Falkirk Council financial ledger. All of the journals for the IJB's transactions were posted at the year end and we reviewed all of these in the course of our work.

Judgements and Estimates

- We agreed with management's assessment that there are no material accounting estimates included in the financial statements. We confirmed the process for ensuring that there were no claims applicable to the IJB which required provision to be made as part of its participation in CNORIS (Clinical Negligence & Other Risks Indemnity Scheme).

Accounting Policies

- We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the IJB to be appropriate. There are no significant accounting practices which materially depart from what is acceptable under IFRS or other applicable requirements.

Our conclusions

- Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.



Wider Scope dimensions

Introduction

Under Audit Scotland's Code of Audit Practice (May 2016), we are required to reach conclusions in relation to the effectiveness and appropriateness of the IJB's arrangements for each of the four wider scope audit dimensions.

We apply our professional judgement to risk assess and focus our work on each of the dimensions. In doing so, we draw upon conclusions expressed by other bodies including the IJB's internal auditors and the Care Inspectorate, along with national reports and guidance from regulators and Audit Scotland. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the IJB's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

The Wider Scope dimensions

Financial Management:

- considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Financial Sustainability:

- considers the medium and longer term outlook to determine if planning is effective to support service delivery. This focuses on the arrangements to develop viable and sustainable financial plans.

Governance and Transparency:

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

Value for Money ☐

- ☐ considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.

Financial Management

AMBER

The IJB relied on non-recurring funding to deliver a £19,000 surplus in 2018-19, including transfers from reserves and £2.7 million in additional contributions from NHS Forth Valley to meet overspends on health services.

Unexpected reserve transfers underline that there has been insufficient transparency about spending and the impact of priority areas of investment from partners during the year.

Financial Position

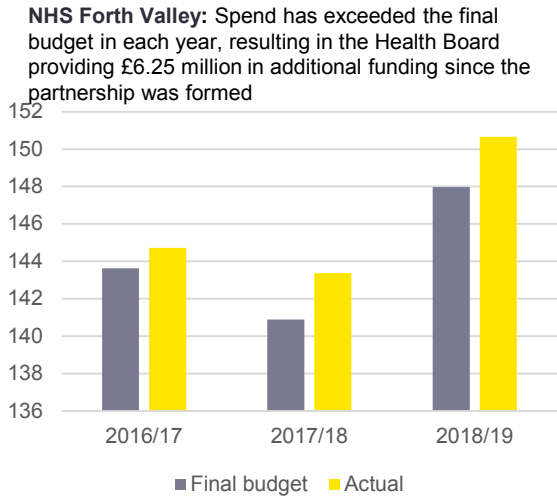
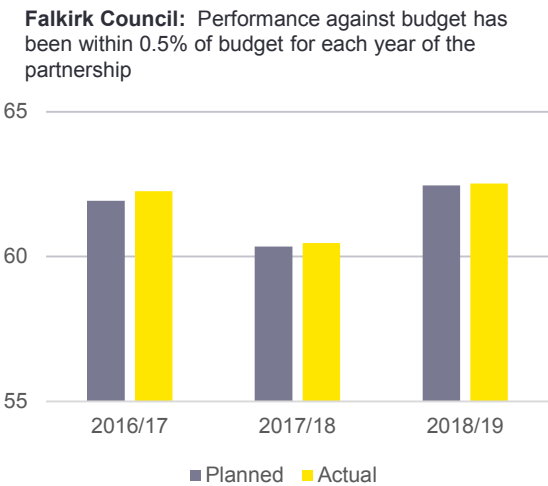
During 2018/19, the IJB reported a deficit in the cost of delivering services of £1.4 million. While Adult Social Work services recorded a £19,000 net underspend against budget, additional funding of £2.6 million was required from NHS Forth Valley to meet overspends comprised of:

- £1.264 million relating to partnership NHS services; and
- a further £1.416 million relating to set aside budgets.

Additional funding has been required from NHS Forth Valley for the third consecutive year of the partnership. There were two key areas of overspend within health services, relating to prescribing (£1.54 million) and community hospitals (£0.7 million). In total, over the last three years the prescribing spend has exceeded budget by almost £5 million, partly as a result of the growth in new medicines.

Projected overspends on Adult Social Care services were addressed by drawing on reserves and non-recurring resources. Failure to address these areas of overspend creates additional financial risk for the IJB and partners in 2019/20 and beyond.

Exhibit 1: Significant overspends were incurred against the health budget



Source: Falkirk Integration Joint Board Financial Statements

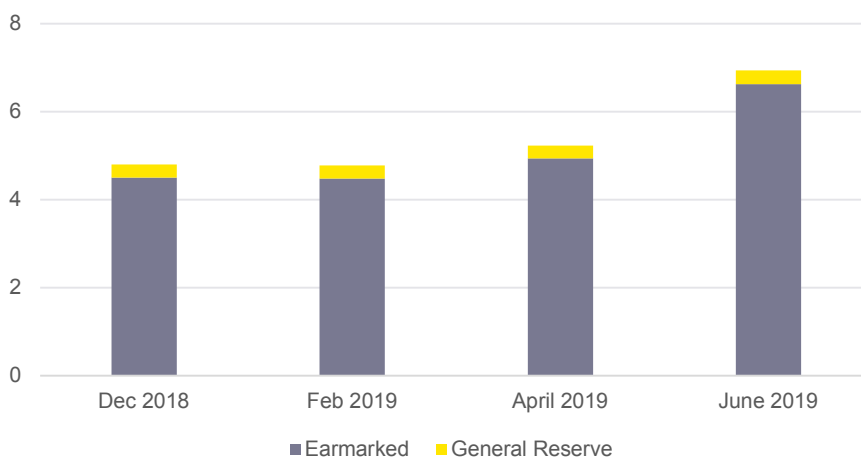
Recommendation 1:
The IJB needs greater clarity on the financial position and impact of reserves.

Reserves

The IJB holds financial reserves to build resilience for unexpected events and manage income and expenditure across years. At 31 March 2019, the IJB held reserves of £6.938 million, representing an increase of £0.45 million on the prior year. The board received regular financial monitoring reports throughout 2018/19 which included projections for the impact of over and underspends on the reserve balances.

As Exhibit 2, below, highlights, there was a significant improvement in the outturn reserves against projections within financial monitoring reports. We understand that the improved position at 31 March 2019 was primarily as a result of unexpected transfers to reserves from partners where ringfenced funding was not spent as expected. This suggests that financial monitoring information from partners was not as timely as required.

Exhibit 2: The final reserve position was a significant improvement on projections during the financial year



Source: Financial Monitoring Reports to the IJB 2018/19

Recommendation 2:
The IJB still requires to agree longer term budgeting arrangements that support the strategic vision for the partnership

The majority of the reserves balance is allocated to earmarked projects, with £0.316 million held as an unallocated general reserve. The IJB approved an update to its reserves policy in June 2019, which revised the minimum threshold for general reserves from £0.25 million to £0.44 million, representing 0.2% of projected expenditure in 2019/20. We consider this to be a low level of reserve in the context of overspends for 2018/19 on services for which the IJB has responsibility totalling £1.264 million. In addition, we note that the information provided to IJB members on earmarked reserves does not include detail on the amount and expected timing of cashflows.

While the short-term risk sharing agreement ensures that partner bodies will meet the costs of significant overspends, this approach means that expenditure continues to be monitored based on organisational boundaries, rather than in support of the objectives of integration in the longer term. A more robust approach to financial planning and management is therefore required.

Financial management arrangements in place

Through the year we have observed that IJB receive regular financial monitoring reports, including forecast over and underspends for the full year. Relative to the scale of expenditure incurred by partners in undertaking their functions, the variances identified through the year indicate monitoring controls are robust.

Financial regulations have been established for the IJB, and these are kept up to date. In accordance with statutory requirements, the IJB appointed a Chief Finance Officer (CFO). We are satisfied that the IJB has made arrangements for the proper administration of its financial affairs.

Financial Sustainability

The IJB does not yet have key strategies in place to support the delivery of the Strategic Plan, including the Medium Term Financial Plan and an Integrated Workforce Plan.

Only 61% (£2.6 million) of planned savings were delivered in 2018/19. A funding gap of £5.2 million has been identified for 2019-20 but it is currently unclear how NHS Forth Valley will deliver their share of savings, totalling £3.47 million (68.7%).

RED

Strategic Priorities

In April 2019, the IJB approved the Strategic Plan 2019-22. The Plan is based on a Strategic Needs Assessment of the three localities served by the partnership, which provides an updated estimate of the impact of demand pressures. The population of people aged 75+ is expected to more than double by 2041 in the Falkirk area, creating a service demand that cannot be met under current service structures. Four key priorities have been identified for the period of the IJB's second Strategic Plan (Exhibit 3, below).

The IJB was responsible for spending £218 million in 2018/19. The Annual Performance Report highlights key areas of investment, including work that has been commissioned with the Institute of Public Care to enhance whole system working. The IJB notes that improvements from this work to date have included a reduction in numbers of people delayed while awaiting a package of care following review of home care. The IJB has also commenced work with Glasgow Caledonian University and the University of Strathclyde as part of a research project to implement a priority setting framework, which aims to deliver responsive, efficient, and sustainable home care provision that addresses personal outcomes.

Exhibit 3: Strategic Priorities 2019-22

1. Deliver local health and social care services, including primary care services, through enabled communities and workforce
2. Ensure carers are supported in their caring role
3. Focus on early intervention, prevention and harm reduction
4. ☐ Make better use of technology to support the delivery of health and social care services

Source: Falkirk IJB Strategic Plan 2018/19

However, a report considered by the IJB in June 2019 notes that the IJB has not yet been able to change the balance of care in the way envisaged both by the Strategic Plan and the legislation that created IJBs. Areas of overspend were identified in residential, traditional care including hospital stays, while priority areas of investment in the community such as the Alcohol and Drugs Partnership and allied health professionals are underspent. The Chief Finance Officer concluded that this pattern of spend suggests that the resources available to the IJB are not being used effectively to deliver the outcomes of the Strategic Plan.

Recommendation 3:
Support from partners is critical to allow the IJB to develop a MTFS.

Financial Planning

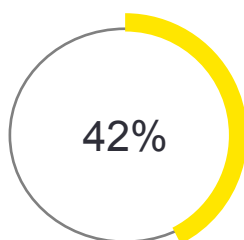
During 2018/19, the IJB has continued to develop its longer term financial planning processes. A draft Medium Term Financial Plan was presented to the board in October 2018, but a number of key assumptions were very uncertain at that time, including likely pay awards. Two workstreams have been created to develop the MTFP, and must be a priority for partners in 2019/20 and beyond.

Workforce planning will be critical to allow the IJB to make the transformational changes required to make services sustainable in the long term. The Strategic Plan highlights particular challenges associated with an ageing workforce with many staff potentially nearing retirement. The IJB's most recent Workforce Plan 2016-19 is now out of date and requires refreshed; no reports have been presented to the IJB on the progress and outcomes of the previous plan.

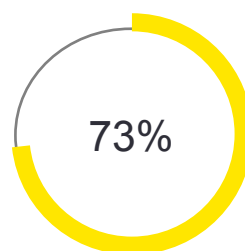
Delivery of Savings

The 2018/19 budget noted a range of financial pressures as a result of unfunded pay awards, demographic and inflationary pressures. A target of £4.7 million in savings was set for 2018/19. As Exhibit 4, below, highlights both partners struggled to achieve the expected level of savings, and only £2.6 million of planned savings were delivered.

Exhibit 4: Only 61% of savings were achieved in 2018/19



NHS Forth Valley achieved savings of £0.7 million against the target of £1.7 million in 2018/19.



Savings totalling £1.9 million were delivered in adult social care, against a target of £2.6 million.

Source: Falkirk IJB Financial Monitoring Reports

The IJB has a required savings target of £5.2 million in 2019/20. Adult social care savings totalling £1.7 million have been approved, which draw upon the findings of a working group created to address financial pressures in 2018/19. The IJB's 2019/20 budget has, however, been set with no clear understanding of where savings in NHS Forth Valley will be delivered. An updated report in September 2019 outlined savings of £0.6 million that have been identified to date, leaving a remaining gap of £2.9 million for the IJB. We note that if, as in 2018/19, savings are not achieved as planned, there will be less scope for financial recovery.

Governance and Transparency

While progress has been made on implementing integrated structures, the pace of change remains slow and, as reported by us in 2017/18, a number of key governance processes that are required to support integration have not been completed.

The IJB's self-evaluation of progress against key features of integration highlights that a significant level of work is required to provide the level of collaborative leadership necessary to increase the pace of change.

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Integrated Structures

The IJB became operational on 1 April 2016, but plans to transfer all NHS in-scope services to the partnership have not yet been completed. Progress was made in 2018/19 to agree a management structure, and posts to support the locality management arrangements became operational in summer 2019. While this should provide increased management resource for the IJB, we consider that the scale of change underway means that leadership capacity remains a risk for the organisation. No agreement has yet been reached with Falkirk Council and NHS Forth Valley on support service arrangements to provide additional resource to the management team for areas such as planning and performance management.

We do, however, note that NHS Forth Valley has recently updated the Scheme of Delegation to ensure that the revised management team has the authority and accountability necessary to fulfil their role.

Self Evaluation of Arrangements to support Integration

In November 2018, Audit Scotland published a progress report on Health and Social Care Integration. The report highlighted a number of challenges faced by IJBs that impacted the pace and effectiveness of intervention. A series of six features that support integration were identified. In February 2019, a Leadership Group led by the Ministerial Strategic Group (MSG) for Health and Community Care, and the Convention of Scottish Local Authorities (CoSLA) reported on their review of progress. The MSG developed a self-evaluation template based on the six key features of integration that each IJB considered and reported to the Scottish Government in May 2019.

The Falkirk IJB self evaluation was undertaken during a board development session in May 2019. Exhibit 5 highlights the results of the board's self-assessment and notes that significant improvement is required to create the conditions for joint working to work well and to accelerate the pace of integration. Over 80 improvement actions were identified during the self-evaluation exercise. An improvement plan requires to be developed that prioritises and provides timescales for the implementation of actions for submission to the MSG.

Recommendation 4:
As we reported in 2017/18 there remains an urgent need to develop governance arrangements necessary to support greater integration.

Exhibit 5: Falkirk IJB Ministerial Strategic Group Self Evaluation

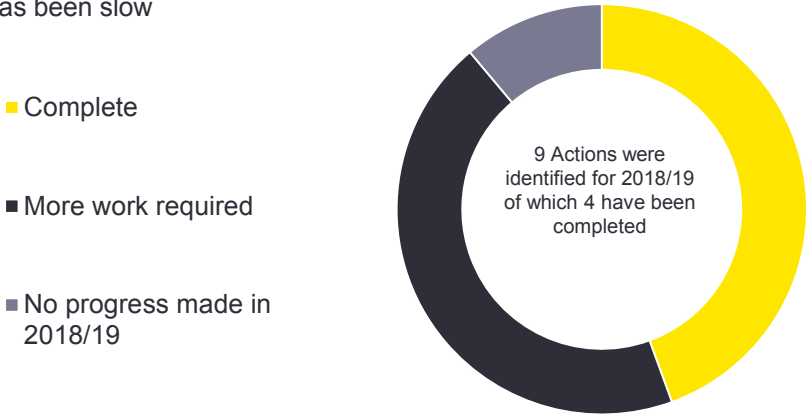
| Features of Integration | Not yet established | Partly established | Established | Exemplary |
|---|---------------------|--------------------|-------------|-----------|
| 1. Collaborative leadership and building relationships | | | | |
| All leadership development will be focused on shared and collaborative practice | | | | |
| Relationships and collaborative working between partners must improve | | | | |
| Relationships and partnership working with the third and independent sectors must improve | | | | |
| 2. Integrated Finances and Financial Planning | | | | |
| Health Boards, Local Authorities and IJBs should have a joint understanding of their respective financial positions | | | | |
| Delegated budgets for IJBs must be agreed timeously | | | | |
| Delegated hospital budgets and set aside budget requirements must be fully implemented | | | | |
| Each IJB must develop a transparent and prudent reserves policy | | | | |
| Statutory partners must ensure appropriate support is provided to IJB S95 Officers. | | | | |
| IJBs must be empowered to use the totality of resources at their disposal | | | | |
| 3. Effective strategic planning for improvement | | | | |
| Statutory partners must ensure that Chief Officers are effectively supported and empowered to act | | | | |
| Improved strategic planning and commissioning arrangements must be put in place | | | | |
| Improved capacity for strategic commissioning of delegated hospital services must be in place | | | | |
| 4. Governance and accountability arrangements | | | | |
| The understanding of accountabilities and responsibilities between statutory partners must improve | | | | |
| Accountability processes across statutory partners will be streamlined | | | | |
| IJB chairs must be better supported to facilitate well run Boards capable of making decisions on a collective basis | | | | |
| Clear directions must be provided by IJB to Health Boards and Local Authorities | | | | |
| Effective, coherent and joined up clinical and care governance arrangements must be in place | | | | |
| 5. Ability and willingness to share information | | | | |
| IJB annual performance reports will be benchmarked by Chief Officers to better understand local performance data | | | | |
| Identifying and implementing good practice will be systematically undertaken by all partnerships | | | | |
| 6. Meaningful and sustained engagement | | | | |
| Effective approaches for community engagement and participation must be put in place for integration | | | | |
| Improved understanding of effective working relationships with carers, people using services and local communities | | | | |
| Support carers and representatives of people using services better to enable their full involvement in integration | | | | |

Source: IJB Ministerial Strategic Group self assessment, June 2019

Annual Governance Statement

Under the CIPFA framework for *Delivering Good Governance in Local Government*, the IJB uses the Annual Governance Statement to report on its assessment of the effectiveness of the governance framework throughout the financial year, and key areas of improvement for 2019/20. The IJB has used the Annual Governance Statement to report back on the progress against priority areas identified for improvement in 2018/19. As Exhibit 6 notes, only 4 of the 9 actions were completed as planned.

Exhibit 6: Progress against governance priorities for 2018/19 has been slow



Source: Annual Governance Statement 2018/19

Pace of improvement

Recommendation 5: Board members need to be clear about their corporate responsibilities to demonstrate the leadership needed to make key decisions about the future shape of services.

In Appendix E, we note that progress against our recommendations in 2017/18 has been very limited. One of the recommendations related to the urgent need to address outstanding governance improvements set out within the IJB's Governance Action Plan. As a result of the implementation of a new improvement plan to address the MSG self-assessment, the IJB has elected to add remaining actions to a future, single, improvement plan. However, the most recent monitoring report to the Audit Committee, in December 2018, only eight of the 28 actions were considered to be complete, with a further one on course for completion. In our view, the pace of integration has fallen significantly short of the expectations set out in legislation.

Committed and collaborative leadership is required from all partners to ensure that the vision set out in the Strategic Plan can be achieved. Board members play a vital role in driving progress and supporting the integration process. During our attendance and observations at meetings, we noted occasions where there continue to be disagreements and confusion about the lines of accountability.

Internal audit annual opinion

The IJB's Internal Audit opinion for the year concluded that while significant progress will be required in 2019/20 if the IJB is to achieve its strategic objectives and reach organisational maturity, "reliance can be placed on the IJBs governance arrangements and systems of internal controls for 2018/19." Internal audit highlighted three of the improvement actions within the Annual Governance Statement as being critical to progress integration:

- Transfer of the operational management of some in-scope NHS services to the partnership;
- Development of an action plan for the self-evaluation submitted to the MSG;
- ☐ Development of a delivery plan for the 2019-22 Strategic Plan.

We reviewed the Annual Governance Statement within the financial statements against the required guidance. While the IJB acknowledges significant governance development areas, they consider that the internal control environment provides reasonable and objective assurance that significant risks would be identified and mitigated. We were satisfied that the statement met the requirements and was materially consistent with both the governance framework and key findings from relevant audit activity.

Managing Risk

The IJB made good progress during 2018/19 to improve its approach to risk management. The Partnership Leadership Group identified priorities for the IJB's Strategic Risk Register to ensure that IJB members should have a clear focus on risks in key areas:

- Delivery of the strategic plan
- Performance, oversight and quality control
- Specific high level risks:
 - Unscheduled care
 - Transfer of NHS operational services
 - Brexit.

Recommendation 6:
Dedicated risk management support would provide assurance to the IJB that appropriate arrangements are in place to identify and mitigate strategic risks.

We concluded that risk management arrangements remain at an early stage of development. While there are clear links with risk management at Falkirk Council, we note that the IJB does not currently have dedicated risk management resource support from NHS Forth Valley. This may mean that the partnership is unsighted on emerging risks. Planned improvement work for 2019/20 includes:

- Linking the Strategic Risk Register to other work being undertaken across the IJB, for example the delivery plan, audit work and self-evaluation action plan resulting from the Ministerial Strategic Group exercise.
- Mapping the Strategic Risk Register to each partners' Corporate Risk Register, ensuring an improved awareness and escalation of risks across the Partnership.
- Development of a risk appetite statement, or guiding principles, on when risks can be accepted, or where further mitigation is required.
- Holding a development session for the IJB board members to focus on risk.

Preparations for EU Withdrawal

We noted within our Annual Audit Plan that Audit Scotland had highlighted preparations for EU withdrawal as a risk across public sector bodies. We drew on good practice guidance from Audit Scotland to assess the IJB's readiness for Brexit as at the planned departure date of 29 March 2019.

We noted that the IJB has established arrangements to work with NHS Forth Valley and Falkirk Council to ensure the necessary business continuity arrangements are in place. Falkirk Council has a specific Brexit risk register, which includes health and social care as a specific areas of risk. The IJB has also drawn on advice from the Scottish Government Health and Social Care EU Exit Response Hub.

A number of Regional Resilience Partnership workshops have been held to identify potential risks and agree planning arrangements to manage issues that arise. The key risks identified relate to recruitment and retention of staff, securing continuity of supplies, medicines, food and delivery of contracted services by external providers. For a number of areas, the IJB will rely on NHS Forth Valley to take mitigating action. In our judgement, the IJB's response and preparations are proportionate and appropriate.

Value for Money

The IJB receives regular performance reports that provide assessments of areas for improvement. The Annual Performance Report was published by 31 July 2019, in line with legislation, but was subject to substantial data gaps which mean that it is difficult to assess whether the IJB is delivering Best Value.

During the year, the IJB and its partners responded to significant performance challenges. While the IJB can demonstrate that specific interventions in adult social care have been effective in delivering improvement in a short period of time, performance overall remains poor.

R
E
D

Recommendation 7:
Performance reporting does not support the IJB's ability to demonstrate Best Value or the impact of integration.

Performance Reporting

The IJB receives regular performance reports against a range of local and national indicators. Dashboards are used to provide an easy to understand summary of performance and the direction of travel, supported by additional explanation within exception reports where performance has fallen. There is not yet any detailed analysis of performance or causal factors at a locality level, which may limit the ability of the IJB to identify and mitigate underlying causes. We also note that comparator information tends to be limited to the Clackmannanshire and Stirling IJB.

In July 2019, the IJB published its Annual Performance Report. The report highlighted a number of areas where progress has been made, including:

- NHS Forth Valley's continued development of the Primary Care Improvement Plan, to support a sustainable workforce and ensure that resources are best prioritised; and
- Work undertaken with the Institute of Primary Care to review whole system working and identify areas to release delays to discharging elderly and other patients.

We do, however, note that the usefulness of the annual report was limited by a number of factors including:

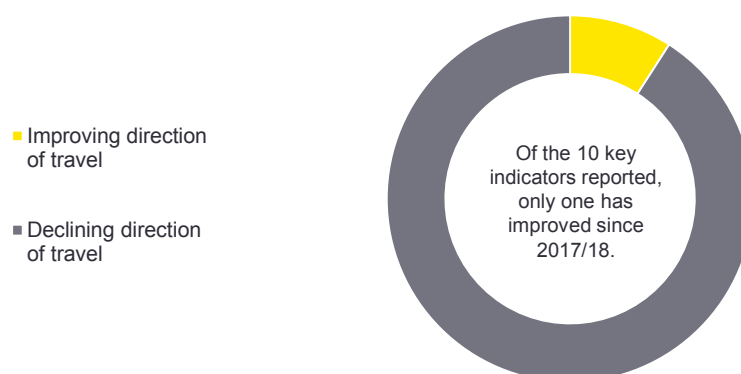
- significant data gaps as NHS Forth Valley has been unable to produce some data;
- the report is over 70 pages long and does not focus on key outcomes or priorities for the IJB; and
- there is limited assessment of the IJB's performance in relation to Best Value.

Under the Public Bodies (Joint Working) (Content of Performance Reports) (Scotland) Regulations 2014, the IJB's performance report should include an assessment of performance in relation to Best Value, including information about how the planning and delivery of services in pursuance of integration functions have contributed to securing Best Value.

Recommendation 8:
Improved performance must be a key priority and focus for the IJB.

Some of the IJB's key performance indicators are reported within the Financial Statements. As Exhibit 7 highlights, Falkirk IJB's performance against 90% of the indicators areas deteriorated during 2018/19. Our assessment is therefore that the IJB is not currently able to demonstrate that it is achieving best value, or the impact of integration. The pace and impact of integration must therefore be a key priority for the IJB and its partners in 2019/20.

Exhibit 7: Performance against key indicators has declined in 2018/19



Source: Falkirk IJB Financial Statements 2018/19

Unscheduled Care

In December 2018, NHS Forth Valley was escalated to Level 3 of the NHS Board Performance Framework by the Scottish Government, classified as "significant variation from plan; risks materialising; tailored support required".

A formal recovery plan was agreed with the Scottish Government. A Site Director has been in place since 7 January 2019 and an external expert support team was provided to support improvement work, including:

- The establishment of an Unscheduled Care Hub in Forth Valley Royal Hospital. The Hub was intended to support the overall system and in particular address delays within the hospital.
- Targeted winter pressure funding to recruit additional staff through agencies to increase capacity and support patients to be discharged to their home.
- An Unscheduled Care and Delayed Discharge development session took place with the Board on 1 March 2019, which considered transformational change approaches that have been demonstrated to be effective elsewhere.

The IJB received progress reports against 3 relevant national indicators at each of its regular board meetings. In the most recent progress report, improvements had been noted against two of the indicators, relating to unscheduled occupied day beds and the 4 hour emergency access standard. However, levels of delayed discharge remain high and continue to rise. ■

Inspection Activity

In October 2018, the IJB received a report on the results of an inspection of internal home care services. The Inspection found significant concerns around the continuity of care and auditing systems to deliver oversight and monitoring of the service.

A Home Care Review working group was established to oversee an improvement action plan. The action plan included improving staff working patterns and rotas to increase staff availability at the times when people want to have service provided, better aligning staff resource to localities, improving communication with service users and better use of data from the electronic scheduling system.

The service was subject to a further Inspection by the Care Inspectorate in March 2019. The Care Inspectorate found that the work undertaken by the service fully met the expectations agreed within the improvement plan.



Appendices

A – Code of Audit Practice: responsibilities

B – Independence and audit quality

C – Required communications with the Audit and Risk Committee

D – Action plan

E – Follow up of prior year recommendations

F – Timing and Audit Deliverables

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- maintaining proper accounting records.
- preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified
- compliance with any statutory financial requirements and achievement of financial targets
- balances and reserves, including strategies about levels and their future use
- how they plan to deal with uncertainty in the medium and longer term
- the impact of planned future policies and foreseeable developments on their financial position.

Best Value

Local authority bodies have a statutory duty, under the Local Government (Scotland) Act 1973 and associated statutory guidance, to make arrangements to secure best value through the continuous improvement in the performance of their functions.

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY's objectivity and independence as auditor of the IJB.

Matters that we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated 28 March 2019.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that management and members of the IJB consider the facts known collectively to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the audit committee on 23 September 2019.

Audit Fees

Our work on the audit has not yet been finalised and audit fees will therefore be discussed with management before being confirmed within our final report to the Audit Committee.

| | 2018/19 | 2017/18 |
|--|----------------|---------|
| Component of fee: | | |
| Total agreed auditor remuneration | £18,900 | £16,470 |
| Audit Scotland fixed charges: | | |
| Pooled costs | £1,670 | £1,460 |
| Performance audit and best value | £5,050 | £5,020 |
| Audit support costs | £1,080 | £1,050 |
| Total fee | £26,700 | £24,000 |

Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2017 UK Transparency Report, volumes one and two, can be accessed on our website at [https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/\\$File/ey-uk-2018-transparency-report.pdf](https://www.ey.com/Publication/vwLUAssets/ey-uk-2018-transparency-report/$File/ey-uk-2018-transparency-report.pdf). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the IJB since appointment can be found at: www.audit-scotland.gov.uk/uploads/docs/report/2018/as_audit_quality_1718.pdf.

Appendix C: Required Communications

| Required communication | Our reporting to you |
|--|---|
| Terms of engagement / Our responsibilities Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. Our responsibilities are as set out in our engagement letter. | Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice |
| Planning and audit approach Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. | Annual Audit Plan |
| Significant findings from the audit <ul style="list-style-type: none"> Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures Significant difficulties, if any, encountered during the audit Significant matters, if any, arising from the audit that were discussed with management Written representations that we are seeking Expected modifications to the audit report Other matters if any, significant to the oversight of the financial reporting process | Annual Audit Plan Annual Audit Report |
| Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> Whether the events or conditions constitute a material uncertainty Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements The adequacy of related disclosures in the financial statements | Annual Audit Report |
| Misstatements <ul style="list-style-type: none"> Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation The effect of uncorrected misstatements related to prior periods A request that any uncorrected misstatement be corrected Corrected misstatements that are significant Material misstatements corrected by management | Annual Audit Report |
| Fraud <ul style="list-style-type: none"> Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity Any fraud that we have identified or information we have obtained that indicates that a fraud may exist A discussion of any other matters related to fraud | Annual Audit Report |
| Consideration of laws and regulations <ul style="list-style-type: none"> Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of | Annual Audit Report (to be issued on completion of audit work) or as occurring if material. |

| Required communication | Our reporting to you |
|---|--|
| <p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management • Inappropriate authorisation and approval of transactions • Disagreement over disclosures • Non-compliance with laws and regulations • Difficulty in identifying the party that ultimately controls the entity | <p>No significant matters have been identified.</p> |
| <p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • The principal threats • Safeguards adopted and their effectiveness • An overall assessment of threats and safeguards • Information about the general policies and process within the firm to maintain objectivity and independence | <p>Annual Audit Plan</p> <p>This Annual Audit Report – Appendix B</p> |
| <p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p> | <p>This Annual Audit Report – no significant deficiencies reported</p> |
| <p>Subsequent events</p> <p>Where appropriate, asking the audit committee whether any subsequent events have occurred that might affect the financial statements.</p> | <p>We have asked management and those charged with governance. We have no matters to report.</p> |
| <p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p> | <p>Annual Audit Report</p> |

Appendix D: Action Plan

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the IJB or management to action.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

| No. | Findings and / or risk | Recommendation / grading | Management response / Implementation timeframe |
|-----|--|---|--|
| 1 | The final reserves position was a significant improvement on levels projected throughout the financial year. Unexpected underspends against earmarked funds meant that priority areas of investment for the IJB may not have had the impact envisaged. | The IJB must ensure that financial reporting from partners supports greater transparency on the use and impact of reserves. <i>Grade 2</i> | Accepted. Partnership Funding reserves are project driven and in some cases, confirmation of spend for the year, through monitoring returns, can be late and this impacts on projections. Steps will be taken to try and improve this process. For the remaining reserves, processes will be reviewed to ensure an improved reporting framework is developed. Responsible officer: IJB Chief Finance Officer Falkirk Council Chief Finance Officer NHS FV Director of Finance Implementation date: 31 March 2020 |

Classification of recommendations

| No. | Findings and / or risk | Recommendation / grading | Management response / Implementation timeframe |
|-----|--|---|--|
| 2 | <p>The IJB recognised within its self- evaluation that insufficient progress has been made to ensure that funding loses its identity. Current financial monitoring reports focus on the source of funding rather than how the funding has been used to support the delivery of the Strategic Plan. One of the contributing factors is the short term risk sharing agreement which necessitates budget monitoring by partner bodies’.</p> | <p>Longer-term budget management arrangements, especially in respect of risk sharing arrangements need to be embedded and agreed between the partners.</p> <p>Robust recovery plans must be developed for areas of overspend to ensure that partners are not subject to unexpected financial risk.</p> <p style="text-align: right;"><i>Grade 1</i></p> | <p>Accepted.</p> <p>Work is underway to develop a longer term approach to risk sharing and to developing recurrent savings. Partners recognise the importance of this.</p> <p>This is dependent on progress with integration and links to the due diligence exercise required for services where the operational management is transferring to the Partnership. This work must be progressed at pace by all partners.</p> <p>Responsible officers:</p> <p>Chief Officer & Chief Executives IJB Chief Finance Officer Falkirk Council Chief Finance Officer NHS FV Director of Finance</p> <p>Implementation date:</p> <p>31 March 2020</p> |
| 3 | <p>The IJB has identified that changes in service delivery are needed to develop financial sustainability. While progress has been made to develop integrated structures, the pace has been slower than anticipated.</p> <p>A key element of a longer term plan will be the identification of sustainable savings through both service change and efficiency.</p> | <p>Continued work is required to finalise a medium-term financial strategy, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis and the IJBs Strategic Plan is delivered.</p> <p style="text-align: right;"><i>Grade 1</i></p> | <p>Accepted.</p> <p>High level financial data has been provided to allow a projected financial gap for the IJB to be projected over the medium term. More work is required to consider the impact of key cost drivers and how these can be mitigated over the period. The development of a robust medium term financial plan will require planning support as well as input from officers across the Partnership to ensure changes to service delivery models are developed collaboratively and have the necessary impact.</p> <p>A robust medium term financial plan will be dependent on an increase in the pace of integration.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives IJB Chief Finance Officer Falkirk Council Chief Finance Officer NHS FV Director of Finance</p> <p>Implementation date:</p> <p>31 March 2020</p> |

Classification of recommendations

| No. | Findings and / or risk | Recommendation / grading | Management response / Implementation timeframe |
|-----|---|--|--|
| 4 | A number of key governance arrangements necessary to support integration are not in place. The level of management capacity available means that the scale and pace of change is at risk. | Partners must agree support service arrangements to provide additional resource and capacity for the IJB to deliver the Strategic Plan. <i>Grade 2</i> | Accepted. Work is underway by each of the Partners to produce a report on support services for the IJB. This report will be produced in collaboration with the Chief Officer. Responsible officer: Chief Officer & Chief Executives Heads of HR – Falkirk Council & NHS Forth Valley Implementation date: 31 December 2019 |
| 5 | During our attendance and observations at meetings, we noted occasions where there continue to be disagreements and confusion about the lines of accountability. | Board members need to be clear about their corporate responsibilities to the IJB, and demonstrate the leadership needed to deliver the necessary change and make key decisions about the future shape of services. <i>Grade 1</i> | Accepted. A programme of leadership development is ongoing across the Board which will seek to address these issues. Responsible officer: IJB Board Members Chief Officer & Chief Executives Implementation date: 31 December 2019 |
| 6 | We note that the IJB has taken steps to improve risk management arrangements during 2018-19. However, the lack of dedicated risk management support from NHS Forth Valley may not provide sufficient assurance to the IJB that appropriate arrangements are in place to identify and mitigate risk. | The IJB must satisfy itself that risk management support is sufficient from both partners, and that mitigation arrangements for key strategic risks are prioritised and appropriate. <i>Grade 1</i> | Accepted. NHS Forth Valley is in the process of increasing the risk management support available to the Health Board and the IJBs. Responsible officer: Chief Executive, NHS Forth Valley NHS FV Director of Finance Implementation date: 31 March 2020 |

Classification of recommendations

| No. | Findings and / or risk | Recommendation / grading | Management response / Implementation timeframe |
|-----|--|--|--|
| 7 | <p>There to scope to make the Annual Performance Report more accessible and user friendly by focusing on key priorities, achievements and challenges.</p> <p>We also note that the report was published before it had been considered by the IJB in order to meet the statutory deadline of 31 July.</p> | <p>The IJB should review the processes in place to produce the Annual Performance Report to ensure that it provides sufficient information to allow users to assess whether the IJB is achieving Best Value.</p> <p><i>Grade 1</i></p> | <p>Accepted.</p> <p>The processes in place for preparation of the Annual Performance Report will be reviewed.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives Senior Service Manager – Performance & Planning Falkirk Council Service Manager – Performance NHS FV Performance Manager</p> <p>Implementation date:</p> <p>31 July 2020</p> |
| 8 | <p>The IJB reports performance against a range of indicators and outcomes in the Financial Statements and its Annual Performance report.</p> <p>Performance against a number of indicators has declined both against prior year and against comparators.</p> | <p>The IJB must ensure that key areas of performance are prioritised to deliver constituent improvement and pace.</p> <p><i>Grade 1</i></p> | <p>Accepted.</p> <p>Delivery of this recommendation will be dependent on progress with integration and the support services agreement. The Partnership needs the appropriate support and capacity to deliver on the transformation work required to see an improvement in performance in key areas.</p> <p>Responsible officer:</p> <p>Chief Officer & Chief Executives IJB Board Members</p> <p>Implementation date:</p> <p>31 March 2020</p> |

Appendix E: Follow up of prior year recommendations

This section of our report summarises our assessment of the IJB's progress against the recommendations that we identified during our 2017/18 audit.

| Prior year recommendations | | | |
|----------------------------|---|---|---|
| No. | Recommendation / grading | Management response/ Implementation timeframe | Our assessment of progress |
| 1 | Longer-term budget management arrangements, especially in respect of cost sharing arrangements need to be embedded and agreed between the Partners. <i>Grade 2</i> | The one year agreement for 2017/18 reflects the transitional phase that the IJB is in. This transition is expected to continue throughout 2018/19. Subsequently another one year agreement may be required. However, it is recognised and accepted that a formal, long term agreement will be required. Implementation date: Ongoing | As expected, a further one year risk sharing agreement was established for 2018/19. No agreement has yet been reached on budget management arrangements for 2019/20 and beyond. Our assessment: Incomplete |
| 2 | Continued work is required to finalise a medium-term financial strategy, underpinned by identified and agreed budget savings over the term of the plan to not only manage in year financial positions, but also to ensure that the forecast pressures are addressed on a timely basis and the IJBs Strategic Plan is delivered. <i>Grade 1</i> | Agreed. An outline Medium Term Financial Plan is expected to go to the IJB in October 2018. The savings plan is expected to go alongside an updated Medium Term Financial Plan in December 2018. Implementation date: October 2018 and then ongoing. | The Medium Term Financial Plan was submitted to the IJB as planned. Further development of the Plan has not been possible as a result of limitations in financial information from partners. Our assessment: Limited progress |
| 3 | While it is currently anticipated NHS in-scope services will transfer to the IJB during 2018/19, this has still be approved. The pace of integration requires significant improvement. <i>Grade 1</i> | There is an IJB Development session planned for 21 September 2018 with support from Scottish Government to review the role of the IJB, chief Officer and governance. This will inform the continued development at the proposed structure which will be submitted to the IJB meeting on 5 October. Implementation date: Ongoing | While the proposed structure has been agreed, no progress has been made on transferring in-scope services during 2018/19. Our assessment: Incomplete |
| 4 | Notwithstanding the progress that has been made, a large number of actions remain to be fully implemented across the governance framework and increased focus is required to address the outstanding actions, with a focus on addressing the red graded items. <i>Grade 2</i> | The outstanding actions will be prioritised with a focus by the leadership team to be completed by March 2019. Implementation date: Ongoing | As we note within Exhibit 6, the governance action plan has been superseded by a revised improvement plan for the MSG. At the most recent update, limited progress had been made. Our assessment: Limited progress |

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the Council, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2018/19 audit cycle.

| | Audit Activity | Deliverable | Timing |
|-----|--|--|--------------------|
| JAN | | | |
| FEB | ➤ Audit planning and setting scope and strategy for the 2018/19 audit | Annual Audit Plan | 28 March 2019 |
| MAR | | | |
| APR | | | |
| MAY | ➤ Ongoing assessment around wider scope dimensions and support of Audit Scotland requested information | n/a – as appropriate | n/a |
| JUN | | | |
| JUL | ➤ Year-end substantive audit fieldwork on unaudited financial statements | Audit clearance meeting | July / August 2019 |
| AUG | | | |
| SEP | ➤ Conclude on results of audit procedures ➤ Issue opinion on the IJB's financial statements | Certify Annual Financial Statements Issue Annual Audit Report | 27 September 2019 |

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Falkirk
Health and Social Care
Partnership

Falkirk

Integration Joint Board

AUDITED ANNUAL ACCOUNTS
2018/19

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Management Commentary

Introduction to the Accounts

This publication contains the financial statements for Falkirk Integration Joint Board (IJB) for the year ended 31 March 2019.

The annual accounts report the financial performance of the IJB. Their main purpose is to demonstrate the stewardship of the public funds which have been entrusted to the IJB for the delivery of the IJB's vision and its core outcomes as expressed within the Strategic Plan. The requirements governing the format and content of local authorities' annual accounts are contained in the Code of Practice on Local Authority Accounting in the United Kingdom (the Code). The 2018/19 Accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting 2018/19 and the Local Authority Accounts (Scotland) Regulations 2014.

The financial statements include:

- A Management Commentary providing a summary and explanation of the IJB's financial position.
- A Statement of Responsibilities for the Annual Accounts.
- An Annual Governance Statement.
- A Remuneration Report detailing payments and pension information for senior officers.
- A Comprehensive Income and Expenditure Statement - this highlights gross revenue expenditure, income and net expenditure for the IJB. The statement shows how net expenditure has been financed.
- A Movement in Reserves Statement which shows the movement in the year of the different reserves used by the IJB.
- A Balance Sheet which sets out the overall financial position of the IJB as at 31 March 2019.
- Notes to the Financial Statements including the General Accounting Policies and other explanatory information.

Falkirk Integration Joint Board

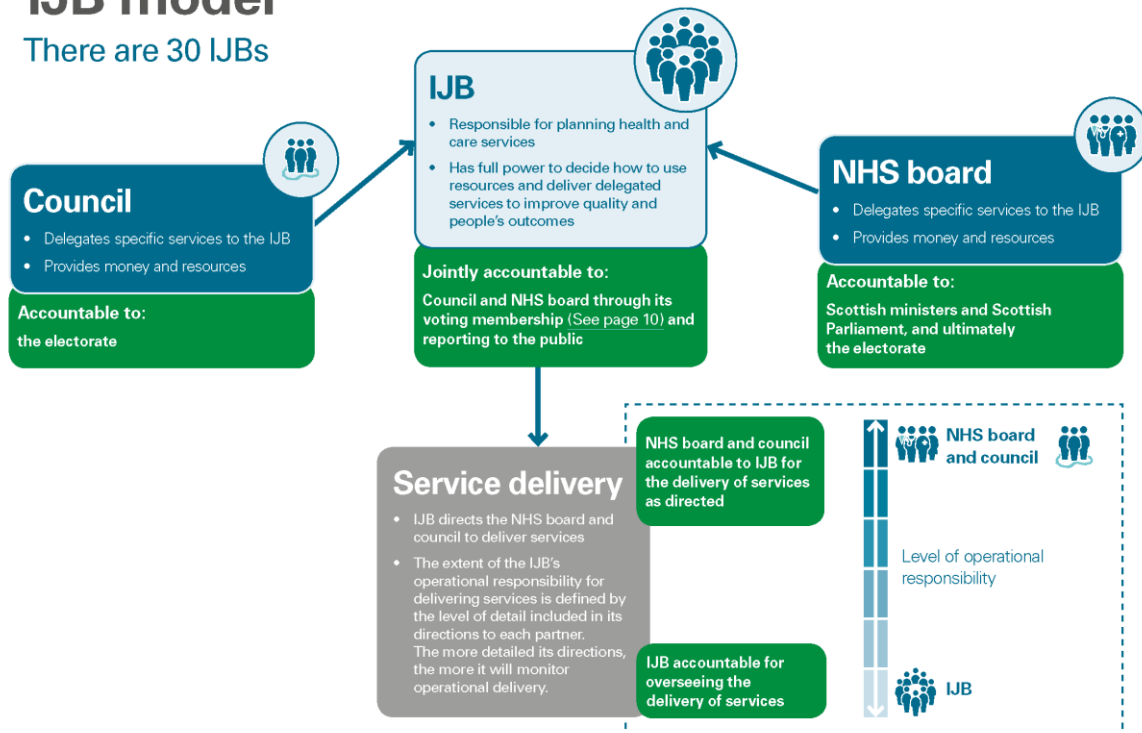
The purpose of integration is to improve care and support and therefore the health and wellbeing outcomes for people who use health and social care services. It will make sure that they are listened to, involved and take part in decisions about their care and how it is delivered.

In April 2018 the Accounts Commission published a short report entitled "What is integration? A short guide to the integration of health and social care services in Scotland". A diagram outlining how the IJB model is expected to work has been reproduced below:



IJB model

There are 30 IJBs



In line with the model above, Falkirk Council and NHS Forth Valley delegate responsibility for the planning of in-scope services, such as adult social care, primary health care and community health care to the IJB. The IJB commissions services from Falkirk Council and NHS Forth Valley and is, for some areas, responsible for the operational oversight of Integrated Services.

During 2018/19 the Chief Officer was responsible for the operational management of Social Work Adult Services and for the Integrated Mental Health team and Integrated Learning Disability team. In 2018/19, work has continued to agree the transfer of operational responsibility for further health services to the Chief Officer. This has included the development of a new management structure and an agreed phasing for the transfer of services:

- | | |
|---------|--|
| Phase 1 | District Nurses, Allied Health Professionals (AHP) and Community Hospitals |
| Phase 2 | Hosted or Coordinated Services will be agreed with the Clackmannanshire and Stirling IJB and NHS Forth Valley. This includes areas such as Health Improvement, AHP Outpatients Care and Rehabilitation |
| Phase 3 | The remainder of services still operationally managed by NHS Forth Valley, for example Primary Care Services |

The IJB currently has responsibility for large hospital services planning with partners who will continue to manage and deliver the services as part of the pan Forth Valley structures. The Scottish Government has guidance on financial planning for large hospital services which sets out key steps which must be taken to improve arrangements. During 2018/19, progress on this work has been limited, both locally and nationally. Plans are in place to progress work on the key steps during 2019/20.



Strategic Plan & Business Model

Falkirk IJB agreed its Strategic Plan 2016-2019 on 24 March 2016. The Plan must be reviewed and approved by the IJB every 3 years. The IJB approved the Strategic Plan for 2019-2022 on 5 April 2019.

The revised plan was developed through a series of workshops with the Integration Joint Board and the Strategic Planning Group (SPG), alongside consultation exercises including presentations to key groups such as the Community Care and Health Forum and the Public Partnership Forum.

The vision of the Strategic Plan has been reworded to ensure inclusivity is at the heart of what the Partnership does:

"to enable people in Falkirk HSCP area to live full and positive lives within supportive and inclusive communities"

In order to support the review of the plan, the Strategic Needs Assessment of Falkirk was refreshed with focus on a number of key areas including inequalities, primary care, end of life care and substance use. Some key findings of this work are set out below:

- Estimates suggest the population of Falkirk has increased by 1.6% over the last 3 years
- The size and age structure of the Falkirk population is projected to experience significant change between now and 2041 with the number of individuals aged 75+ expected to almost double. However, population growth for Falkirk does not appear to have continued at the rate expected in the 2012 NRS Population Projections.
- All cause mortality rates for age ranges 15-44 years old have increased for the most deprived area but in the least deprived area the rate has been declining. Nationally there have been reductions in both areas. This suggests that health inequalities within Falkirk are widening.
- In the period 2004 to 2014, there was an increase in the numbers of deaths from suicide with most of the increase happening in the later part of that period. Across Scotland, in the same period, there was a reduction. The percentage of people prescribed drugs for anxiety/depression or psychosis is also higher in Falkirk than the Scottish average.
- Whilst deaths due to alcohol conditions in Falkirk have declined, drugs related deaths have almost tripled over the last decade.
- There is an ageing workforce with many staff potentially nearing retirement. There is an anticipated shortfall in newly qualified GPs and it is notable that GPs often retire prior to state retirement age.

The Strategic Plan will be underpinned by a delivery plan to ensure that progress is made to achieve the vision for Falkirk.

The Scottish Government's *2020 Vision* states that by 2020 everyone is able to live longer healthier lives at home, or in a homely setting. The IJB has identified four outcomes for the Falkirk Strategic Plan to support delivery of both the plan and the Scottish Government Vision.



Our Strategic Outcomes

- 1 Self-Management**
Individuals, their carers and families can plan and manage their own health, care and well-being. Where supports are required, people have control and choice over what and how care is provided
- 2 Safe**
High quality health and social care services are delivered that promote keeping people safe and well for longer
- 3 Experience**
People have a fair and positive experience of health and social care, delivered by a supported workforce that are skilled, committed, motivated and valued
- 4 Strong sustainable communities**
Individuals and communities are resilient and empowered with a range of supports in place that are accessible and reduce health and social inequalities

To achieve these outcomes, the IJB has started a number of pieces of work that will progress during 2019/20. Some of these are described below.

Recovery, Recuperation and Reablement

The IJB is working with the Institute of Public Care, (IPC), based at Oxford Brookes University, as a key partner in taking forward next steps in developing it's approach to recovery, reablement and an out of hospital care system in the context of a clear strategy for promoting and maximising independence. This model aims to prevent hospital and care home admissions and support Falkirk citizens to remain living at home independently for as long as possible.

Recovery and reablement services are a key enabler to the implementation of the Scottish Government aims set out in their 2012 publication "Maximising Recovery, Promoting Independence". This requires a whole systems approach, including adoption of a "Home First" approach across the system. Further information on proposals to implement this model can be found [here](#).

Locality Planning

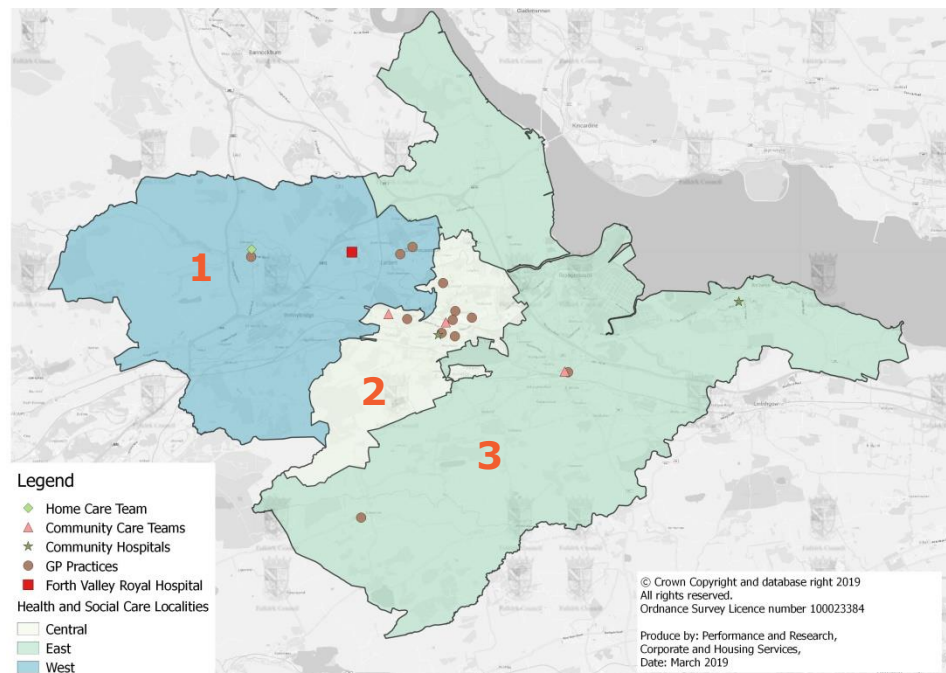
The development of localities lies at the heart of the integration legislation – the Public Bodies (Joint Working) (Scotland) Act 2014. It is also reflected in the Community Empowerment Act.

The IJB has identified its locality areas for service planning purposes. There will be three localities within the Falkirk Council area, which are shown below:



Falkirk HSCP Locality Areas

1. West
2. Central
3. East



Locality working provides the opportunity for the partnership to design integrated services and realign resources to deliver the Strategic Plan. This will also include working alongside partners, and linking to the Community Planning Partnership (CPP) Strategic Outcomes and Local Delivery (SOLD) Plan.

In developing the locality structures the IJB will align with the work of partners to:

- co-produce locality plans
- design integrated and localised services, including health improvement and prevention support
- build community capacity to improve health and wellbeing outcomes, and address health inequalities.

These locality plans will show how the Strategic Plan is being implemented at a local level to ensure services respond to the priorities, needs and issues of communities.

Developing Strong, Resilient and Inclusive Communities

During 2018/19, partners have worked together to establish a framework to further enable the IJB to work with communities. The key driver for partners has been to develop and embed approaches within all three locality areas, that will help people to become actively involved in designing and delivering health and social care services that suit the specific needs of the local community.

The framework has been informed by work undertaken by the IJB and SPG during the development of the Strategic Plan 2019-2022, via the Strategic Needs Assessment. The framework recognised that there remain inequalities within our communities that have a significant impact on health and social care services and that our communities are rich in terms of the skills and willingness of people to get involved. The IJB will support this by



working collaboratively with Community Planning Partners to establish a framework of support within localities.

The framework to help the development of strong, resilient and inclusive communities, is illustrated below:



The components of the framework are:

1. Community Development Workers working within each locality will work with communities to identify local action plans and to support community capacity and resilience. This will include supporting individuals to form small action groups, focussing on improving and sustaining health and wellbeing. This will help create a sustainable foundation within communities.
2. Community Led Support is currently being developed to change and develop the way that health and social care services interact with services users and their carers. The focus is on 'good conversations' and providing advice and support to help people self-manage through the introduction of community led hubs. This support will be most relevant for people who have had initial contact with Social Work services due to a decline in their wellbeing.
3. Community Link Workers are generalist social practitioners, generally based in a GP practice serving a socio-economically deprived community. They offer non-clinical support to patients, enabling them to set goals and overcome barriers, in order that they can take greater control of their health and wellbeing. They support patients to achieve their goals by enabling them to identify and access relevant resources or services in their community.
4. Engaged Partnership Processes: All of the areas of work described above rely on an empowered workforce supported by strong leadership. In addition, this work will be part of locality teams, to ensure that the support and services available are in line with local need and integrated within health and social care provision.



How did we perform in 2018/19?

Falkirk IJB remains in a period of transition. However progress has been made in 2018/19 in key areas including:

- Development of an Integrated Structure.
- Agreement of phasing of NHS Services to transfer to the partnership for Operational Management.
- Improvements in arrangements for Clinical and Care Governance.

The IJB has recognised that the pace of change needs to improve, with effective governance arrangements in place to ensure services are planned and delivered in an integrated way. Integrated services must be operational to ensure delivery of the outcomes set out in the Strategic Plan. Fundamentally the benefits of integration can only be fully recognised once services are integrated.

Falkirk IJB has delivered a number of service delivery improvements in 2018/19 and made progress in some key areas. Some of the progress and achievements include:

Review of the Internal Home Care Services

Home Care is a key service improvement area for the partnership. In May 2018, the Care Inspectorate carried out a review of the internal home care service and their report reflected concerns around continuity of care and auditing systems to deliver oversight and monitoring of the service.

The Chief Officer established a Home Care Review group, with staff representatives, to work on an improvement plan during the year leading up to the 2018 inspection. Work was underway for changes to be made within the service, including shift patterns and job roles.

Following publication of the report, the Home Care Review group oversaw an improvement action plan to address the concerns noted within the inspection report. Appropriate measures were put in place to ensure improvements were implemented and sustained. As part of the service's action plan the following key areas were looked at to address the Inspectors concerns:

- Shift patterns
- Job roles and grades
- Service user notifications, for example if a change of carer is necessary
- Service audits

The service was subject to a further Inspection by the Care Inspectorate in March 2019. The Care Inspectors found that the work undertaken by the service since the previous inspection had fully met the previously imposed requirements.

Further improvement work is planned in this area during 2019/20 but 2018/19 demonstrated that work done to date is having a positive impact for the people who use the service. This work is also having a positive impact on staff which was confirmed through a number of staff engagement sessions.



Implementation of the Carers (Scotland) Act 2016

The Carers (Scotland) Act 2016 was enacted on 1 April 2018. It introduced a number of duties on local authorities and the NHS, some of which are delegated to Integration Joint Boards. Falkirk IJB has approved a Carers Strategy entitled '**Getting it Right for Carers in Falkirk**', which sets out the vision for carers as:

"Everyone has freedom to live their own lives while they are caring"

The strategy was developed through online consultation and a series of public consultation events involving Partners, and both young and adult carers. This work resulted in the identification of priorities and areas for improvement. An action plan to implement the strategy has been developed and progress on this will be reported back to the IJB regularly.

Primary Care Improvement Plan

The Forth Valley Primary Care Improvement Plan 2018–2021 (PCIP) aims to deliver the requirements of the General Medical Services (GMS) Contract in accordance with the Memorandum of Understanding between the Scottish Government, NHS Boards, Integration Authorities and the Scottish General Practitioners Committee.

The PCIP aims to enhance Primary Care workforce capacity and capability and support a person centred, safe, effective and sustainable shift of workload from GPs to release capacity. This should support the additional aims of the Contract aimed at making GP workload more manageable and reverse the national GP recruitment and retention crisis which has been escalating in recent years.

The PCIP investment for Forth Valley is in line with delivering the priorities of the new GMS contract:

- Vaccination Transformation Programme
- Community Treatment and Care Services
- Pharmacotherapy Services
- Providing an additional multi-disciplinary workforce of professionals with advanced and additional skills to support those presenting to general practices including patients in need of urgent care

This investment in Primary Care through the PCIP is a critical step towards comprehensive, longer term sustainability of Primary Care in line with the strategic plan of Falkirk IJB.

During 2018/19 work to deliver the PCIP has progressed well with significant success in recruitment to move forward with new models of care.

Changing Places Toilet Facilities

Within the Falkirk area the IJB, in collaboration with Falkirk Community Trust, are making good progress towards having Changing Places Toilets (CPT) available at a range of locations.

The provision of CPT facilities has been identified as a gap, which leads to denial of dignity. People feel reluctant to leave their homes, knowing they have no choice but to return there to attend to their personal care needs. Alternatively they and their carers are required to deal with personal care needs in non adapted facilities.



The IJB and the Trust has made good progress over the year:

- the Community Trust has completed work on installation of a facility at the Mariner Centre
- a facility at Grangemouth Sports Complex is nearing completion
- Forth Valley College have agreed to open their facilities for use by the wider community
- the Social Work Service is taking steps to open some facilities, for example at Oswald Avenue Day Service, for use by the wider public
- the Council's Locality Hubs are being designed with the need for CPT included as standard
- engaging with the private retail sector to make available CPT facilities.

By empowering people who have higher levels of personal care need to be involved in their communities, new provision will support the Strategic Plan outcomes of self management, fair and positive experience, and access to community support. The proposal supports the objectives of the Review of Day Services for Younger People which can only deliver the shift towards more community based support if the necessary physical infrastructure is in place.

Living Well Falkirk

The Living Well Falkirk website was launched in May 2018. It contains information for citizens about ageing well and about a wide range of everyday activities. By completing a self assessment, people can access individually tailored advice on exercises to improve their abilities and find out about activities, groups, equipment and adaptations to help them stay independent. Where needed a friend, relative, or Falkirk Council library staff can help with completing the self assessment.

Prior to the website being available, people who needed this type of advice would mainly do so via the Community Care Teams. Demand for service from the teams is high, so there was a desire to offer alternative ways for people to access reliable and detailed advice.

A review of community care waiting lists in late 2018 allowed the service to identify individuals whose difficulties with activities of daily living tasks appeared suitable for resolving through a self assessment route. Letters were sent to individuals to tell them about the website during the period from December 2018 to February 2019. 148 people came off of the waiting lists as a result of providing this information. From the 715 users of the Living Well Falkirk website from 01/12/2018 – 31/03/2019; 233 self assessments were started, 110 of which were fully completed.

Usage of the website continues to grow. A radio advertising campaign is planned to help increase awareness of the website among Falkirk citizens.

In 2019/20, the Partnership will build on this work through the launch of Living Well Falkirk centres and the ADL Smartcare Lifecurve app.

Lifecurve App

Aligned with the Living Well Falkirk website and centre, Falkirk citizens can also now benefit from access to the ADL Smartcare Lifecurve App –

www.adlsmartcare.com/lifecurveapp



This allows people to find out how they are ageing from age 30+ and how to live better for longer. The app can recommend exercises and activities aimed at improving people's strength, stamina, balance and engagement with others. People can then track and review their progress within the app.

Housing

The IJB has established positive links with Falkirk Council's Housing Service, working collaboratively in a number of areas, including:

- Review of the Housing Contribution Statement and the links with the Strategic Housing Investment Plan and the Strategic Plan
- Reviewing housing requirements, resulting in 90% of Falkirk Council new build properties being accessible or adaptable to meet peoples' needs and maximise properties and their use
- The Rapid Rehousing Transition Plan, which aims to provide secure and permanent homes with an intensive person centred support service. The aim is to assist individuals to resettle quickly into a community and start to rebuild their lives. This will be achieved by developing a multi agency approach to address their issues whilst providing a secure and permanent home.

The partnership with Housing will be further developed at locality level to jointly meet local housing need.

Performance Indicators

The IJB receives a performance monitoring report at every regular meeting. The content of the report will vary, for example the report will include mid-year position on local indicators when this data is available; full year reporting on national and local indicators; reporting progress with the Ministerial Strategic Group integration indicators; and ad-hoc reports such as the Insights into Social Care 2017 – 2018 analysis. The Board has also received regular reports on unscheduled care and delayed discharge performance and this remains an area of priority.

The performance monitoring report is presented to support the IJB to focus on current key performance issues and actions in relation to delivery of services. It supports the IJB to fulfil its ongoing responsibility to ensure effective monitoring and reporting on the delivery of services and the Strategic Plan.

A Strategy Map has been produced which links national and local indicators to the outcomes set out in the Strategic Plan. This can be found [here](#).

The national indicators are reported in the Annual Performance Report 2018 – 2019, found [here](#) and are summarised in the following tables.

Full year information is available for the following national indicators, and is set out over the reporting years, with comparator partnerships and Scotland averages.



| NI | Title | Falkirk Partnership | | | | Comparator Average | Scotland |
|---------|---|---------------------|---------|---------|---------|--------------------|----------|
| | | 2015/16 | 2016/17 | 2017/18 | 2018/19 | Latest | Latest |
| NI – 18 | Percentage of adults with intensive care needs receiving care at home | 64% | 64% | 63% | NA | 63% | 61% |
| NI – 19 | Number of days people spend in hospital when they are ready to be discharged (per 1,000 population) | 864 | 1,023 | 910 | 1,201 | 838 | 805 |

Source: ISD Scotland

Notes 1. NA indicates where data is not available yet.

Comparators: Include members of Family Group 3: Dumfries and Galloway; Fife; South Ayrshire; West Lothian; South Lanarkshire; Renfrewshire and Clackmannanshire.

<http://www.improvementservice.org.uk/benchmarking/how-do-we-compare-councils.html>

NHS Scotland is currently experiencing hospital data completeness issue meaning it is not possible at this time to present full year data for indicators 12, 13, 14 and 15. However, complete data is available for April 2018 to December 2019. The table below presents trend data for April to December and allows like for like comparisons against the comparator group and Scotland. These figures do not represent full year figures and are intended as a proxy only. When full year data is available the annual performance report will be republished to include.

| NI | Title | Falkirk Partnership | | | | Comparator Average | Scotland |
|----|---|---------------------|---------|---------|---------|--------------------|----------|
| | | 2015/16 | 2016/17 | 2017/18 | 2018/19 | 2018/19 | 2018/19 |
| 12 | Emergency admission rate (per 100,000 population) | 8,570 | 8,678 | 9,257 | 9,130 | 10,154 | 9,154 |
| 13 | Emergency bed day rate (per 100,000 population) | 102,066 | 109,140 | 102,824 | 100,151 | 91,328 | 87,034 |
| 14 | Readmission to hospital within 28 days (per 1,000 population) | 111 | 122 | 122 | 118 | 104 | 103 |
| 15 | Proportion of last 6 months of life spent at home or in a community setting | 86% | 86% | 87% | 86% | 88% | 88% |

For the following indicators there was some local improvement evident from the partial year data, although performance remains below comparator and Scottish position:

- 12: Emergency admission rate (per 100,000 population)
- 13: Emergency bed day rate (per 100,000 population)
- 14: Readmission to hospital within 28 days (per 1,000 population)



There has been a slight reduction in performance for indicator is:

- 15: Proportion of last 6 months of life spent at home or in a community setting

The performance report presented to the IJB in April 2019 highlighted the challenges faced by the IJB, particularly in a time of constrained resources. The work outlined in the "Strategic Plan and Business Model" section of this report, represents how the IJB plans to meet these challenges.

2018/19 Financial Performance

Financial performance is reported to each meeting of the IJB and forms part of the performance management framework.

The IJB has faced financial challenges throughout 2018/19. Pressures were evident across the Partnership and increasing demand levels and complexity of care were key factors. The financial challenge, and main pressure areas were the same as those experienced in 2017/18. This highlights the need to transform how the Partnership delivers services.

Throughout 2018/19, an overspend was projected on in scope NHS budgets, both within the Set Aside (large hospital services) budget and within operational budgets. The overspend was due to a number of factors, including:

- Community hospitals - due to pay pressures associated with the opening of contingency beds, the continuing impact of inflationary pay pressures from 2017/18 and a high nursebank spend across most ward areas.
- Joint partnership agreements – Complex Care - these budgets are extremely volatile with one patient having the potential to make a significant impact on the financial outturn.
- Community pharmaceutical services – any savings achieved during the year were largely offset by growth across a number of other areas, particularly the uptake of new drugs in relation to cardiovascular medicines. Growth in drugs used to treat cancers is also apparent. Other growth areas include appliances, particularly in respect of a new glucose monitoring system for diabetes.

An overspend was projected throughout the financial year for housing adaptations. The IJB agreed to apply reserves which had been ring fenced for this purpose along with additional funds from the Integration Funding reserves. In the event, this budget overspent by £0.035m which was transferred from reserves.

A risk sharing agreement was reached between the IJB, Falkirk Council and NHS Forth Valley for 2018/19. The agreement sets out that each Partner will take responsibility for their overspend if applicable.

The impact of the risk sharing agreement was as follows:

| | £m |
|--|----------------|
| Overspend on budget delegated to NHS Forth Valley | 1.264 |
| Net Position | 1.264 |
| Additional funding received from NHS Forth Valley | (1.264) |
| Final Net Position | - |
| | |
| Underspend on budgets delegated to Falkirk Council | (0.019) |
| Transfer to General Reserves | (0.019) |



A summary of the 2018/19 financial position for the IJB is shown below:

| | £m |
|---|----------------|
| Total Resources Available | (221.816) |
| Total Expenditure | 221.368 |
| Total Comprehensive Income & Expenditure | (0.448) |

| | £m |
|--|----------------|
| Total Comprehensive Income & Expenditure | (0.448) |
| Add Amounts Transferred to Earmarked Reserves* | 1.660 |
| Sub Total | 1.212 |
| Less Budgeted Transfer from Integration Funding | (0.800) |
| Less Transfer from Housing Revenue Account Reserve | (0.035) |
| Less Transfer from Capital Reserves | (0.010) |
| Less Transfers from other Earmarked Reserves* | (0.386) |
| Amount to General Reserves | (0.019) |

* Earmarked reserves are reserves set aside for a specific purpose, for example the primary care improvement plan work. These reserves are detailed in note 8 of the accounts.

NHS Forth Valley has provided non-recurring funding for the IJB in each of the last 3 financial years. This arrangement reflects in part that the Partnership is in a transitional phase and that until operational management of NHS services transfers to the Chief Officer, the budget accountability remains with the NHS. However, this recurring overspend does pose a financial risk for the IJB.

In 2018/19 pressures increased on the adult social care budget and whilst break even was achieved, this was in large part due to non recurring means. This also poses a financial risk for the IJB in 2019/20.

Reserves

The reserves of the IJB have increased from £6.490m as at 31 March 2018 to £6.938m as at 31 March 2019.

This increase of £0.448m is made up of transfers into earmarked reserves of £1.660m and general reserves of £0.019m, and transfer from reserves of £1.231m, as set out in the table above. Transfers to reserves represent monies not spent in the financial year. Transfers from reserves are where funds set aside for a specific purpose in previous years, have been spent. Of the £6.938m in reserves, £0.316m is a general reserve (effectively a contingency fund) and £6.622m is made up of a number of earmarked reserves, where funds have been ring fenced for a specific purpose. A list of the earmarked reserves has been included at note 8 to the accounts.

Set Aside/Large Hospital Budgets

The Set Aside budget covers the in-scope integration functions of the NHS that are carried out in a large hospital setting – in the case of the Falkirk Partnership, this is Forth Valley Royal Hospital - and this covers areas such as geriatric medicine, palliative care and mental health inpatient services. The distinction is that such settings will usually provide services to the population of more than one local authority.

NHS Forth Valley meets the pressures associated with the set aside budget and therefore the financial risk does not currently lie with the IJB. As a result, the figures disclosed in



the accounts reflect the budget position for the Set Aside element. However, the figures reported to the IJB reflect the actual outturn against the Set Aside budget, noting that NHS Forth Valley will meet the overspend. A summary of the position is as follows:

| | £m |
|-------------------------------------|--------------|
| Budget (Figure in the Accounts) | 26.026 |
| Outturn (Figure in the IJB reports) | 27.442 |
| Overspend | 1.416 |

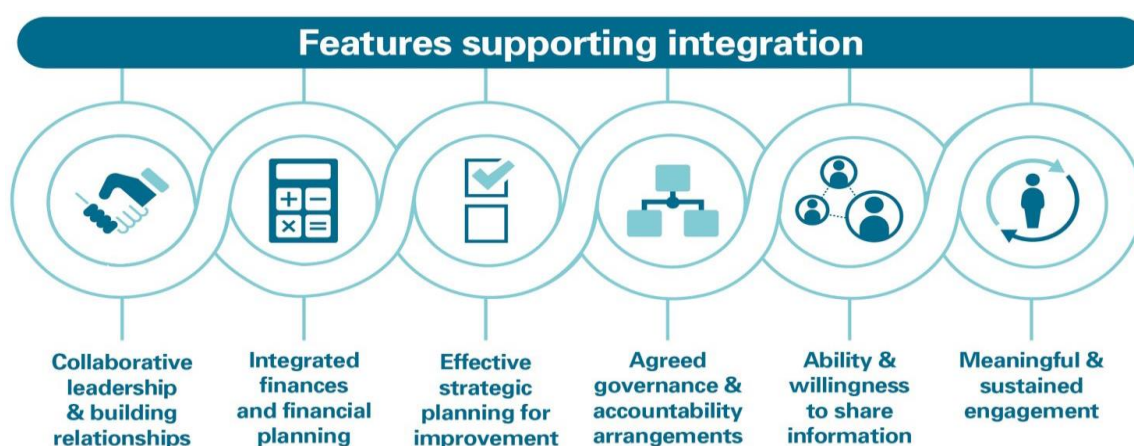
Risks and Uncertainties facing the IJB

There are a wide range of risk and uncertainties facing the IJB. The IJB has a Strategic Risk Register which is regularly updated and reports are submitted to the IJB and the IJB's Audit Committee. This section provides a summary of the key risks and uncertainties which could impact on the development, performance or future prospects of the IJB.

Ministerial Strategic Group – Review of Integration

During 2018/19, a review on the progress of integration of health and social care services was undertaken by a Leadership Group led by the Ministerial Strategic Group (MSG) and the Convention of Scottish Local Authorities (COSLA). The purpose of the review was to help ensure there is an increase in pace in delivering all of the integration principles and national health and wellbeing outcomes. The findings of the review were published in February 2019 and a self evaluation template was to be completed and returned to the Scottish Government in May 2019. The return submitted by Falkirk IJB can be found [here](#).

The self evaluation template identified proposals based on the six key features to support integration, as identified in the review of integration published by Audit Scotland. The diagram below is taken from the Audit Scotland report.



The self evaluation template for Falkirk IJB highlighted that whilst progress has been made, there is still a significant amount of work to do and room for improvement in creating an environment in which integration can thrive. During 2019/20, an improvement action plan will be developed which will require input from all partners. Progress will be reported to the IJB and will continue to be monitored by the MSG.



Strategic Risk Register

During 2018/19 the IJB has carried out a comprehensive review of its Strategic Risk Register (SRR). The revised SRR has been presented to the IJB and Audit Committee and can be found [here](#). The risks are focussed on 3 key areas:

1. Delivery of the strategic plan
2. Performance, oversight and quality control
3. Specific high level risks:
 - Unscheduled care
 - Transfer of NHS operational services
 - Brexit

Unscheduled Care covers care that is unplanned, for example emergency department/hospital treatment. Improving unscheduled care is a priority for the Scottish Government. The Partnership has responsibility for unscheduled care and is focused on improving the flow of patients through the whole system of health and social care. The Unscheduled Care Programme Board oversees much of the activity in this area and plans are being developed to drive improvement across the whole system.

During 2019/20 it is expected that the operational management of some NHS Services will transfer to the Partnership. There is a risk to the continuity of service provision and quality of service. However, this is being mitigated through a due diligence exercise to provide assurance that appropriate structures and arrangements are in place.

The risks of Brexit, particularly to workforce and the supply chain, have been assessed by the Scottish Government, NHS Forth Valley and Falkirk Council. Work is ongoing with partners to develop mitigating actions where possible, with a focus on protecting the workforce and most vulnerable people.

Further work is planned to improve and further embed the risk management arrangements across the work of the IJB.

Support Services

Reports to the IJB throughout 2018/19 have highlighted capacity issues within the Health and Social Care Partnership. IJBs were established by the Scottish Government as vehicles for change to the way health and social care services are delivered. To date, the Falkirk Partnership has had no formalised dedicated staff resource for areas such as planning and performance. This lack of resource has had implications for the ability of the Partnership to deliver transformation activities, and therefore see the desired improvement in performance and outcomes, which has been set out in the Strategic Plan.

During 2019/20 support service requirements for the IJB will need to be developed to ensure there is capacity to deliver transformation. The Partnership is preparing the Delivery Plan which sets out an ambitious programme of transformation across the whole health social care system. A governance process is being developed to have oversight of the transformational programme. This work will require substantial staffing resource to deliver.



The Economy & Local Demand

The Office of Budget Responsibility (OBR) sets out UK growth expectations in March each year. The forecast has been produced against the backdrop of considerable uncertainty over the next steps in the Brexit process. However, at the time of the forecast, the OBR assumed an orderly exit from the European Union. Expectations of growth in gross domestic product (GDP) at March 2019 were as follows:

| | %age |
|---------------|------|
| 2017 (actual) | 1.8 |
| 2018 | 1.4 |
| 2019 | 1.2 |
| 2020 | 1.4 |
| 2021 | 1.6 |

The forecast therefore suggests that 2019 may be the most difficult year in terms of projected growth. The projected reduction in growth, in simple terms, means reduced tax receipts for the government which may have a knock on impact on financial settlements, depending on the priorities of the government.

The Scottish Government budget and the financial settlements for both the NHS and local government are the key components of the budget for the IJB. In recent years the financial settlements have been prepared on a one year basis and this continues to be the case for 2019/20. The Scottish Government are introducing a three year funding settlement for local government from the 2020/21 budget onwards, albeit figures may be indicative allocations for future years. This work may be influenced by the UK Government's Spending Review due in Autumn 2019, which in turn will be influenced by the ongoing Brexit negotiations.

The potential reduction in the financial settlement is in the context of rising demand for services across Scotland and the rest of the UK. For the Falkirk area it is expected that there will be significant structural changes to the size and age of the Falkirk population by 2041, as an example, the population aged 75+ will increase by 90%. This information is included in the Strategic Needs Assessment completed for the Falkirk area which can be accessed [here](#).

The IJB will need to develop a robust medium term financial plan, linking to the Strategic Plan, to help ensure that effective plans are in place to deal with the challenges ahead. This will include assessing the benefits and impacts from the planned service delivery changes agreed to date by the IJB. Undoubtedly recurring budget savings will be required to ensure the financial stability of the IJB and its partners.

Audit Arrangements

The Statement of Accounts is subject to audit in accordance with the requirements of Part VII of the Local Government (Scotland) Act 1973. The auditor appointed for this purpose by the Accounts Commission for Scotland is Ernst & Young LLP.



Conclusion

2018/19 has been a busy and challenging year for the IJB. During 2018/19 work has continued to plan for significant structural changes that will take place during 2019/20. However, the IJB remains in a transitional phase. The work of the MSG to assess progress with integration and the plans to monitor progress against the MSG proposals should help to improve the pace of integration. Whilst the pace of change has remained challenging during 2018/19, the significant planned changes will allow the Partnership to shift its focus away from organisational structure and towards recognising the benefits and opportunities that come from integration, and improving performance in key areas.

Where to Find More Information

If you would like more information please visit our webpage at:

<https://nhsforthvalley.com/about-us/health-and-social-care-integration/falkirk/>

Fiona Collie
Chair

23 September 2019

Patricia Cassidy
Chief Officer

23 September 2019

Amanda Templeman
Chief Finance Officer

23 September 2019



Statement of Responsibilities

Responsibilities of the Integration Joint Board

The Integration Joint Board is required to:

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

I confirm that these Annual Accounts were approved for signature at a meeting of the Audit Committee on 27 June 2019.

Signed on behalf of the Falkirk IJB

Fiona Collie
Chair

23 September 2019



Responsibilities of the Chief Finance Officer

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

In preparing the Annual Accounts, the Chief Finance Officer has:

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

The Chief Finance Officer has also:

- kept proper accounting records which were up to date
- taken reasonable steps for the prevention and detection of fraud and other irregularities

I certify that the financial statements give a true and fair view of the financial position of the Falkirk Integration Joint Board as at 31 March 2019 and the transactions for the year then ended.

Amanda Templeman
Chief Finance Officer

23 September 2019



Remuneration Report

Introduction

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

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

Voting Membership of the IJB in 2018/19

The Voting members of Falkirk IJB constitute Councillors nominated as Board members by Falkirk Council and NHS representatives nominated by the NHS Forth Valley.

Voting Membership of the IJB during 2018/19 was as follows:

NHS Forth Valley

Julia Swan, Non Executive Member of NHS Forth Valley Board (Chair)

Alex Linkston, Non Executive Member of NHS Forth Valley Board

Dr Michele McClung, Non Executive Member of NHS Forth Valley Board

Falkirk Council

Councillor Allyson Black (Vice Chair)

Councillor Cecil Meiklejohn

Councillor Fiona Collie

Nomination of the IJB Chair and Vice Chair post holders alternates between a Councillor and a Health Board representative.

Remuneration: IJB Chair and Vice Chair

The IJB does not provide any additional remuneration to the Chair, Vice Chair or any other board members relating to their role on the IJB. The IJB does not reimburse the relevant partner organisations for any voting board member costs borne by the partner. Neither the Chair or Vice Chair of the IJB received additional remuneration or taxable expenses.

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



Remuneration: Officers of the IJB

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

Chief Officer

Under section 10 of the Public Bodies (Joint Working) (Scotland) Act 2014 a Chief Officer for the IJB has to be appointed and the employing partner has to formally second the officer to the IJB. The employment contract for the Chief Officer will adhere to the legislative and regulatory framework of the employing partner organisation. The remuneration terms of the Chief Officer's employment are approved by the IJB.

Other Officer

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

The Chief Finance Officer from 1 July 2017 is employed on a part time basis (0.77 full time equivalent). Prior to this, a Chief Finance Officer was employed on a 0.5 full time equivalent.

| Total 2017/18 £ | Senior Employees | Salary, Fees & Allowances £ | Taxable Expenses £ | Total 2018/19 £ |
|-----------------------|--|--------------------------------------|--------------------------|-----------------------|
| 104,295 | Patricia Cassidy Chief Officer | 105,896 | - | 105,896 |
| 8,036 | Ewan Murray Chief Finance Officer To 30 June 2017 | - | - | - |
| 42,375 | Amanda Templeman Chief Finance Officer From 1 July 2017 | 58,478 | - | 58,478 |
| 154,706 | Total | 164,374 | - | 164,374 |

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 Integration Joint Board balance sheet for the Chief Officer or any other officers.

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



| Senior Employee | In Year Pension Contributions | | Accrued Pension Benefits | | |
|---|-------------------------------|----------------------|--------------------------|--------------------------|----------------|
| | For Year to 31/03/18 | For Year to 31/03/19 | | Difference from 31/03/18 | As at 31/03/19 |
| | £ | £ | | £000 | £000 |
| Patricia Cassidy | 22,423 | 23,297 | Pension | 3 | 20 |
| Chief Officer | | | Lump Sum | - | 21 |
| Amanda Templeman | 11,883 | 12,865 | Pension | 1 | 13 |
| Chief Finance Officer From 1 July 2017 | | | Lump Sum | - | 13 |

Disclosure by Pay Bands

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

| Number of Employees in Band 2017/18 | Remuneration Band | Number of Employees in Band 2018/19 |
|-------------------------------------|---------------------|-------------------------------------|
| 1 | £100,000 - £104,999 | 1 |
| - | £55,000 - £59,999 | 2 |

Exit Packages

There were no exit packages in relation to the Falkirk IJB in financial year 2018/19.

Fiona Collie
Chair

23 September 2019

Patricia Cassidy
Chief Officer

23 September 2019



Annual Governance Statement

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

The Local Authority Accounts (Scotland) Regulations 2014 require a review at least once in each financial year of the effectiveness of the system of internal control and that an Annual Governance Statement is included in the Annual Accounts. Preparation of this statement also meets the requirements of the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and the CIPFA/SOLACE framework "Delivering Good Governance in Local Government (2016)".

Scope of Responsibility

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

To meet this responsibility the IJB has established arrangements for governance of its affairs and the effectiveness of its functions, which includes arrangements for the management of risk. In discharging this responsibility, the Chief Officer has put in place arrangements for governance, which includes a system of internal control.

Reliance is placed on the NHS Forth Valley and Falkirk Councils systems of internal control that support compliance with both organisations' policies and promotes achievement of each organisation's aims and objectives, as well as those of the IJB.

Any system of internal control can only provide reasonable and not absolute assurance of effectiveness.

The Purpose of the Governance Framework

The governance framework comprises the systems and processes, and culture and values by which the IJB is directed and controlled. It enables the IJB to monitor the achievement of the priorities and outcomes as set out in the Falkirk Strategic Plan.

The system of internal control is part of the governance framework and is designed to identify and manage risk to a reasonable level. The system aims to evaluate the risk of failure to achieve the IJB's policies, aims and objectives, including the likelihood of those risks being realised and the impact of those risks if they are realised. The system aims to help manage the risks efficiently, effectively and economically.

The Governance Framework and Internal Control System

The Board of the IJB comprises the Chair, Vice-Chair, and 4 other voting members. Three voting members are nominated by NHS Forth Valley and three by Falkirk Council. The Board has a number of non-voting members including the Chief Officer and the Chief Finance Officer and officers appointed by their role including the Chief Social Work Officer, Medical Director and Director of Nursing, as well as employee representatives, service users, carers and third sector representatives. The IJB is the key decision making body.

The IJB Audit Committee considered all matters in relation to Internal and External Audit and Risk Management. A Clinical and Care Governance Committee provides assurance



to the IJB on the systems in place for delivery of safe, effective, person-centred care in line with the IJB's statutory duty for the quality of health and care services.

The main features of the governance framework in existence during 2018/19 are summarised below:

- Strategic decision making is governed by the IJB's key constitutional documents including the Integration Scheme, standing orders, scheme of delegation, financial regulations and reserves policy.
- A code of conduct is in place for all IJB Board members, including a register of interests.
- The IJB's vision, outcomes and priorities are set out in the Falkirk Integration Joint Board Strategic Plan for 2016-2019, which contributes to the strategic priorities and outcomes contained in the Community Planning Partnership's Strategic Outcomes and Local Delivery Plan (SOLD). This document has now been reviewed and updated to cover the period 2019-2022.
- A Performance Management Framework is in place and the IJB regularly receives updates on performance.
- An Audit Committee is in place with a remit which includes risk management, corporate governance and all matters relating to internal and external audit. The terms of reference for this committee have been reviewed in year and an annual workplan agreed.
- The Clinical and Care Governance Committee has been established with terms of reference agreed. A year planner is in place to ensure all key pieces of work are covered.

System of Internal Control

The governance framework described operates on the foundation of internal controls, including management and financial information, financial regulations, administration, supervision and delegation. During 2018/19 this included the following:

- Financial regulations and codes of financial practice
- Management information systems and regular monitoring reports, including performance and financial reporting
- Comprehensive budgeting systems and a formal budget setting process
- Regular reporting to the Audit Committee including internal audit progress reports
- Regular reporting to Falkirk Council's External Scrutiny Committee and the Community Planning Partnership
- Minutes of IJB meetings submitted to Falkirk Council and NHS Forth Valley Board
- Publication of the IJB annual report and submission to Falkirk Council and NHS Forth Valley Board.



Review of Adequacy and Effectiveness

The IJB is required to conduct, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of the effectiveness of the framework is informed by the work of the Chief Officer and Senior Management who have responsibility for development and maintenance of the governance environment; the annual report by the Chief Internal Auditor and reports from External Auditors and other review agencies as appropriate.

The IJB complies with "The Role of the Head of Internal Audit in Public Organisations" (CIPFA) and operates in accordance with "Public Sector Internal Audit Standards" (CIPFA).

The Chief Internal Auditor reports directly to the Audit Committee on all audit matters, with the right of access to the Chief Officer, Chief Finance Officer and Chair of the Audit Committee on any matter. The annual programme of internal audit work is based on a risk assessment. The Internal Audit plan for 2018/19 was approved by the IJB Audit Committee in June 2018. The Audit Committee considers Internal Audit progress reports and the Annual Internal Audit Report for 2018/19 which will provide the Chief Internal Auditor's opinion on the IJB's internal control framework.

The Annual Internal Audit Report for 2018/19 provides the Chief Internal Auditor's opinion on the IJB's internal control framework for the financial year 2018/19. The Chief Internal Auditor's opinion concluded that reliance can be placed on the IJB's governance arrangements and systems of internal control for 2018/19. Their review covered Corporate, Staff, Care, Financial and Information Governance.

The following areas were identified as areas for development in 2018/19:

| | Area for Improvement Identified in 2017/18 Annual Accounts | Action Undertaken 2018/19 |
|---|---|--|
| 1 | <p>Review of the Scheme of Delegation to reflect the development of the Partnership.</p> <p>Tied in with the review of the scheme of delegation is a requirement to have a formal agreement setting out the precise responsibilities of the IJB, NHS and Council in relation to operational activities and the exact nature of delegation. This should form part of an Assurance Framework.</p> <p>This will form part of the work underway on integrated structures.</p> | <p>Progress has been made in year on the transfer of the operational management of some in-scope health services to the Partnership. This work has been slower than expected and as a result, some pieces of work remain outstanding.</p> <p>However, reports to the IJB highlight progress to date, including the agreement of a revised management structure and agreement of governance principles. These items will factor into revised Schemes of Delegations for the Partnership and NHS Forth Valley.</p> <p>An assurance framework should be developed prior to the transfer of services.</p> <p>This work will be undertaken by the Chief Officer and Chief Executives for both Falkirk Council and NHS Forth Valley.</p> |
| 2 | <p>Further development of Partnership arrangements, including operational delegation of NHS services and a comprehensive support services agreement.</p> | <p>Update as noted above. The comprehensive support services agreement remains outstanding.</p> <p>This work will be undertaken by the Chief Officer and Chief Executives for both Falkirk Council and NHS Forth Valley.</p> |
| 3 | <p>A risk management improvement plan will be developed and revised on a six monthly basis by the Partnership Leadership Group with updated provided to the IJB Audit Committee and the IJB.</p> | <p>The Audit Committee has received quarterly reports on risk management. During 2018/19 the Strategic Risk Register was reviewed by the Partnership Leadership Group and was subsequently revised</p> |



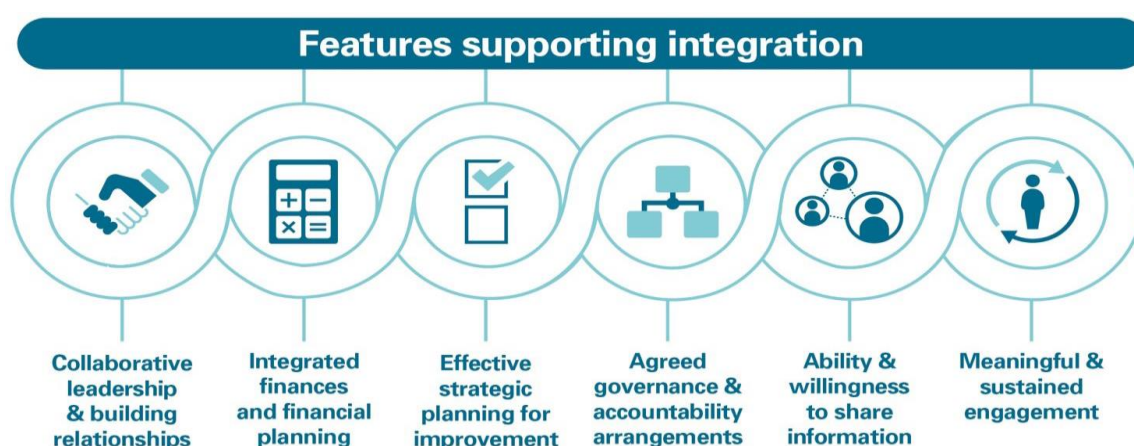
| | Area for Improvement Identified in 2017/18 Annual Accounts | Action Undertaken 2018/19 |
|---|--|---|
| | | <p>and updated in partnership with the Risk Management Co-ordinator from Falkirk Council. A revised Strategic Risk Register was presented to the March 2019 Audit Committee, setting out high level risks. Detailed evaluations of those risks will be presented to the June 2019 Audit Committee.</p> <p>Further improvement work on the risk management arrangements will also be presented to the June 2019 Audit Committee. This work will be supported by both Falkirk Council and NHS Forth Valley.</p> |
| 4 | Financial monitoring and planning arrangements are being reviewed and refined to assist the Partnership in monitoring financial performance to support delivery of services within available budgets. | <p>Work was carried out to change the presentation of financial monitoring reports to the IJB.</p> <p>During 2019/20, further work is planned on the development of a medium term financial plan. This will draw on information and assumptions developed by Partners and aim to set out the projected financial envelope available to deliver the IJB's Strategic Plan.</p> |
| 5 | <p>The Strategic Plan is due to be reviewed for the period 2019 – 2021. This work has been reported to the IJB and the Strategic Planning Group and an indicative timetable has been prepared.</p> <p>The revised Strategic Plan will require to be published by April 2019.</p> | The Strategic Plan was revised and updated and approved by the IJB in April 2019. |
| 6 | Social work complaints information is included in the IJB performance reports. Further work is required to report on complaints for NHS Forth Valley services that are in the scope of the IJB. | Complaints relating to social work and NHS services are included in the IJB performance reports to the Board. There is a complaints report presented to the Clinical and Care Governance Committee for more detailed scrutiny. |
| 7 | The Scottish Government has recently asked Integration Authorities to set out their plans for a review of Set Aside (large hospital services) arrangements. This work will commence in Summer 2018 and will be reported to the IJB. | <p>Work on the Set Aside (large hospital services) arrangements has not progressed as expected. A review group is being set up in 2019/20 and information is expected from the Scottish Government which can be used as a baseline for the group to consider.</p> <p>This work will be undertaken by the Chief Finance Officer, alongside colleagues from NHS Forth Valley and the Clackmannanshire and Stirling IJB.</p> |
| 8 | A review of the terms of reference for the Strategic Planning Group is underway to ensure that this group is effective and able to fulfil its role as an advisory body to the IJB. | The terms of reference for the Strategic Planning Group were revised and approved by the IJB in October 2018. |
| 9 | During 2018/19 work will commence on the transfer of data to a new social care management system. This will have a significant impact on all social care processes and procedures and will ultimately improve the management information available in the future. | Work has been progressing on implementation of the new social work information system. This work is overseen by a Project Board who monitor progress on a monthly basis. The project is expected to be completed by May 2020. |



Ministerial Strategic Group Report and Self Evaluation

The Ministerial Strategic Group (MSG) undertook a review of the progress of integration of health and social care. The purpose of the review was to help ensure there is an increase in pace in delivering all of the integration principles and national health and wellbeing outcomes. The findings of this review were published in February 2019, and were aligned to the findings of the Audit Scotland report on integration published in November 2018.

The review report noted the expectation that Health Boards, Local Authorities and IJB's would evaluate their current position in relation to both national reports, and take action to make progress. Subsequently a self-evaluation template was circulated to all Partnerships to complete. This was based on exhibit seven from the Audit Scotland report, reproduced below, as it provided a helpful framework.



Falkirk IJB prepared the self evaluation through completion of an online survey and discussion of the results of that survey at a Board development session. The evaluation was submitted to the Ministerial Strategic Group (MSG) in May 2019. The evaluation can be viewed [here](#). Of the 25 proposals in the template, Falkirk IJB assessed the current status as follows:

| | |
|----------------------------|----|
| ▪ Not Yet Established | 3 |
| ▪ Partly Established | 15 |
| ▪ Established | 4 |
| ▪ Not for local completion | 3 |

The next stage will be the development of an action plan flowing from this evaluation work. This will form part of the areas for development set out for 2019/20. It is recognised that this is a very challenging piece of work that will require input from all partners to achieve.

A self assessment governance checklist was produced by Internal Audit and completed by the Partnership. This has also helped to inform the areas for development set out for 2019/20.



Areas for Development in 2019/20

As noted in the table above, there are various actions from 2018/19 which will carry forward into 2019/20. The table below summarises further actions that have been identified.

| | Area for Improvement Identified in 2018/19 | Responsible Party | Completion Date |
|---|---|--|-----------------|
| 1 | <p>Work to progress integration will continue at pace, including the transfer of the operational management of some in-scope NHS services to the Partnership.</p> <p>In order to facilitate this, work will be required to review and confirm:</p> <ul style="list-style-type: none"> • Budget transfer • Risk • Support and administration support • Staff training and development • Communications and engagement • ICT access and compatibility • Assurance framework • Reporting structures <p>This work must be a joint endeavour involving the Partnership and both Partners, if the transfer is to be successful.</p> | Chief Officer Chief Executives (NHS & LA) | March 2020 |
| 2 | An action plan will be developed using the self evaluation template submitted to the Ministerial Strategic Group (MSG). | Chief Officer Chief Executives (NHS & LA) | December 2019 |
| 3 | The Strategic Plan for 2019-22 has been approved. A delivery plan will be developed to translate the Strategic Plan into actions that can be tracked and monitored. | Chief Officer Chief Executives (NHS & LA) | December 2019 |
| 4 | Linking to item 2 above, medium term financial planning will be developed in collaboration with Partners. This work will project the financial envelope available to deliver the Strategic Plan and aim to support the delivery plan. | Chief Finance Officer (IJB) Chief Finance Officer (Council) Director of Finance (NHS) | November 2019 |
| 5 | <p>Linking to item 2 above, work will progress to implement the guidance for Set Aside (large hospital services) arrangements.</p> <p>This work will require collaboration with NHS colleagues and the Clackmannanshire and Stirling IJB.</p> | Chief Officer Acute Services Director Chief Finance Officer (IJB) Director of Finance (NHS) | March 2020 |
| 6 | A process for considering national audit reports and other inspection reports will be agreed by the Audit Committee to ensure a robust process is in place and that all relevant reports are considered appropriately. | Chief Officer Chief Finance Officer | September 2019 |
| 7 | Legislation requires the IJB to issue Directions to Falkirk Council and NHS Forth Valley. These Directions set out what decisions have been taken by the IJB and must be implemented by the Partners. Such decisions should be arrived at in a collaborative and co-produced way so that they confirm an agreed approach. | Chief Officer Chief Finance Officer | November 2019 |



| | Area for Improvement Identified in 2018/19 | Responsible Party | Completion Date |
|--|---|-------------------|-----------------|
| | To date the Directions issues by Falkirk IJB have been very high level. The Scottish Government are expected to issue guidance imminently. However, draft guidance has been issued in the meantime and it is proposed that this is used as the basis for revisions to Directions for 2019/20. | | |

Conclusion and Opinion on Assurance

Subject to the above, and on the basis of the assurances provided, we consider that the internal control environment operating during 2018/19 provides reasonable and objective assurance that any significant risks impacting on the IJBs principal objectives will be identified and actions taken to avoid or mitigate their impact.

Systems are in place to regularly review and improve the internal control environment. These will be supported by action plans going forward.

Fiona Collie
Chair

23 September 2019

Patricia Cassidy
Chief Officer

23 September 2019



Comprehensive Income and Expenditure Statement

This statement shows the cost of providing services for the year according to accepted accounting practices. Where the impact on the General Fund is amended by statutory adjustments this is shown in the Movement in Reserves Statement.

| 2017/18 Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | 2018/19 Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | Notes |
|---|-------------------------|----------------------------|--|---|-------------------------|----------------------------|-------|
| 25,207 | - | 25,207 | Large Hospital Services | 26,026 | - | 26,026 | |
| 115,082 | - | 115,082 | Community Health and Social Care Services | 119,116 | - | 119,116 | |
| 70,734 | - | 70,734 | Primary Care Services | 75,816 | - | 75,816 | |
| 351 | - | 351 | IJB Running Costs | 410 | - | 410 | |
| 211,374 | - | 211,374 | Cost of Services | 221,368 | - | 221,368 | |
| - | (213,023) | (213,023) | Taxation and Non-Specific Grant Income | - | (221,816) | (221,816) | 4 |
| 211,374 | (213,023) | (1,649) | (Surplus) or Deficit on Provision of Services | 221,368 | (221,816) | (448) | 3 |
| | | (1,649) | Total Comprehensive Income and Expenditure | - | - | (448) | |

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



Movement in Reserves Statement

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

| Movements in Reserves During 2018/19 | General Fund Balance £000 | Unusable Reserves £000 | Unusable Reserves £000 |
|--|--------------------------------------|-----------------------------------|-----------------------------------|
| Opening Balance at 31 March 2018 | (6,490) | - | (6,490) |
| Total Comprehensive Income and Expenditure | (448) | - | (448) |
| Adjustments between accounting basis and funding basis under regulations | - | - | - |
| (Increase) or Decrease in 2018/19 | (448) | - | (448) |
| Closing Balance at 31 March 2019 | (6,938) | - | (6,938) |

| Movements in Reserves During 2017/18 | General Fund Balance £000 | Unusable Reserves £000 | Total Reserves £000 |
|--|--------------------------------------|-----------------------------------|--------------------------------|
| Opening Balance at 31 March 2017 | (4,841) | - | (4,841) |
| Total Comprehensive Income and Expenditure | (1,649) | - | (1,649) |
| Adjustments between accounting basis and funding basis under regulations | - | - | - |
| (Increase) or Decrease in 2017/18 | (1,649) | - | (1,649) |
| Closing Balance at 31 March 2018 | (6,490) | - | (6,490) |



Balance Sheet

The Balance Sheet shows the value of the IJB's assets and liabilities as at the balance sheet date. The net assets of the IJB (assets less liabilities) are matched by the reserves held by the IJB. Usable reserves may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. Unusable Reserves include reserves relating to statutory adjustments as shown in the Movement in Reserves Statement.

| 31 March 2018 £000 | | 31 March 2018 £000 | Notes |
|-----------------------------------|------------------------------|-----------------------------------|--------------|
| 6,703 | Short Term Debtors | 6,938 | 5 |
| 6,703 | Current Assets | 6,938 | |
| (213) | Short Term Creditors | - | 6 |
| (213) | Current Liabilities | - | |
| - | Provisions | - | |
| - | Long Term Liabilities | - | |
| 6,490 | Net Assets | 6,938 | |
| (6,490) | Usable Reserve: General Fund | (6,938) | 8 |
| - | Unusable Reserves | - | |
| (6,490) | Total Reserves | (6,938) | |

The unaudited accounts were issued on 27 June 2019 and the audited accounts were authorised on 23 September 2019.

Amanda Templeman
Chief Finance Officer

23 September 2019



Notes to the Financial Statements

1. Significant Accounting Policies

General Principles

The Financial Statements summarise the authority's transactions for the 2018/19 financial year and its position at the year ended 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.

The Financial Statements are therefore prepared in compliance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, supported by International Financial Reporting Standards (IFRS), unless legislation or statutory guidance requires different treatment.

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

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when settlement in cash occurs. 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.

Funding

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



Cash and Cash Equivalents

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

Employee Benefits

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

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

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

Provisions, Contingent Liabilities and Contingent Assets

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

A contingent liability is a possible liability arising from events on or before 31 March, whose existence will only be confirmed by later events. A provision that cannot be reasonably estimated, or where settlement is not probable, is treated as a contingent liability. A contingent liability is not recognised in the IJB's Balance Sheet, but is disclosed in a note where it is material. The IJB has no contingent liabilities.

A contingent asset is a possible asset arising from events on or before 31 March, whose existence will only be confirmed by later events. A contingent asset is not recognised in the IJB's Balance Sheet, but is disclosed in a note only if it is probable and can be reliably measured. The IJB has no contingent assets.

Reserves

The IJB's reserves are classified as either Usable or Unusable Reserves.

The IJB's only Usable Reserve is the General Fund. The balance of the General Fund as at 31 March shows the extent of resources which the IJB can use in later years to support service provision.

The IJB has no unusable reserves.



Indemnity Insurance

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

Unlike NHS Boards, the IJB does not have any 'shared risk' exposure from participation in CNORIS. The IJB participation in the CNORIS scheme is therefore similar to normal insurance arrangements.

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

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

VAT

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

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

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

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

2. Events After the Reporting Period

The Unaudited Annual Accounts were authorised for issue by the Chief Finance Officer on 27 June 2019. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2019, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.



3. Expenditure and Income Analysis by Nature

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|--|-----------------|
| 69,858 | Services commissioned from Falkirk Council | 73,036 |
| 141,165 | Services commissioned from NHS Forth Valley | 147,922 |
| - | Provisions | - |
| 324 | Other IJB Operating Expenditure | 382 |
| 3 | Insurance and Related Expenditure | 3 |
| 24 | Auditor Fee: External Audit Work | 25 |
| (213, 023) | Partners Funding Contributions and Non-Specific Grant Income | (221, 816) |
| (1,649) | Surplus of Deficit on the Provision of Services | (448) |

Other IJB Operating Expenditure relates to shared costs for the Chief Officer, Chief Finance Officer, Programme Manager and supporting administration posts plus associated non-pay costs. Equal contributions to these costs are made by the constituent authorities to reflect the costs of running the Integration Authority.

4. Taxation and Non-Specific Grant Income

| 2017/18 £000 | | 2018/19 £000 |
|-----------------|---|-----------------|
| 60,464 | Funding Contribution from Falkirk Council | 62,517 |
| 152,559 | Funding Contribution from NHS Forth Valley | 159, 299 |
| 213,023 | Taxation and Non-Specific Grant Income | 221,816 |

The funding contribution from the NHS Board shown above includes £26,026,000 in respect of 'set aside' resources relating to acute hospital and other resources (£25,207,000 in 2017/18). These are provided by the NHS which retains responsibility for managing the costs of providing the services. The IJB however has responsibility for the consumption of, and level of demand placed on, these resources.

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.

5. Debtors

| 31 March 2018 £000 | | 31 March 2019 £000 |
|-----------------------|------------------|-----------------------|
| 1,077 | Falkirk Council | 992 |
| 5,626 | NHS Forth Valley | 5,946 |
| 6,703 | Debtors | 6,938 |

6. Creditors

| 31 March 2018 | 31 March 2019 |
|---------------|---------------|
|---------------|---------------|



| £000 | | £000 |
|------------|------------------|----------|
| 213 | NHS Forth Valley | - |
| 213 | Creditors | - |

7. Provisions

A provision for bad debts in relation to Adult Social Care of £50,000 is included in the 2018/19 accounts.

8. Useable Reserve: General Fund

The IJB holds a balance on the General Fund for two main purposes:

- To earmark, or build up, funds which are to be used for specific purposes in the future, such as known or predicted future expenditure needs. This supports strategic financial management.
- To provide a contingency fund to cushion the impact of unexpected events or emergencies. This is regarded as a key element of the IJB's financial risk management framework.

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



| Balance 31 March 2018 £000 | | Transfers Out £000 | Transfer In £000 | Balance 31 March 2019 £000 |
|----------------------------------|-------------------------------|--------------------------|------------------------|----------------------------------|
| (1,430) | Integration Funding | 800 | - | (630) |
| (2,408) | Partnership Funding | 58 | - | (2,350) |
| (617) | Leadership Funding | - | (773) | (1,390) |
| (607) | PC & MH Transformation Funds | 129 | - | (478) |
| (392) | Transforming Urgent Care | 147 | - | (245) |
| (90) | Services for Survivors | - | (22) | (112) |
| (52) | Sensory Strategy | 2 | - | (50) |
| (100) | Dementia Innovation Fund | - | (100) | (200) |
| (2) | Pharmacy First | 2 | - | - |
| (112) | Mental Health Innovation Fund | 112 | (64) | (64) |
| (58) | GP Cluster Model | 58 | - | - |
| - | Alcohol & Drugs Partnership | - | (63) | (63) |
| - | British Sign Language Plan | - | (11) | (11) |
| - | Choose Life | - | (23) | (23) |
| - | GP Out of Hours Fund | - | (143) | (143) |
| - | GP Sub Committees | - | (24) | (24) |
| - | Unscheduled Care | - | (140) | (140) |
| - | Primary Care Improvement Fund | - | (419) | (419) |
| (5,868) | Total Earmarked | 1,308 | (1,782) | (6,342) |
| (88) | Capital Grant | 88 | (78) | (78) |
| (237) | Housing Revenue Account | 35 | - | (202) |
| (297) | General Reserve | - | (19) | (316) |
| (6,490) | GENERAL FUND | 1,431 | (1,879) | (6,938) |

Further information on some of the reserves in the table is provided below:

- Integration Funding**

This is funding provided by the Scottish Government which is ringfenced for Social Care. Such funding was initially passed to the Partnership via the Health Board but now comes via the Council. The focus of this funding is for example, to help fund payment of the living wage to social care staff. This reserve balance comes from 2016/17 with all subsequent years funding being fully spent in year.
- Partnership Funding & Leadership Funding**

This is funding provided by the Scottish Government for Delayed Discharge and Integrated Care.
- Capital Grant**

This is funding received as part of the Falkirk Council financial settlement and is tied to private sector housing grants. It is used to fund aids and adaptations to privately owned houses.



- **Housing Revenue Account** This is funding received as part of the Falkirk Council financial settlement and is derived from council house rents. As such it is ringfenced for aids and adaptations within council house properties.

9. Related Party Transactions

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

Transactions with NHS Forth Valley

| 2017/18 | | 2018/19 |
|----------------|--|----------------|
| £000 | | £000 |
| (152,559) | Funding Contributions received from the NHS Forth Valley | (159,299) |
| 141,166 | Expenditure on Services Provided by the NHS Board | 147,922 |
| 10,110 | Integration Funding passed through Falkirk Council | 10,852 |
| 176 | Key Management Personnel: Non-Voting Board Members | 205 |
| (1,107) | Net Transactions with the NHS Forth Valley | (320) |

Balances with NHS Forth Valley

| 31 March | | 31 March |
|-----------------|---|-----------------|
| 2018 | | 2019 |
| £000 | | £000 |
| 5,626 | Debtor balances: Amounts due from the NHS Board | 5,946 |
| (213) | Creditor Balances: Amounts due to the NHS Board | - |
| 5,413 | Net Balance with NHS Forth Valley | 5,946 |

Key Management Personnel: The Chief Officer and Chief Finance Officer are employed by Falkirk Council and NHS Forth Valley respectively and recharged to the IJB via equal contributions from the constituent authorities based on voting shares. Details of the remuneration for the Chief Officer and the Chief Finance Officer are provided in the Remuneration Report.

Support services were not delegated to the IJB through the Integration Scheme and are instead provided free of charge as a 'service in kind'. The support services provided by NHS Forth Valley mainly consist of performance management, human resources, financial management, information services, information technology and payroll.



Transactions with Falkirk Council

| 2017/18 | | 2018/19 |
|----------------|---|----------------|
| £000 | | £000 |
| (60,464) | Funding Contributions received from Falkirk Council | (62,517) |
| 69,857 | Expenditure on Services Provided by Falkirk Council | 73,036 |
| (10,110) | Integration Funding passed through Falkirk Council | (10,852) |
| 175 | Key Management Personnel: Non-Voting Board Members | 205 |
| (542) | Net Transactions with Falkirk Council | (128) |

Balances with Falkirk Council

| 31 March | | 31 March |
|-----------------|---|-----------------|
| 2018 | | 2019 |
| £000 | | £000 |
| 1,077 | Debtor balances: Amounts due from Falkirk Council | 1,042 |
| 1,077 | Net Balance with Falkirk Council | 1,042 |

Support services were not delegated to the IJB through the Integration Scheme and are instead provided free of charge as a 'service in kind'. The support services provided by Falkirk Council mainly consist of governance services, human resources, financial management, information services, information technology and payroll.



**Independent Auditor's report to the members of Falkirk
Integration Joint Board and the Accounts Commission**



Glossary

While much of the terminology used in this document is intended to be self explanatory, the following additional definitions and interpretation of terms may be of assistance.

| | |
|---|---|
| Accounting Period | The period of time covered by the accounts, which is normally a period of 12 months commencing on 1 April. |
| Assets | An asset is categorised as either current or non-current. A current asset will be consumed or cease to have material value within the next financial year (e.g. cash and stock). A non current asset will provide benefit for a period of more than one year. The Falkirk Integration Joint Board is not allowed to hold non current assets. |
| Balance Sheet | This represents the overall financial position of the Falkirk Integration Joint Board at the end of the year. All inter-company balances between the Board and its constituent bodies have been eliminated in preparation of the balance sheet. |
| Comprehensive Income & Expenditure Statement (CIES) | This statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices (IFRS). |
| Constituent Authorities | The Falkirk Integration Joint Board has two constituent authorities which both fund the Board's activities and provide services to the Board. These are NHS Forth Valley and Falkirk Council. |
| Creditor | Amounts owed by the Falkirk Integration Joint Board for work done, goods received or services rendered within the accounting period, but for which payment has not been made by the end of that accounting period. |
| Debtor | Amount owed to the Falkirk Integration Joint Board for works done, goods received or services rendered within the accounting period, but for which payment has not been received by the end of that accounting period. |
| Events after the Reporting Period | <p>Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Annual Accounts are authorised for issue. Should such events occur it may or may not be necessary to adjust the accounts. Guidelines are in place to determine whether an adjustment should be made to the accounts.</p> <p>Events taking place after the accounts have been authorised are not reflected in the financial statements or notes.</p> |
| General Fund | The General Fund encompasses all services areas and is funded mainly by the constituent bodies or the Scottish Government. |
| Government Grants | Grants made by the Government towards either revenue or capital expenditure in return for past or future compliance with certain conditions relating to the activities of the Falkirk Integration Joint Board. These grants may be specific to a particular scheme or may support the revenue spend of the Falkirk Integration Joint Board. |
| Gross Expenditure | This includes all expenditure attributable to the service and activity including employee costs, expenditure relating to premises and transport, supplies and services, third party payments, support |



| | |
|--|---|
| | services and capital charges. |
| Gross Income | This includes grant income and all charges to individuals and organisations for the direct use of the Board's services. |
| Liability | A liability is where the Falkirk Integration Joint Board owes payment to an individual or another organisation. A current liability is an amount which will become payable or could be called in within the next accounting period e.g. creditors. A long term liability is an amount which by arrangement is payable beyond the next year at some point in the future or to be paid off by an annual sum over a period of time. |
| Movement in Reserves Statement | This statement shows the movement in the year on the different reserves held by the Board, analysed into usable reserves (i.e. those that can be applied to fund expenditure) and unusable reserves. |
| Net Expenditure | This relates to gross expenditure less gross income and is the amount that needs to be funded by the constituent bodies and the Scottish Government. |
| Notes to the Core Financial Statements | These are intended to give the reader further information which is not separately detailed in the financial statements. |
| Provision | An amount put aside in the accounts for future liabilities or losses which are certain or very likely to occur but the amounts or dates or when they will arise are uncertain. |
| Related Parties | These are entities or individuals that have the potential to control or influence the Falkirk Integration Joint Board, or to be controlled or influenced by the Board. |
| Remuneration | All sums paid to or receivable by an employee and sums due by way of expenses allowances (as far as these sums are chargeable to UK income tax) and the money value of any other benefits received other than in cash. |
| Reserves | The accumulation of surpluses, deficits and appropriations over past years. Reserves can be either usable or unusable. Usable reserves can be used to fund expenditure. Unusable reserves are accounting adjustments which enable a true and fair view to be determined. Unusable reserves cannot be used to fund expenditure. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Board. |
| Revenue Expenditure | The day-to-day running costs associated with the provision of services. |

