

# **Report of the Directors of Finance for Bradford MDC, NHS Airedale, Wharfedale & Craven, Bradford City and Bradford District CCGs to the meeting of the Health and Wellbeing Board to be held on 17<sup>th</sup> March 2015.**

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### **Subject:**

#### **Pooled budget arrangements - Better Care Fund**

#### **Summary statement:**

The Better Care Fund is a pooled budget across health and social care to facilitate and support integrated services to improve care for patients. The overall value of the fund for the Bradford Health and Wellbeing Board (HWB) is £37.3m. The plan was formally approved by the HWB on the 3<sup>rd</sup> February and work has been underway to establish to hosting arrangements in respect to the management of these funds.

The management and hosting of these funds should be considered by all parties to ensure the management of risks to the health and social care system are mitigated where possible and to recognise the differing financial environments between partners primarily in respect of cash management.

The recommendation is based on the best process for reporting against the Better Care Fund and to provide clear financial governance round these funds, specifically the flow of money between organisations.

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Stuart McKinnon-Evans, Director of Finance, Bradford MDC  
Neil Smurthwaite, Chief Finance Officer, Airedale, Wharfedale and Craven CCG

Jane Hazelgrave, Chief Finance Officer, Bradford City and Districts CCGs

Report Contact: Neil Smurthwaite  
Phone: (01274) 237324

E-mail: [neil.smurthwaite@awcccg.nhs.uk](mailto:neil.smurthwaite@awcccg.nhs.uk)

#### **Portfolio:**

#### **Adult Services and Health**

#### **Overview & Scrutiny Area:**

#### **Health and Social Care**

## **1. SUMMARY**

The Better Care Fund is a pooled budget across health and social care to facilitate and support integrated services to improve care for patients. The overall value of the fund for the Bradford Health and Wellbeing Board (HWB) is £37.3m. The plan was formally approved by the HWB on the 3<sup>rd</sup> February and work has been underway to establish to hosting arrangements in respect to the management of these funds.

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## **2. BACKGROUND**

It was agreed at the HWB that a meeting would be held to discuss options on how the pooled budget within the BCF would be managed financially. Meeting have taken place between finance colleagues of the 3 CCGs and the Local Authority (LA) and an option appraisal was undertaken. Based on the options below a recommendation has been suggested to the HWB on the hosting arrangements for the pooled budget. The recommendation takes into account the different risks to each organisation, governance and reporting arrangements. The suggested approaches were -

### **Options**

1. Individual CCGs host their element of the pooled budget in line with their individual allocations and funds transferred to the individual areas of spend (such as the local authority); with the fund then consolidated as per the agreed plan for reporting financial performance the fund to the ICB and HWB;
2. The full allocation is transferred to the local authority to host and facilitate payments, contracts etc with full responsibly for financial reporting of the pooled fund;
3. The funds for the total pooled budget are transferred to 1 host CCG to manage and report.

## **3. OTHER CONSIDERATIONS**

None Based on the above draft options it was agreed that the following considerations were taken into account -

- Over 50% of the fund is for the local authority for existing schemes and current arrangements are agreed by all parties. There is no benefit in changing these.
- A significant proportion of schemes are commissioned by the NHS on out of hospital services or be linked to emergency admissions as required by the amended guidance;

- The majority of NHS schemes are currently funded from existing resources and contracted by CCGs with agreed payment schedules in place;
- The HWB recognises that the BCF is not new money;
- A significant intention of the NHS organisations hosting the pooled budget is to reduce the complexity of the management arrangements, building on the success of existing agreements.
- A guidance change resulted in the performance fund being paid into the BCF based on performance and solely linked to total emergency admissions;
- The majority of the BCF resource comes directly from CCG budget allocations. Cash management processes within the health sector are more stringent and restrictive. Drawdown of CCG allocations from NHS England are based on monthly transfers of cash. There are limitations on the total amount available monthly, NHS hosting will enable easier cash management arrangements;
- We recognised that for our current and proposed schemes there are no VAT implications with the proposal or continuing with existing arrangements. There are potential savings against VAT costs where the provision of service from non NHS organisations incurs a VAT liability. Should the local authority host they could potentially reclaim the VAT on the CCGs behalf. However the review of schemes by the CCG finance team has not identified any such schemes where this benefit is applicable. It should also be noted that VAT guidance suggests that even where NHS organisations host the fund that amendments to the Sec 75 would enable the Council to reclaim VAT where applicable;
- We recognised that hosting arrangements were not seen as tax avoidance but recognised the need to assess the VAT implications on all schemes as good tax planning and not avoidance;
- Management of the pool on a virtual basis by the NHS organisations is in line with guidance on hosting arrangements. Cash movement will be clearly documented in the Sec 75 between NHS organisations and the Council.

## **Recommendation**

Following the above it was clear that option 1 would be the preferred choice and an approach is detailed below on how funds will flow around the parties for each element of spend.

## **Performance Fund**

The performance fund was introduced by the Government and is a pre-determined amount that has been calculated by the CCGs based on the potential risk of them not achieving the planned reduction of the non-elective activity.

The recommendation reached was that the fund allocated against the performance would be retained within the individual CCGs and a virtual budget is created between the 3 CCGs. In the event that performance on reducing non- elective activity is not achieved, the individual CCG will allocate costs against this ring fenced pot up to the maximum contributed. The position of these funds will be reported as a combined achievement to both the ICB and HWB in line with reporting and governance timelines.

Any remaining funds will be invested in line with specified guidance as and when agreed by the HWB and ICB.

It should be noted that any cost pressures above this set amount would be borne as a cost pressure to the relevant CCG, once they have met their ring fenced fund.

The rationale around retaining these funds was to -

- Maintain and control cash drawdowns with NHS England and internal CCG requirements;
- The non elective activity will be impacted by seasonal variation and the CCG will have the information received from providers to monitor to the impact of how the set metrics are being managed;
- Any overspends against the ring fenced amount can be controlled and reported within the overall CCG accounts.

### **Protected Social Care/Reablement Funds**

This fund is an agreed contribution to Social Care and this includes the funds allocated against the Care Bill.

The recommended approach to this element of the fund is to pay the funds direct to the LA from all individual CCGs against their own allocated budget on a monthly basis. The movement to a monthly basis is due to the cash limitations set by NHSE and the CCGs limited drawdown abilities.

It is expected that any reported under/over spends would be the responsibility of the LA and reporting against this BCF budget would be part of a pooled budget reporting agreement, which is to be set within the section 75 agreed reporting and governance procedure's.

The rationale around the recommended approach is -

- To minimise risk around the cash position for the CCG and NHSE;
- To allow the LA to manage its resources internally against planned budgets.

### **CCG BCF Investments**

This element of the funds relates to current spend incurred by CCGs and investments made to reduce non elective activity and to promote integration within the HWB footprint.

The recommended approach is to manage these funds virtually within individual CCG budgets and for costs to be recorded with the individual CCG accounts in line with the new coding structure being created nationally by NHS England. In line with the LA approach the CCG will manage local cost pressures and any underspends will be utilised and reinvested to support the reduction of pressures within the system.

The CCGs will report this combined fund virtually to the Health and Wellbeing Board and Integration and Change Board (ICB) in line with set requirements within the section 75 reporting and governance procedures.

The rationale around this recommended approach is to –

- Maintain a stable cash flow for the CCG, NHSE, NHS Providers in line with our stipulated payment requirements;
- Prevent a complicated cash management process for all parties;
- Prevent a complicated recharge process between CCGs;
- Allow all current costs to be recorded in the corresponding CCG and provides a more auditable record.

#### **4. FINANCIAL & RESOURCE APPRAISAL**

As detailed above

#### **5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

As identified above

#### **6. LEGAL APPRAISAL**

Not applicable

#### **7. OTHER IMPLICATIONS**

##### **7.1 EQUALITY & DIVERSITY**

No issues identified

##### **7.2 SUSTAINABILITY IMPLICATIONS**

None identified

##### **7.3 GREENHOUSE GAS EMISSIONS IMPACTS**

None identified

##### **7.4 COMMUNITY SAFETY IMPLICATIONS**

None identified

##### **7.5 HUMAN RIGHTS ACT**

No issues identified

##### **7.6 TRADE UNION**

No issues identified

##### **7.7 WARD IMPLICATIONS**

None identified

**7.8 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

**8. NOT FOR PUBLICATION DOCUMENTS**

None

**9. OPTIONS**

As listed above.

**10. RECOMMENDATIONS**

The Board is asked to note the ongoing work on the Section 75 for the pooled arrangements and to approve the recommendation for NHS bodies to host the Better Care Fund pooled budget.

**11. APPENDICES**

None

**12. BACKGROUND DOCUMENTS**

Better Care Fund Plan