

APPENDIX 1

1. The Better Care Fund Pooled Fund Model

- 1.1. The establishment of a national £3.8bn Better Care Fund was announced by the Government in the June 2013 spending round, to ensure a transformation in integrated health and social care. The Spending Review states that the BCF at a local level is to be a single pooled fund, not simply aligned budgets or joint commissioning, and a S75 agreement is the means by which pooled funds are to be put in place.
- 1.2. Under these arrangements each of the partners make contributions to a common fund (including any contributions through the provision of key premises, goods and services in kind). The fund is ring fenced to be spent on specifically agreed services and functions that parties to the agreement have specified in the S75 agreement. Among other matters the ownership and disclosure of any capital items purchased by the pool, and reporting any requirements, are subject to the usual audit and accounts procedures.
- 1.3. A pooled fund is held by a host organisation who will take responsibility for administering the fund (effectively acting as a 'banker').
- 1.4. The minimum contribution to the BCF pooled fund in 2015/16 has been specified by NHS England in the allocations published in December 2013, and for Thurrock this minimum amounts to £10,565,000. The S75 agreement will also need to address the period of the agreement and how future years' contributions are to be determined, along with reporting and risk management arrangements.

2. Implications of the BCF Pooled Fund Model

- 2.1. The Health and Well-Being Board on 17 July 2014 agreed the recommendation that the Council should manage the pooled fund as a host partner. Determining the host partner is a matter for local decision, and approval by the relevant parties' governance structures (in the case of Thurrock, NHS Thurrock CCG Board and Cabinet of Thurrock Council). Summarised in the following paragraphs is CIPFA and other guidance on the key financial arrangements for managing a pooled fund.
- 2.2. The operation of the pooled fund will be managed by the host partner. This will include receiving all of the cash relating to the S75 agreement and facilitating the expenditure against the pool. The host partner will also be expected to regularly report performance against the budget for the S75 activity, as agreed by the partners. The respective S75 partners responsibilities for the collection and provision to the host partner of this information therefore also needs to be included in the agreement.

- 2.3. Pooled fund income and expenditure will be recorded in the accounts of the host partner, in accordance with the regulations relating to the host partner organisation, using their accounting principles and policies, scheme of delegation, standing orders and standing financial instructions. On the basis that the host partner will collect the cash into the pool and administer payments from the pool, there should be no reason why recharges among the partners will be necessary, however in accordance with the risk management agreement; recharges may be required among partners in accordance with an agreed formula.
- 2.4. There will be costs incurred in administering the pooled fund which will need to be met out of the pooled fund; this will be calculated and agreed as part of the S75 agreement.
- 2.5. The partners must also include in the agreement how to report and manage surpluses and deficits, and the agreement should specify the level of permitted variation, both in year and between years, acceptable to the partners.. As noted above, the accounting treatment, within the pooled fund, must adhere to the host partner's legal responsibilities and each party must account for its own share of the assets, liabilities and cash flows which arise from the pooled funds as a note within their respective accounts. Therefore, where the local authority is the fund host, carry forward of fund balances is permissible, reducing both year-end reconciliations and transactions.
- 2.6. Pooled fund assets and liabilities are shared at the end of the life of the partnership according to arrangements set out in the S75 agreement.
- 2.7. The Chief Finance Officer (CFO) of the host partner will have financial responsibilities and accountabilities in the administration of the agreement. The duty of CFOs is to ensure effective management of public money is being addressed by the host partner's arrangements for the financial management which must be informed by the specific responsibilities of all the S75 partner(s) CFOs.
- 2.8. Internal Audit – Partners can retain the right of access to the financial records and arrangements of the pooled fund by their own internal audit service.
- 2.9. External Audit – Notwithstanding the partners' rights to retain access by their internal audit service, the host partner's external auditors will audit the entirety of the activity, allowing reliance to be placed on the financial records by partners.
- 2.10. Local authorities and NHS bodies are subject to different VAT regimes. Therefore the agreement needs to be clear on how income, expenditure and VAT will be accounted for before joint arrangements are entered into.
- 2.11. There are two alternative arrangements for the host partner with regards to VAT:

- i) The host partner's VAT regime applies – i.e. funds are paid to the host partner and payments are made directly by the host to provider(s).
- ii) The host partner acts as 'agent' for the other partner(s) – i.e. funds are paid to the host partner and payments are made by the host to reimburse partners for payments they make to provider(s).

If the local authority hosts the pool under option (i) any VAT payable is directly recoverable, maximising pooled resources and reducing the associated payments administration.

If the NHS is the host body, it would be preferable for the NHS to operate on an 'agency' basis, under option (ii) as this would then enable the NHS body to invoice the local authority for expenditure incurred by the pool in meeting the local authority's objectives thereby allowing the local authority to recover VAT on this expenditure. This would however both increase the fund administration and not enable any VAT incurred by the health partners to be reclaimed.

2.12. These VAT considerations have informed the recommendation that Thurrock Council is the appropriate fund host partner and, if agreed by HWB, this will be reflected in the final BCF submission.

2.13. The details of these matters do not need to be determined for the final BCF submission but will need to be addressed in the S75 Agreement(s) which must be in place for 1st April 2015. In order to ensure all the administrative arrangements are in place to achieve this deadline it is proposed that the completed S75 will be presented to the Health and Well being Board for agreement on 13 November, and then to the Board of NHS Thurrock CCG on 26 November and to Cabinet on 3 December for approval.