

Schedule 3b - Financial Governance Arrangements, Risk Share, Overspends, Underspends

Introduction

The CCG and the Council have entered into an Integration and Better Care Fund (iBCF) Plan pooled budget arrangement for the financial years 2017/18 and 2018/19. The two-year iBCF Plan has been approved by NHS England. The plan brings together a number of revenue and capital funding streams to create a total fund of £21.758m in 2017/18 and £24.758m in 2018/19 as summarised in the table below.

	2017-18		2018-19	
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Local authority funding:				
Disabled Facilities Grant	1,391		1,517	
LA minimum contribution		1,391		1,517
Base Budgets	1,523		1,523	
Additional LA contributions		1,523		1,523
Total LA funding		2,914		3,040
iBCF Funding				
Improved BCF grant	5,429		7,526	
Total iBCF funding		5,429		7,526
CCG funding:				
Reablement	1,120		1,120	
Carers	495		495	
Former Social Care Grant	4,333		4,416	
Care Act costs in BCF	528		540	
Existing services	6,939		7,099	
CCG minimum contribution		13,415		13,670
TOTAL iBCF POOLED FUNDS		21,758		24,236

The 2017-19 Integration and Better Care Fund is subject to a requirement that the funds are transferred into one or more pooled funds established under section 75 of the NHS Act 2006.

BCF funding for local authority services

In 2017-18 £4.333m and £4.416m in 2018-19 of the CCG's minimum contribution to the Pool is in respect of local authority services previously funded direct by NHS England.

In addition, national and local modelling has identified, supported by specific guidance from DH, the additional cost pressures faced by local authorities in relation to the implementation of the Care Act. For LB Barking & Dagenham, an allocation from the BCF fund towards meeting some of these costs has been identified at £0.528m in 2017-18 and £0.540m in 2018-19. The financial arrangements will therefore include payment of this sum to the Council in the respective financial years.

1. Management of the Pooled Fund

1.1 Accounting/Audit Arrangements

- 1.1.1 The Council is the Host Partner for the Pooled Fund. The Pooled Fund Manager will have support and advice from the Council's Corporate and Operational finance sections on accountancy matters and will use the Council's general and other accounting ledgers system. Support and advice will also be sought from CCG and the NEL Commissioning Support Unit (NELCSU).
- 1.1.2 The cost centre(s) and coding structure for the Pooled Fund will be designed and agreed by the Partners and will be consistent with the Council's Chart of Accounts Hierarchy. This will be designed to capture the Individual Schemes income and expenditure and any flow of funds back to the CCG and also the needs of the partnership to manage the Pooled Fund effectively and efficiently.
- 1.1.3 The Pooled Fund Manager will produce financial accounts for the Pooled Fund in a format as agreed with both Partners and consistent with the Council's corporate financial regulations and procedures. These will clearly identify the Financial Contributions into the Pooled Fund from each Partner. This will be in line with the Better Care Fund submissions plan and again clearly identifying total income and expenditure for each Individual Scheme. Financial information will also need to be provided by the Council to the CCG in a format to satisfy the CCG's reporting requirements.
- 1.1.4 At the end of each Financial Year, the Pooled Fund Manager will produce a Pooled Fund final statement of income and expenditure which will be shared with each Partner and to ensure its inclusion in the final statement of accounts of their respective organisations. A memorandum of account will need to be prepared by the Council covering all of the requirements under IFRS 12 and shall be made available to the CCG Financial Accounts team by the 4th working day after 31st March, commencing in 2018.
- 1.1.5 The Pooled Fund final statement of income and expenditure will form part of the Council's annual external audit regime. The Pooled Fund Manager will notify both Partners of any material issues arising from the external audit.
- 1.1.6 The Council will provide an internal audit service for the Council's Individual Schemes covered by the Pooled Fund and the CCG will provide an Internal audit service for the CCG Individual Schemes covered by the Pooled Fund.
- 1.1.7 The CCG's Audit Committee will oversee CCG internal audit arrangements and receive regular assurance reports including reports produced by the Host Partner.

2. Financial Management

2.1 Principles of Financial Risk

Overspends

- 2.1.1 An Overspend is expenditure from the Pooled Fund in respect of those Individual Services commissioned by the Commissioner in an Individual Scheme which exceed

the total of the Financial Contributions of the Commissioner in that Individual Scheme or where the Council is commissioning the Individual Services with the Financial Contributions from the CCG, an Overspend is where the expenditure from the Pooled Fund in respect of those Individual Service commissioned by the Council in an Individual Scheme exceeds the total of the CCG's financial contribution which has been allocated by the Council to that Individual Scheme together with the Council's Financial Contribution to that Individual Scheme.

- 2.1.2 The overriding principle is that Overspends will be absorbed by each Partner's respective budget allocations for the relevant Individual Scheme as the main Commissioner for the Services. For clarity this means that the Partner that is the Commissioner of, and holds the Service Contract for a service and budget, will meet any Overspends. It is recognised that existing control mechanisms and contractual terms significantly reduce any risks relating to Overspends. This arrangement will be reviewed annually
- 2.1.3 Notwithstanding this, where an Overspend is forecast:
- (a) This will be reported to JEMC as soon as it comes to light.
 - (b) The JEMC shall review and agree mitigating actions which may include a decision to apply an Underspend from another Individual Scheme to the Individual Service or Individual Scheme which is overspent.
 - (c) If mitigating actions do not stop an Overspend, then the Commissioner as referred to above will meet the Overspend.
- 2.1.4 The management of the financial risks will be through robust financial planning and budget monitoring arrangements. Regular in year budget monitoring and reporting to the JEMC on a monthly basis will be an essential part of the financial control arrangements and will enable in year pressures to be identified and appropriate management actions taken to manage the budgets effectively.
- 2.1.5 For the avoidance of doubt, where the expenditure for an Individual Service exceeds the Individual Service Financial Contribution of the relevant Partner for that Individual Service the Commissioner will absorb the excess

Underspends

- 2.1.6 An Underspend is where expenditure from the Pooled Fund in respect of those Individual Services commissioned by the Commissioner in an Individual Scheme is less than the total of the Financial Contributions of the Commissioner for those Individual Services in that Individual Scheme or where the Council is commissioning the Individual Services with the Financial Contributions from the CCG, an Underspend is where the expenditure from the Pooled Fund in respect of those Individual Service commissioned by the Council in an Individual Scheme is less than the total of the CCG's financial contribution which has been allocated by the Council to that Individual Scheme together with the Council's Financial Contribution to that Individual Scheme
- 2.1.7 If there is an Underspend then the JEMC will agree how to re-invest the funds within the parameters of the BCF, which may include applying an Underspend to an Overspend as set out in section 2.1.3 above.
- 2.1.8 Any surpluses, resulting from Underspends, in accordance with the paragraph 2.1.7 above will return to the Commissioner who holds the Service Contract.
- 2.1.9 For the avoidance of doubt, where the expenditure for an Individual Service is less than the Individual Service Financial Contribution of the relevant Partner for that Individual Service the Commissioner will retain such sum.

Risk Share – Pay for Performance

2.1.10 The Partners have agreed that there will be no risk share arrangements in agreed two-year plan i.e. 2017-19.

2.2 Financial Planning / Monitoring and Control of the Pooled Fund

2.2.1 The Financial Year for the Pooled Fund will run from 1 April to 31 March.

2.2.2 During the annual budget setting process, each year the Partners will provide indications of the level of Financial Contribution for the following Financial Year. These will be agreed and confirmed to the other Partner when the budget for each Partner is formally agreed.

2.2.3 During the Financial Year the Pooled Fund Manager will produce a monthly monitoring report highlighting actual spend to date against current budget and a full year outturn forecast position. This will also include explanations of variances and other supporting financial and activity information.

2.2.4 The CCG will provide full and detailed information to the Pooled Fund Manager, relating to its commissioned service activity within the fund, having regard to the Council's duties and responsibilities as host partner to enable management accounts and reports to be produced. The format and timing of this will be agreed between the Partners.

2.2.5 As soon as the management accounts indicate that any Overspend is likely to occur, then the JEMC will take immediate action to correct this as set out in paragraphs 2.1.1 to 2.1.5 of this Schedule 3.

2.2.6 The CCG will transfer 1/12th of the total of the CCG's Individual Service Financial Contributions (including the pro-rata allocation of the agreed costs to the Council of implementing the Care Act) on a monthly basis to the Council.

2.2.7 The Council will transfer 1/12th of the total of the Council's Individual Service Financial Contributions on a monthly basis to the Pooled Fund.

2.2.8 The LA will transfer capital funding (minimum contribution) into the pooled fund as and when the grants are received.

2.2.9 The CCG will then recharge the Council on a monthly basis on the elements of the pooled of fund that it continues to expend directly.

3. Financial Regulations and Procedures

3.1 The Council's financial regulations and procedures will be used to govern the transactions and financial activity related to the Pooled Fund. This will cover all of the financial management arrangements including virement approvals, limits and levels of authorisation for incurring expenditure. Where the CCG is the Commissioner holding the service contracts with providers, the CCG will apply its Standing Financial Instructions.

4. Payment Schedule

4.1 A payment schedule is set out at Appendix 2 to this Schedule 3 detailing dates when the CCG and the Council will pay their Financial Contributions into the Pooled Fund.

- 4.2 The payment schedule includes the payment dates on which the Council will make payments to the CCG to enable the CCG to pay its providers for service contracts relating to the BCF. This is important because of strict cash flow arrangements in the NHS. To enable flexibility, changes to the payments in the payments schedule can be authorised with the agreement of the Directors of Finance of both Partners, and any changes must be reported to the JEMC.

5. Billing arrangements

- 5.1 The Council will invoice the CCG ten Working Days prior to the 1st of the month in which the invoice relates. The amount billed will be that of the agreed Financial Contribution into the Pooled Fund by the CCG for that month.

- 5.2 Invoices sent by the Council to the CCG will be sent to:

Partner	FAO	Address
CCG	Sharon Morrow Chief Operating Officer	Barking & Dagenham CCG 07L Payables K285 Phoenix House, Topcliffe Lane Wakefield West Yorkshire WF3 1WE

- 5.3 The CCG will pay the Council on 1st Working Day of each month.

- 5.4 The CCG will raise an invoice to the Council on the 1st Working Day of each month for the agreed amount which is to be returned to the CCG from the Pooled Fund so that payments to providers in relation to the BCF service contracts can be made.

- 5.5 Invoices sent by the CCG to the Council will be sent to:

Partner	FAO	Address
Council	Mark Tyson Commissioning Director	London Borough of Barking & Dagenham Town Hall 1 Town Square Barking IG11 7LU

- 5.6 Payment by the Council to the CCG is to be made by the 9th Working Day of each month.

- 5.7 The Council will produce a purchase order on the 1st working day of April and the purchase order number will be made available to the CCG so that this can be quoted on all invoices raised by the CCG on a monthly basis.

6. April Billing

To avoid complications for Financial Year end of both Partners, April invoices are to be billed on the 1st working day of April by both the Council and the CCG. Payment of these invoices will occur simultaneously by both Partners on the 15th April.

7. Future Funding and Finance Arrangements

The above arrangements will be put in place for the financial years 2017/18 and 2018/19 and will be reviewed for future years as the BCF integration arrangements develop.

8. Technical Accounting

- 8.1 In accordance with IFRS 11, joint control is expected to operate between the CCG and Council. It is expected that the joint arrangement in place will be that of a joint operation and not a joint venture as there is no third-party organisation being created.
- 8.2 As a joint operation the disclosure within the financial statements of the CCG's is in accordance with IFRS 12. At the end of the Financial Year the CCG will need to recognise in the financial ledger and disclose appropriately the following:-
- 8.2.1 Its assets, including its share of any assets held jointly;
 - 8.2.2 Its liabilities, including its share of any liabilities incurred jointly;
 - 8.2.3 Its revenue from the sale of its share of the output arising from the joint operation;
 - 8.2.4 Its share of the revenue from the sale of the output by the joint operation; and
 - 8.2.5 Its expenses, including its share of any expenses incurred jointly.
- 8.3 Also required is the disclosure of information that enables users of the financial statements to evaluate the nature, extent and financial effects of interests in joint operations, including the nature and effects of its contractual relationship with the other investors with joint control. For material joint operations, the following will need to be disclosed:
- 8.3.1 The name of the joint arrangement;
 - 8.3.2 The nature of the entity's relationship with the joint arrangement; and
 - 8.3.3 The principal place of business of the joint arrangement.
- 8.4 If any critical estimates or accounting judgements have been made in relation to the joint operation, these should be disclosed in accordance with IAS 1.
- 8.5 A memorandum of account will need to be prepared by the Council covering all of the requirements under IFRS 12 and be made available to the CCG Financial Accounts team by the 4th working day after 31st March.