

Better care fund – the full year experience

Survey Report August 2016

Introduction

Since the launch of the better care fund (BCF) in 2013, both the HFMA and CIPFA have been monitoring the progress of the initiative, particularly in relation to the financial and accounting implications of multiple, large pooled budget arrangements.

In October 2014, the HFMA and CIPFA published a briefing on pooled budgets and the better care fund. In that briefing we set out the regulations that apply to the BCF and issues the partners to the BCF should consider when establishing governance arrangements, operational structures and financial arrangements. A year later, the HFMA and CIPFA jointly surveyed their members to assess what had actually happened in practice and to look ahead to the second half of 2015/16 and beyond.

In this survey, issued in June 2016, the HFMA and CIPFA asked their members to provide an assessment of how the first year, and in particular, the year-end of the BCF worked out, to identify lessons learnt and any further guidance that may be needed.

The results of this survey have been shared with the Department of Health (DH), NHS England, NHS Improvement and the National Audit Office.

Overview

In total 56 responses were received as follows:

- 43 CCGs
- 1 NHS England local office
- 15 local authorities (9 county councils, 5 unitary authorities and 1 district council)
- 1 joint CCG/ local authority response.

Overall, the survey demonstrates that staff in NHS bodies and local authorities are working hard together to make the BCF work. As expected, there are some issues with the detail but generally the direction of travel is towards closer collaboration.

The survey revealed the following key pointsⁱ:

- In the majority of cases, the BCF has improved or at least not harmed, working relationships between local authorities and NHS bodies
- In general, individual BCF arrangements met their operational objectives and 60% were financially on target
- Operationally, the objective of reducing unplanned hospital admissions has been the hardest to achieve
- The overall strain on finances in both sectors has, in some cases, hindered the development of

BCF schemes

- The preparation of the year-end accounts was not as onerous as anticipated but there is scope for improved guidance in both sectors.

Performance of the BCF in 2015/16

Encouragingly, 66% of respondents indicated that their BCF had met its planned operational objectives in terms of service provision. The local authority respondents were slightly more positive than their CCG counterparts:

	No. indicating that their BCF had met its planned objectives	Percentage of that type of respondent
Commissioning bodies	26	62%
Local authorities	10	77%
Joint response	1	100%

The main failure in relation to meeting objectives was around non-elective admissions (NEA) and delayed transfers of care (TDOC):

‘But it’s difficult to say because of the complexity around counting emergency admissions. In all other respects, the BCF set itself limited objectives’

In some cases, schemes and plans slipped which meant objectives were not met:

‘Some schemes are still embedding and this has resulted in some outcomes not being fully achieved in 2015/16. It is anticipated that any remaining issues will be resolved early in 2016/17.’

‘Some projects are still a work in progress including establishing GP clusters with multi-disciplinary teams (MDTs) and broadening the scope of reablement services to reach more people in the community.’

Other reasons were more deep rooted:

‘One County and five financially strapped CCGs - there was no surplus budget to invest. This was a tick box exercise - there were no funds and therefore scope for innovation or doing things differently. Reporting has been difficult (social care costs being pro-rated across the 5 CCGs who have very different social care utilisation rates which are not in line with their contributions to the purchase of social care (PoSC)).’

‘We do not have enough information or break down to ascertain whether or not objectives have been met.’

‘Unrealistic expectations regarding transfer of funding from health to social care.’

‘The work has primarily related to resolving financial issues rather than helping steer changes in service provision/ delivery.’

The majority (60%) of schemes were financially on target:

	On target	Overspent	Underspent
Commissioning bodies	23 (52%)	8 (18%)	13 (30%)
Local authorities	13 (87%)		2 (13%)
Joint response			1 (100%)

Total	36 (60%)	8 (13%)	16 (27%)
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In some cases the schemes were managed so that they were on target by the year end. Comments included:

'The scheme was underspent against the initial plan but well before year-end the Health and Wellbeing Board agreed to the funding of alternative schemes that contributed to the overall programme objectives. As a result, spend was on target.'

'The overall underspend was predominantly due to the provision of a risk pool. The underspend has been fully utilised in accordance with the section 75 agreement, whereby funds have been reinvested in social care direct payments and non-elective admissions.'

'Significant slippage on BCF schemes offset by CCGs recharging additional expenditure to BCF that had been incurred because of scheme implementation delays.'

The main reason given for schemes being underspent was the fact that planned schemes slipped so up-front investment was not needed as soon as it was expected. In one case, the performance element of the scheme was not achieved so the funds were retained.

It is perhaps more interesting to consider the reasons for schemes being overspent. Comments included:

'Difficult to control that part of the expenditure that was subject to NHS contracts with NHS providers, especially once winter pressures had kicked in and the local system had overheated. We also brought into the scope of the BCF some areas of expenditure that are very difficult to control, such as NHS continuing care.'

'The council not being able to forecast spend, they don't have control totals like health.'

'Pressures due to high level of growth in demand led services such as continuing health care, nursing and residential care as well as slippage on planned efficiency schemes.'

'Acute contract performance in the main.'

'Some services in the fund were driven by volume and activity exceeded plan.'

'Overspend on integrated community equipment services (ICES) provision.'

Encouragingly, the majority of respondents think that the BCF has led to better partner relations. However, it is worth noting that the NHS respondents were less positive than their local authority counterparts:

	Commissioning bodies	Local authorities	Joint response
The BCF has led to better partner relations	22 (50%)	11 (73%)	1 (100%)
The BCF has not changed partner relations	18 (41%)	3 (20%)	
The BCF has led to worse partner relations	4 (9%)		

'Definitely improved as all around the table and discussing joint working and appropriate

governance arrangements in place.'

'We couldn't afford to innovate or share risk differently - so we outed all the relationship/ trust problems for none of the gain.'

'Funding to local authorities has always been difficult to account for, we sincerely hoped given this widespread knowledge that BCF requirements would be put in place at national level to stipulate an adequate level of reporting against the fund as a condition of receiving funds.'

'We already had a good working relationship.'

'Integrated working between the health sector and local government has become much more important and we have been successful in sharing a common vision for our area and building mature relationships.'

'Whilst the management of monies in the local health and social care economy has probably not changed greatly there has been a significant improvement in the partnership between organisations to oversee the schemes.'

'Although there are on-going discussions about relative contributions levels, the BCF is increasingly the backdrop to structure budget discussions which are of joint interest.'

'In our local experience the BCF meant different things to different people, from a largely nominal significant fund where risk was not pooled, to a more specific element of the fund where funds and risks were clearly pooled. There was some discussion as to the nature and extent of the pooling and this played out to some extent in the accounting treatment. More significantly, the nature of commissioning changed for only a relatively small part of the nominal fund.'

'Agreements for pooling budgets should follow the need for it rather than pooling being dictated centrally, i.e. form should follow function and not the other way around.'

Preparing the year-end accounts for the BCF in 2015/16

In the run up to the year-end, the BCF was one of the potential high risks NHS bodies and their auditors had identified to the smooth production of 2015/16 annual report and accounts. We asked respondents to rate the production of the year-end position of the BCF and as expected two thirds encountered issues. Having said that, most of these were minor:

	Commissioning bodies	Local authorities	Joint response
Everything went smoothly	13 (30%)	5 (33%)	
Some minor issues	22 (50%)	6 (40%)	1 (100%)
Some significant issues	6 (14%)	4 (7%)	
Very significant issues	2 (5%)		

The reasons for the significant issues are mainly due to communication and different working practices between NHS and local authority bodies:

'Differing views between the council and CCGs on the accounting treatment of the fund and how underspends should be dealt with. It was difficult to get the appropriate level of financial monitoring from the council. It was particularly challenging to obtain the information to meet our year-end close down timetable.'

'One of the two councils with which we have a BCF changed their mind late in the day with regard to accounting treatment and this delayed signature of the section 75 agreement.'

'Significant scheme slippage - a large part of which had to be left in to offset local authority overspending. Quite a lot of detailed finance work involved to produce the required result.'

'Council assumed they could use some of the fund unilaterally.'

'We have not been able to ascertain sufficient detail to understand how the money was spent or the extent to which it has worked towards outcomes.'

'Unrealistic expectations regarding transfer of funding from health to social care.'

Although in some places communication was good:

'We have a good relationship with our County Council and completed a joint accounting policy beforehand which meant some re-adjusting of transactions.'

Some of the issues related to the timing and availability of guidance:

'Clarification within the NHS manual of accounts in the accounting treatment of BCF and local arrangements as in the section 75 agreement (based on nationally issued template).'

'Due to the late issue of the DH manual for accounts.'

'The BCF guidance was delayed, the process was more complex than in previous years this made initial planning more difficult than it needed to be. However, we believe being required to compile the BCF accounts in conjunction with CCG colleagues aids all parties in an open understanding of each partners' respective accounting practice and how this assists with the financial aspects of ongoing integration work with health partners. There are some timing issues in respect of each organisation's statutory reporting duties which can be unhelpful and prolong the process unnecessarily. This year, this has led to nervousness in the CCGs about having to record a post-balance sheet event in the unlikely circumstance that the Council's external auditors raise issues when the audit of the Council (and host authority) is undertaken. A decision was taken early in the process for governance arrangements and decisions to flow through the Local Authority and a single CCG representing all four within the county; this was helpful in reducing unnecessary bureaucracy between the organisations.'

'Complexity of information required. Training and support came very late.'

'Around how to present the information in the final accounts.'

There were a few one-off issues:

'Small issues with coding from earlier in financial year, prior to sub analysis code 1 being issued.'

'Delays in the production of statements from the Council.'

'We had to provide some additional information around the governance of the fund in terms of meeting notes and papers over and above that we had initially prepared for audit.'

'Financial pressures have made agreement difficult, and there is a move back to supporting existing social care and health spend, rather than expanding joint working, to manage the money.'

One of the reasons that the preparation of the year-end accounts was considered high risk was that the BCF had to be a pooled budget under section 75 of the *NHS Act 2006*. The regulations that support the Act require that each pooled budget is hosted by one of the members and a memorandum account is prepared for each fund. This means that when preparing the annual report and accounts, each of the members of the BCF is reliant on other members, particularly the host body, for necessary accounting information.

The vast majority (90%) of CCGs were reliant on third parties for information whereas only half of the local authorities were in that position. We asked how working with other organisations had gone:

	Commissioning bodies	Local authorities	Joint response
Everything went smoothly	13 (30%)	3 (20%)	
Some minor issues	21 (48%)	7 (47%)	1 (100%)
Some significant issues	4 (9%)	1 (7%)	
Very significant issues	1 (2%)		

The reasons for these issues were varied:

	Commissioning bodies	Local authorities	Joint response
Determining the accounting treatment	17	5	1
Agreeing a consistent accounting treatment with partner bodies	16	5	
Year-end assurance arrangements	8	3	1
Year-end cash balances	3	2	
Agreement of balances with NHS bodies		2	
Agreement of balances with local authorities	3	3	
Treatment of over and underspends	8	2	
Agreement of performance payments at the year end	1	2	
Agreement with auditors	10	3	

The comments indicate that assurance was a key issue:

'Gaining year-end assurance was the most significant issue from a CCG perspective on local authority transactions.'

'Auditors made a big issue of accounting treatment and lack of transactions assurance. As a result we are being charged a top-up to our audit fee.'

We also asked about the areas of concern for auditors. The accounting treatment was the biggest issue raised by auditors although the other issues were less of a concern:

	Commissioning bodies	Local authorities	Joint response
The proposed accounting treatment	10	5	
Year-end assurance arrangements	3	1	
Year-end cash balances			
Agreement of balances with NHS bodies		1	
Agreement of balances with local	2		

authorities			
Treatment of over and underspends	4	1	
Agreement of performance payments at the year end			

It is worth noting that many of the local authorities had not had their external audit concluded at the point at which they responded to the survey.

Other comments included:

'It was agreed that pooled fund income is equal to pooled fund expenditure.'

'We had a series of meetings with the auditors to discuss our BCF accounting and reporting processes. Any issues were resolved during the meetings to ensure year-end would run smoothly. Had to recode some expenditure - not insurmountable just undesirable given year-end time pressures.'

'Our auditors struggled to appreciate the complexities of the fund and when it didn't match expectations we spent an inordinate amount of time coming to agreement on whether funds were aligned or pooled.'

'Additional disclosure on context of the BCF required between draft and audited accounts that was all.'

'Confusion of guidance between manual for accounts and final accounts template.'

'Auditors used this as a reason to top up the audit fee.'

'Assurance of data quality. Risk share agreement to be revisited.'

'Our auditors felt that even the small part we were treating as a pooled budget did not really need to be treated as such, but ultimately accepted our reasoning for treating in this way.'

We asked what guidance respondents referred to when determining the accounting treatment for the BCF. The results were as follows:

	Commissioning bodies	Local authorities	Joint response
DH manual for accounts	35	4	1
CIPFA's Code of Practice on Local Authority Accounting	2	11	1
NHS England's guidance on SharePoint and in their roadshows	26	3	
Auditors	23	4	1
IFRS 11	14	1	1
HFMA/CIPFA's briefing 'Pooled budgets and the better care fund' (October 2014)	21	7	1
Other:	<ul style="list-style-type: none"> An external event run by auditors (not our CCG auditors) 	<ul style="list-style-type: none"> CIPFA briefing to Hertfordshire local authorities 	

	<ul style="list-style-type: none"> • Peer CCGs • Grant Thornton workshop on pooled budgets • Specific guidance and seminars/ tutorials prepared by the BCF support team (NHSE) 	<p>on end of year accounts (10 March 2016 at North Hertfordshire District Council)</p> <ul style="list-style-type: none"> • CIPFA's Pooled Budgets: A Practical Guide for Local Authorities and the National Health Service (Fully Revised Second Edition 2009) 	
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Our NHS respondents made the following comments about how the guidance could be improved:

'Very surprised by the lack of reporting required on BCF and disclosures required.'

'It needs to be more comprehensive and thorough with full examples provided.'

'More information around gross and net accounting specifically for BCF.'

'I think the issues stem from council finance being more flexible so less worried about overspends than health.'

'In future far more detailed reporting against spend is required which also details achievement against outcomes.'

'Make sure that the manual for accounts is clear and consistent.'

'NHS England guidance and templates need to be timelier.'

'It would be helpful for the guidance to all be held in one place rather than across DH, NHSE, HFMA briefings.'

Whereas the local authority respondents made the following comments about how the guidance could be improved:

'It would be helpful to provide the guidance at an earlier point in the year and increase the number and frequency of roadshows which should now also include real world examples of how different regions dealt with specific issues in 2015/16. This should lead to the development of best practice which can be used in future roadshows and mailshots.'

'Earlier notification of changes and consistency in approach.'

'Until accounts have been fully audited am not certain. We also need to conclude a post-audit joint review by the CCGs and County Council.'

'HFMA/CIPFA briefing too detailed to be applicable at this time in practice. I think many authorities have begun a lot more light touch on the accounting than this implies - at least initially.'

'It would be helpful to have greater clarity and consistency on permissions for local authorities to carry forward monies from the NHS in the case of underspends within the BCF. The October 2014 guidance seemed to conflict with the DH manual for accounts in this regard. It would also be useful to have guidance earlier in the year to pre-empt any year-end issues.'

Looking ahead to 2016/17

Given that 2015/16 was the first year of operation of the BCF, it would be expected that there would be changes made in 2016/17. It is therefore unsurprising that 33 (61%) respondents indicated that they would be making changes although the reasons for making those changes and areas that are going to change are very varied:

	As a result of lessons learned from 2015/16	To meet the new NHS England requirements for the BCF in 2016/17	Change of focus of the BCF	Moving towards greater integration	Other
Section 75 agreement	9	11	3	8	2
Signatories to the agreement		1		1	1
Fund management arrangements	5	1	1	3	1
Governance arrangements	4	2	2	5	1
Commissioning arrangements	2		1	8	1
Projects/ services covered by the agreement	12	1	8	9	4
Service providers used	2		2	2	2
Entering into new arrangements with the same partners	2		1	4	2
Entering into new arrangements with new partners	2		1	1	1
Other				1	1

'For 2016/17 County has required a strict interpretation of the guidance - CCGs are bearing a greater share of Care Act implementation costs (with little accountability re County proposals for the unspent Care Act Funding they took to their Balance Sheet in 15/16 which was outside the BCF) and there is no funding from the PoSC ring-fence for other than County priorities.'

'Very low key transition from 2015/16 to 2016/17. Very little change. Feels like all the effort was expended last year and this is no longer important.'

'Significant change in the health commissioned services following change in the major CCG provider mid-year required re-work of underlying assumptions.'

'The BCF is developing a greater focus on some projects as it is recognised these will help with partner moving towards integration and a successful sustainability and transformation plan (STP).'

'Phased review of BCF schemes/ projects during 2016/17 to ensure objectives are being achieved and determine future investment/ disinvestment.'

'Many of the projects are still in continued development from 2015/16 targets.'

Most respondents see the BCF as the starting point for moving to the full integration and joint working which is required by Government by 2020, though the planning is at an early stage:

	Commissioning bodies	Local authorities	Joint response
Not yet clear/ waiting for further guidance	12 (27%)	2 (13%)	
Starting point for developments in train	26 (59%)	10 (67%)	1 (100%)
Full route map already in place	1 (2%)	1 (7%)	

In terms of the accounting, the areas which need further work are:

	Commissioning bodies	Local authorities	Joint response
Year-end assurance arrangements	12 (27%)	3 (20%)	
Year-end cash balances	5 (11%)		
Agreement of balances with NHS bodies	3 (7%)	3 (20%)	
Treatment of over and underspends	14 (32%)		
Agreement of performance payments at the year end	9 (20%)		
Agreement of auditors	10 (23%)	4 (27%)	

'AOB exercise with councils party to BCF.'

'Guidance for non-finance staff party to BCF discussions around the schemes (don't always understand an approved scheme, does not mean the accrual is justified if the scheme has not actually been in operation or there have been delays).'

'It would be useful to know what proportion of funds had joint arrangements under IFRS 11 to give context as none of our schemes are joint arrangements under IFRS 11.'

'Understanding of the meaning of control and influence.'

'Definitions of control and influence need to be fleshed out (even more).'

'Specific requirements on reporting spend and against outcomes/ outputs.'

'Another workshop such as was provided by Grant Thornton.'

'Disclosure requirements.'

'Update to section 75 agreement.'

'More in terms of year-end reporting.'

'Examples of best practice from 2015/16 accounts on the two or three most common types of BCF structures.'

'It would have been better to sit with auditors and CCG partners together prior to the year-end process to discuss pertinent issues and audit requirements for both parties.'

'It would be helpful to provide the guidance at an earlier point in the year and increase the number and frequency of roadshows which should now also include real world examples of how different regions dealt with specific issues in 15/16. This should lead to the development of best practice which can be used in future roadshows and mailshots.'

'Early and comprehensive joined up manual for accounts.'

'If guidance/ workshops are to be available that they are made available earlier in the process.'

'Wash-up from audit. Earlier guidance needed from Government on setup of the fund and accounting expectations so that these can be adopted from the outset for the relevant year.'

'Clearer guidance on whether funds should be treated as pooled funds or contributions to local authorities would be beneficial as would consistency and cross-referencing between the various sources of guidance. Additionally, much of the guidance is geared more towards the NHS than local authorities and it would be helpful to have some guidance which translates NHS requirements and terminology into language which is more familiar to local authorities.'

'For the 2017/18 plan, can the guidance/ templates be issued in line with the initial timetable?'

'Annual leave was booked on the assumption that all returns would be submitted in accordance with the timetable, but it kept slipping, which caused unnecessary stress in the system.'

ⁱ Not all individuals answered every question and the percentages referred to are percentages of respondents answering the specific question. (Some tables may not add up to 100% due to rounding.) None of the responses received have been verified.