



Guidance to local areas in England on pooling and aligning budgets



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Contents

Section 1	Introduction and purpose of guidance	5
Section 2	Aligned and pooled budgets	8
Section 3	Alternative joint financing arrangements	14
Section 4	Issues to consider	16
Section 5	Risk management	21
Section 6	Accountability	22
Section 7	Future developments and where to get help	25
	Acknowledgements	27
	References	28

Section 1

Introduction and purpose of this guidance

1.1 This non-statutory guidance is for local partners in England from all sectors who are seeking better ways of working together to deliver improved outcomes for local people. It should be of interest to you if you are in a local partnership. For example a Local Strategic Partnership, Childrens' Trust Board, Community Safety Partnership or a local body that wants to look at the possibility of joint financing arrangements with other local partners.

1.2 Constraints on public finances mean that it is essential to find new ways of working that enable delivery on serious economic, social and environmental issues while at the same time making savings. The aim of pooled and aligned budgets is to deliver more efficient and effective services that better meet citizens' needs. Sensible, collaborative, behaviour can lead to better outcomes for local people and drive better value for money.

1.3 Local people care about the quality and relevance of the services they get but are less concerned about who supplies them. Local partnerships are maturing and the amounts they are investing in joint financing are rising. For example, the proportion of formal joint expenditure on health and social care almost doubled from £2bn in 2004 to £3.9bn by March 2009¹ and grew at a faster rate than both NHS and adult social care spend over the same period – but still only accounts for an estimated 3.4 per cent of total spending on health and social care.

1.4 Government has been encouraging closer partnership working and working to remove barriers. Working Better Together? (Audit Commission, April 2009)² gives examples of where Government has removed such obstacles. These include legislative changes such as the Children Act 2004, and Local Government and Public Involvement in Health Act 2007. The importance of integration for the health service is, for example, set out in the NHS Operating Framework (see Box 1).

¹ Audit Commission national report (2009) *Means to an end: Joint financing across health and social care*.

² Audit Commission national report (2009) *Working better together?*

Box 1: The importance of integration

The quality and productivity gains we need to make lie not within individual NHS organisations but at the interfaces between primary and secondary care, between health and social care, and between empowered patients and the NHS. At the heart of this is the importance of transforming patient pathways, leading to the integration of services and in some cases, the integration of organisations. Where organisational change takes place, it is not necessarily one organisation taking over another, but creating new services with patients and their needs at the centre.

Department of Health (December 2009) *The Operating Framework for the NHS in England 2010/11*. extract from p. 4, Foreword by the NHS Chief Executive.

1.5 Despite changes and stronger partnerships between key local partners (e.g. Local authority and Primary Care Trusts) experiences from Total Place pilot areas and parallel place projects indicate that many local organisations operate and control and manage their money in silos. While this may be attractive in terms of the process of budget management, it is often not the best approach to ensure efficiency and good value for money in an increasingly challenging service environment. Total Place looks closely at funding streams relating to specific areas of activity in a place and uses customer insight to identify innovative ways for partners to come together and provide a better service to their customers in more efficient ways.³

1.6 The process of considering and negotiating aligned and pooled budgets can also help bring organisations together and assist innovation. This guidance seeks to bring experience and learning of what works from across different sectors together with existing guidance, to provide information and help to local partnerships. It draws on a range of information published by various organisations (see box 2). All these organisations including those listed in the acknowledgements section have assisted in the production of this guidance.

Box 2: Information and guidance already available

- Audit Commission (October 2009) *Means to an end: Joint financing across health and social care*.
- CIPFA (2009) *Pooled budgets: A practical guide for councils and the NHS*.
- Audit Commission (December 2008) *Clarifying joint financing arrangements: A briefing paper for health bodies and local authorities*.
- DCSF (August 2007) *Better Outcomes for children's services through joint funding: A best practice guide*.

³ www.localleadership.gov.uk

Why do we need further guidance?

1.7 In *Putting the Frontline First: Smarter Government (December 2009)* government set out a number of commitments to recast the relationship between the centre and the frontline, including supporting more effective use of pooled and aligned budgets.

1.8 Understanding of pooling and aligning funding is highly variable. For example, the Audit Commission identified some instances where people confused 'pooled budgets' and 'aligned budgets'. The Commission have been clear that having the most appropriate funding arrangement for the service and users is what matters. However, differences in understanding can create confusion and make it harder for partners to share good practice and experiences. This guidance aims to provide some clarity on what we mean by pooling and aligning, and on issues often cited as difficulties around this.

Why should local bodies consider pooling and aligning budgets?

1.9 Knowledge of the potential benefits of greater collaboration is growing. *Putting the Frontline First: Smarter Government* highlighted the finding from Birmingham's Total Place pilot that for every pound spent on early years' work, they could save four pounds on the costs of anti-social behaviour and severe health problems. Drug Treatment Outcomes Research Study (DTORS 2009) reports that for every £1 spent on drug treatment an estimated £2.50 was saved, once reduced offending behaviour is included.⁴

1.10 Local partners have been aligning budgets, but awareness and sharing of good practice can be hindered as aligned budgets are generally less visible than pooled budgets. Collaboration is more informal under aligned budgets than for pooled budgets as aligned budget have relatively few administrative requirements associated with them. The Audit Commission's study of Children's Trusts found that most local authorities and their partners align budgets.⁵

⁴ www.homeoffice.gov.uk/rds/pdfs09/horr23.pdf or www.nelm.nhs.uk/en/NeLM-Area/News/2010---January/28/Findings-from-the-Drug-Treatment-Outcomes-Research-Study-DTORS-/

⁵ Audit Commission national report (2008) *Are We There Yet? Improving Governance and Resource Management in Children's Trusts*.

Section 2

Aligned and pooled budgets

2.1 The aims of aligned and pooled budgets are broadly the same: to help minimise overlap/gaps in service delivery, increase efficiency, improve value for money and ensure that services are designed to meet the needs of service users. They can help improve services, as well as reduce transactions, minimise bureaucracy and improve productivity.

Aligned budget (or aligned fund)

2.2 An aligned budget is the same as an aligned fund. The same is true of pooled budgets and pooled funds. For the purpose of this guide, the terms aligned budget and pooled budget will be used throughout.

2.3 Aligned budgets involve two or more partners work together to jointly consider their budgets and align their activities to deliver agreed aims and outcomes, while retaining complete accountability and responsibility for their own resources.

2.4 As highlighted in paragraph 1.10, many areas have been aligning budgets and some have done so with large amounts of money. In Coventry, the City Council, PCT, Police, Fire Service, Jobcentre Plus, and the Learning and Skills Council aligned £181m of funding to support the priority objectives in their Local Area Agreement in 2008/09.

Pooled budget (or pooled fund)

2.5 A pooled budget (or fund) is an arrangement where two or more partners make financial contributions to a single fund to achieve specified and mutually agreed aims. It is a single budget, managed by a single host with a formal partnership or joint funding agreement that sets out aims, accountabilities and responsibilities.

Key attributes of aligned and pooled budgets

2.6 Key attributes and the different circumstances where pooled and aligned budgets tend to be adopted are summarised in Table 1. The table is based on the reports and guidance mentioned in Box 2. Local partnerships need to determine the arrangements that are best suited to their local circumstances and service users' needs.

Table 1

Aligned Budget	Pooled budget
<p>Achievement of aims is better supported by individual organisations redirecting their own mainstream activity.</p> <p>May be used as a step towards a pooled budget where greater collaboration is needed and where local evidence to support pooling is lacking and/or when key partner/s need to address critical internal issues before a pooled arrangement can commence.</p>	<p>Clear set of activities or service that one organisation is able to host and oversee effectively on behalf of all parties.</p> <p>Where evidence shows that concentrating money in the pool can better enable more efficient services leading to better outcomes for service users and/or help better enable radical redesign of the service around the user.</p>
<p>Tends to be adopted where partnerships are yet to mature. Or where there is a concern that partners will be over cautious or under-fund pooled budgets.</p>	<p>Pooled budgets often follow positive experience of joint working. They tend to exist where partners have a strong track record of partnership working and trust and relationships between partners are good.</p> <p>However, partnerships can decide to use a pooled budget as a way of helping their organisations to work together better, if informal arrangements are not working sufficiently well.</p>
<p>Aligned arrangements can more flexibly include partners from private and third sectors. Aligned budgets can help where there are no legal powers to pool.</p>	<p>Pooling arrangements primarily involve public sector partners. As, for example, private and third sector partners may be contracted to provide the service.</p>
<p>Outcomes, objectives, strategies are jointly agreed by partners but greater detail is necessary in order to pool.</p> <p>Tend to occur where arrangements between partners are less formalised.</p> <p>The Audit Commission suggested in <i>Means to an End</i> that a signed agreement should be in place for aligned as well as pooled budgets.</p>	<p>Partners have shared and clearly defined outcomes, objectives, and strategies that enable them to sign up to a clear formal agreement which sets out the activities or service to be delivered via the pool.</p> <p>The agreement ought to cover governance and technical aspects including accountability, financial reporting, management of risks, exit strategy, treatment of overspends etc. See section 4.</p>

<p>Aligning is less bureaucratic and resource intensive in the short term. But could be more bureaucratic than a well run pooled budget over the medium to long term as it requires separate decision-making processes and does not necessarily contribute to overcoming cultural differences between partners. Therefore, medium to long term benefits may be relatively less than for pooling.</p>	<p>Helps enable faster shared decision making, effective use of resources and economies scale. Pooling is cost-effective in decision-making and planning in the medium and longer term whilst being resource intensive in the short term. Can help eliminate the need for repeated renegotiation of joint agreements.</p>
<p>Tends to occur where, despite discussion, agreement has not been reached on how to overcome internal disputes, fears of 'cost-shunting', risk of overspends and changing partner priorities.</p>	<p>Where agreement has been reached on how to manage risks. An agreement could help protect essential services from detrimental changes in priorities and inspire greater trust and confidence in partners when agreements withstand challenging circumstances.</p>

2.7 A pooled budget requires more than one partner to contribute funds. It is not possible to give guidance on the amount that a partner ought to contribute – it will vary in every case. The key reason is that partners also need to take account of the responsibilities that each individual partner has and where benefits and savings may arise. As indicated in the example at paragraph 1.9, a partner leading on one set of services can help enable significant savings and/or reduced budget pressures for another partner. Therefore matters should be determined locally to reflect local circumstances.

Current legislation

2.8 Pooled budgets are supported by various pieces of legislation (see Box 3).

Box 3: Legislation supporting pooled budgets

NHS Act 2006

- Section 75 allows the pooling of funds where payments may be made towards expenditure incurred in the exercise of any NHS or 'health-related' local authority functions. Section 75 also allows for one partner to take the lead in commissioning services on behalf of the other (lead commissioning) and for partners to combine resources, staff and management structures to help integrate service provision (integrated management or provision), commonly known as 'Health Act flexibilities'. Here staff can be seconded/transferred and managed by another organisation's personnel. (Section 113 of the Local Government Act allows staff to be available to 'non-employing' partner organisations). The Act also makes provision for the functions (statutory powers or duties) to be delivered on a daily basis by another partner, subject to the agreed terms of delegation. This legislation only applies to local authority and health partners

Children Act 2004

- Section 10 enables any of the named 'relevant partners' to make contributions to a fund out of which relevant payments may be made and which can be managed by one of them. It does not enable the delegation of functions. Partners can agree to make differing levels of contribution towards a plan for expenditure which draws down against their respective budgets to meet the costs involved in delivering the plan. This is the pooled fund. Money from this fund may be used to meet the costs incurred by a 'relevant partner' when it discharges a statutory function for which it is responsible. The 'relevant partners' able to pool using this power include the local authority, Primary Care Trust, Strategic Health Authority, police, probation and youth offending teams, schools and colleges and Jobcentre Plus.

Local Government Act 2000 and Local Government and Public Involvement in Health Act 2007

- Section 2 of the Act gives local authorities the power to do anything to promote or improve the economic, social and environmental well-being of their areas – except raise tax. The well-being power is a power of first resort which enables local authorities to take innovative actions to improve their areas. This power has been extended to eligible parish and town councils through the Local Government and Public Involvement in Health Act 2007.

2.9 Section 75 of the NHS Act supports other financing arrangements such as lead commissioning and integrated provision in addition to pooled budgets enabling certain flexibilities. There are additional legislative provisions in the NHS Act 2006 to enable joint health and social care funding. Section 76 allows local authorities to make payments (service, revenue or capital contributions) to NHS bodies to support specific additional NHS services, where this ensures a more efficient use of resources. Section 256 allows PCTs to

make such payments to local authorities to support or enhance specific council services. Box 4 highlights some examples of areas using section 75.

Box 4: Examples of areas using section 75

- *Means to an End* (Audit Commission, October 2009) gives a number of examples of partners using section 75 agreements. It also gives case studies e.g. Case Study 1: City of Westminster Council and NHS Westminster (PCT) work in delivering adult and children's services. Case study 3: Oxfordshire and Buckinghamshire County Councils and Oxfordshire and Buckinghamshire Mental Health NHS Foundation Trust covers an integrated balanced scorecard approach that measures the aims of both the partnership and their integrated services. They entered into three section 75 agreements for mental health provider services.
- Swindon Borough Council and Swindon PCT entered into a formal section 75 agreement for the commissioning of services with a pooled fund for integrated services for children and young people and services for disabled children. The local authority contributes £20 million *per annum* and the PCT contributes £8 million *per annum*. The pooled budget covers the commissioning of all local authority services outside the dedicated schools grant, and community health services, child adolescent mental health services, sexual health and contraceptive services, maternity and community paediatric services. At present the fund is an aligned budget with the local authority as the fund holder. In addition a second partnership agreement for the provision of integrated services was also entered into in April 2008. Under the partnership agreement for the provision of services, 200 members of staff from NHS Swindon have been seconded to the Council as part of integrated locality teams and an integrated service for disabled children. Without a comparative national study it is not possible to link pooled budgets to improved outcomes but in Swindon there are promising signs including improved educational attainment at Key Stage 4, the reduction in teenage conception rates and obesity rates. The number of common assessments doubled in the first six months of 2009/10 and the annual evaluation of the common assessment has identified the benefits of joint working.

Finance systems

2.10 There is general flexibility for NHS, local authorities (including police and fire authorities) and schools to determine how they spend the grants and income they receive. Local authorities have discretion over how formula grant (£25bn) funding and income from council tax (£25bn) is spent. In the NHS in 2009/10 and 2010/11, over 80 per cent of the total NHS revenue budget will be issued direct to Primary Care Trusts. PCT revenue allocations are not ring-fenced. Once allocated, it is for PCTs to decide their priorities for investment locally, taking into account both local priorities and the NHS Operating Framework. Schools which are funded through the Dedicated Schools Grant (£31bn) also have complete freedom over how they use their resources.

2.11 Schools were added to the Children's Trust co-operation arrangements with a duty to co-operate to improve children's well being and a right to be represented on the Children's Trust Board by the Apprenticeships, Skills, Children and Learning Act 2009. This allows individual schools to pool funds with Children's Trust statutory partners (including other schools) as well as the local authority. The partners include Primary Care Trusts, Strategic Health Authority, police, probation and youth offending teams, colleges and Jobcentre Plus (under Section 10 of the Children Act 2004, as amended). Schools may ask other partners to participate in a pool and vice versa. The Department of Children, Schools and Families is currently exploring the need for developing further specific guidance for schools and their Children's Trust partners on their involvement in pooling.

2.12 Within the 2007 Comprehensive Spending Review period, the Government has moved around £5.7 billion of local authority grants into non-ring-fenced general grants: formula grant and area-based grant (£5bn). A number of areas have used area-based grant to adopt new approaches. The IDeA website includes a study of Oldham's approach to strategic commissioning which states 'The Oldham Partnership has pooled and allocated area-based grant plus a number of local funding streams for partnership delivery.'⁶

2.13 Where partners believe that legislation prevents them pooling or aligning local budgets to the benefit of local people it is sensible to consider seeking advice and support, as appropriate. Government has been working with the sector to remove obstacles to collaboration and encouraging partnership working, so it is possible that some changes have been made or that some local partnerships have found ways to overcome them. Section 8 of this guidance provides some information on where to obtain general support and advice. Sector representatives and the relevant government departments should be made aware of instances where local partnerships believe they have identified new obstacles so that Government can consider them. Additionally, the Sustainable Communities Act 2007 provides a valuable opportunity for local authorities (as defined under Section 8 of the Act) to make proposals which they consider would encourage the improvement of the economic, social or environmental well-being of local areas.

⁶ *Oldham's Approach to Strategic Commissioning*, <http://www.idea.gov.uk/idk/core/page.do?pageld=9574498> (accessed 26 Feb 2010).

Section 3

Alternative joint financing arrangements

3.1 The Local Performance Framework tries to encourage and facilitate greater partnership working. Local Strategic Partnerships, Children's Trust Boards, Community Safety Partnerships, Sustainable Communities Strategies, Children and Young People Plans, Local Area Agreements, Multi-Area Agreements, Joint Strategic Needs Assessments etc. all seek greater efficiencies and better outcomes for local people through closer collaboration and integrated working.

3.2 The spectrum of options for local areas to improve local co-operation and integration is very broad. In terms of financial arrangements there are options other than aligning and pooling budgets. Areas can also seek to reduce transactions, minimise bureaucracy, improve productivity, achieve efficiencies and improve services.

Grants paid from one partner to another

3.3 As highlighted earlier, legislative provisions in the NHS Act 2006 permit an NHS Primary Care Trust and a local authority to make payments (service revenue or capital contributions) from one to the other. This is to assist the recipient in providing additional services in the fulfilment of their own duties and responsibilities, where this offers a more effective use of resources. It is not a transfer of functions.

Joint commissioning

3.4 Joint commissioning is a critical element of an effective partnership. It helps partners to consider strategic decisions and to redirect resources towards improving outcomes. It does not need to be used in conjunction with aligned and pooled budgets. Clearly, a pooled budget can be an outcome of a joint commission. A joint manager may jointly manage the commissioning for all partners. Definition of the terms 'commissioning' and 'purchasing' vary. Commissioning and purchasing are different processes and in many areas they operate with little or no reference to each other. The Health Advisory Service 2000 refers to the definitions provided by Department of Health reports on joint commissioning⁷. (see Box 5)

⁷ Health Advisory Service 2000 (summer 1999) *The Substance Misuse Advisory Service: Commissioning standards, and* <http://drugs.homeoffice.gov.uk/dat/guidance/joint-commissioning/>

Box 5: Definitions from Department of Health reports

Commissioning: the strategic activity of assessing needs, resources, and current services, and developing a strategy to make best use of available resources to meet identified needs.

Purchasing: the operational activity set within the context of commissioning, of applying resources to buy services in order to meet needs, either at a macro/population level or at a micro/individual level.

Joint commissioning: the process in which two or more commissioning agents act together to co-ordinate their commissioning, taking joint responsibility for the translation of strategy into action.

Joint purchasing: describes a situation where two or more agencies co-ordinate the actual buying of services, generally within the context of joint commissioning.

3.5 Section 8 of this guidance highlights where you can find further information on commissioning can be found. The NHS Operating Framework emphasises the importance of stronger joint commissioning (see box 6).

Box 6: 2010/11 NHS Operating Framework

3.61 PCTs will need to commission transformed and integrated pathways to optimise health gains and reduce health inequalities. This will require stronger joint commissioning between PCTs and local government, and also wider public sector partners, including housing, education and the police. Working collaboratively, PCTs will stimulate innovation efficiency and better service design, increasing the impact of the services commissioned.

Delegating functions

3.6 This approach is most often used in commissioning/procurement where one partner receives delegated responsibility to commission on behalf of another partner and manages the other partner's resource according to contract. It requires the resources to be delegated to the lead partner for them to manage according to the agreed plan. The NHS Act 2006 covers health bodies and local authorities, and requires a written agreement to be drawn up between the partners. Delegated resource can only be used for purposes set out by the delegator.

Section 4

Issues to consider

4.1 When considering pooling and aligning budgets partners need to consider a number of factors. This section highlights a number of matters that have been raised by local bodies and highlighted in independent studies.

Relationships and trust

4.2 Partnerships depend on good relationships and trust. Competent leadership is critical to the success of joint working arrangements and vital for helping staff engagement with new ways of working. This guidance does not cover broader issues of developing partnerships and leadership. As highlighted in table 1, aligned budgets tend to be adopted where partnerships are yet to mature or where there is a concern that partners will be over-cautious or under-fund pooled budgets. However, partnerships may decide to use a pooled budget as a way of helping their organisations to work together better, if informal arrangements are not working sufficiently well.

Technical issues

4.3 Partners exploring joint financing arrangements will need to consider a range of technical issues. Key aspects should be covered in a signed agreement. A signed agreement is essential for pooled budgets, but also for an aligned budget to help ensure expected benefits are realised. Managing risks effectively is crucial and this is covered in section 5. Some key technical issues to consider include:

Governance

4.4 It is essential for partners to ensure they have appropriate governance structures in place. These will depend on and vary by local circumstances as well as the nature and size of the budget and the partnership. Whatever the specific approach, CIPFA Pooled Budgets guidance indicates that it would normally be necessary to establish a management group to act on behalf of the partners. And further, that an effective group will usually be relatively small, with delegated powers to manage day-to-day performance matters. Partnership boards and subordinate management groups need clear terms of reference and the delegated powers to individual members need to be clearly defined. CIPFA and Audit Commission have published information on principles and matters for consideration in relation to governance.⁸

⁸ CIPFA (2009) *A Practical Guide for Local Authorities and the National Health Service*, and Audit Commission (October 2005) *Public Sector National Report, Governing Partnership: Bridging the accountability gap*.

Budget-setting

4.5 Decisions to introduce aligned and pooled budgets will also need to fit with budget-setting processes and timetables. Budget processes may in practice limit the timeframe for the introduction of a pooled budget. That can be a factor in using an aligned budget as a first step towards a pooled budget. Finance staff may need to provide assistance to help overcome partners' different budget setting processes.

4.6 *Means to an end* (Audit Commission 2009) includes the case study (no. 2) of Bath and North East Somerset Council and NHS Bath and North East Somerset (the PCT), covering their progress in synchronising finance systems.

Committed funds

4.7 All partners in a pooled budget should have knowledge of each partner's contributions—both how much and how long funding will last. They need to know how funds will be agreed in subsequent years and how to factor in changes. The criteria for determining contributions, how budget growth and/or savings will be handled, and the number or composition of partners involved will have to be discussed and agreed. It is important to consult finance staff before agreeing any contributions.

Accounting and auditing

4.8 Partners have a duty to account for public funds properly. The framework for the financial arrangements and accountability of pooled budgets needs to be set out clearly in the signed agreement at the outset. Partners should agree on issues such as budgeting and budgetary control, how variances from budget will be dealt with, assets and liabilities, charges, management costs, and accounting period. International Accounting Standard (IAS 31), interests in Joint Ventures, requires partners to account for:

- the assets it controls and the liabilities it incurs; and
- the expenses it incurs and its share of the income earned from the sale of goods and service by the joint venture.

4.9 This means that where a partner is the host for a pooled budget it excludes from its financial statements those shares of assets, liabilities, expenditure and income relating to the other parties.

4.10 In addition, the host partner will need to carry out its responsibilities which, depending on arrangements, could include: monitoring expenditure against budget, providing quarterly reports and year-end financial reports to partners, and preparing the accounts and arranging the audit for the pooled budget.

4.11 The NHS Manual for Accounts and CIPFA Pooled Budgets guidance for local authority accounts provides information on accounts. Some specific information in relation to pooled budgets can be found in:

- CIPFA (2009) *Pooled Budgets: A practical guide for councils and the NHS*.
- Audit Commission (2008) *Clarifying Joint Financing Arrangements: A briefing paper for health bodies and local authorities*

Value Added Tax (VAT)

4.12 The VAT regimes that apply to individual partners such as local authorities and NHS bodies differ. It is essential for partners to clarify any VAT arrangement chosen with relevant officers such as finance director/control officer and HM Revenue and Customs before agreeing the arrangement. Further information on VAT arrangements can be obtained from:

- HM Revenue and Customs website (www.hmrc.gov.uk)
- CIPFA (2009) *A Practical Guide for Local Authorities and the National Health Service*
- Audit Commission (2008) *Clarifying Joint Financing Arrangements: A briefing paper for health bodies and local authorities*.

Insurance

4.13 Unexpected events can occur, leading to potential loss. Provisions on insurance, particularly how insurance claims will be handled, should be covered in the signed agreement. It is also essential to inform the insurer of the nature of the partnership so that issues such as non-disclosure will not compromise claims.

4.14 DCSF and DH guidance (2007) *Better Outcomes for Children's Services through Joint Funding: A best practice guide* gives an example from Brighton and Hove Joint Funding arrangement case study where senior level support in both the PCT and local authority was essential to overcome insurance issues that might have prevented the agreement⁹.

Legal

4.15 Partners should seek individual and joint legal support before signing the partnership agreement. This enables partners to know their rights/powers, and any legal restrictions. Thus partners need to seek legal advice before the agreement is signed.

Human resources

4.16 Partners will need to consider the human resource implications. Pooled or aligned budgets do not require staff to change employer. However if partners wish to transfer their staff to better integrate service delivery or management they may need to consider TUPE, equal pay, pension liabilities etc as well as the culture and behaviour change required. This guidance does not cover these aspects. The two cases in Box 7 illustrate some of the different options available to partnerships where staffing changes are considered necessary:

⁹ www.commissioningsupport.org.uk/resource-bank/child-health/case-studies.aspx

Box 7: Case examples illustrating some options in relation to staffing changes

Secondment

- Brighton and Hove City Council has a section 75 agreement for the commissioning and provision of community health services for children including full integration of NHS children services into a single integrated structure. They have been managing a pooled budget of over £100m for 4 years. The PCT contribution is for NHS personnel who are on secondment to the council and, with the council's children's services, form an integrated service of staff including health visitors, NHS consultant paediatricians, school nurses, social workers, children centre staff, educational psychologists and education welfare officers. Under the terms of the section 75 agreement the Children and Young People's Trust Board is accountable for the pooled budget. A review is nearing completion and it is envisaged that the current arrangements will be replaced by two section 75 agreements between the council and the PCT and the council and the local NHS provider trust.

Bringing staff under one employer

- Buckinghamshire County Council has a section 75 Agreement with the PCT for integrated commissioning for child and adolescent mental health services which has brought staff from three separate employers including the two partners into one integrated service under one employer. Improvements have been seen in staff working and co-operation, reduction of duplication and waste and improved services for children and their families. The PCT holds a pooled resource for adult mental health and was cited as being the only area that achieved all the National Service Framework standards without spending more money in one particular year.

Information-sharing

4.17 Information-sharing is one of the key elements that underpin effective partnership working. Information which could allow agencies to make cheaper, multiple early interventions, or to align their support provision with that of others around areas of need, is often not shared.

4.18. Factors to consider include:

- arrangements for partners to share and have access to the information ie information sharing protocols
- how confidentiality will be maintained
- the nature and level of information needed
- who will provide it
- when and how (e.g. compatibility of information systems)
- its reliability and consistency (e.g. common definitions)
- how it will be used
- who will have access: and
- arrangements for monitoring and addressing new issues.

These should be considered at the outset. Partners will need to make provision for dealing with service complaints and Freedom of Information requests.

4.19 Notably, responsible authorities of Community Safety Partnerships are under a duty to share certain sets of depersonalised information quarterly, and to draw up an information sharing protocol locally. More widely partnerships across the country are working on information sharing. *Working Better Together?* (Audit Commission, 2009) highlights Warwickshire Local Strategic Partnership's use of the local observatory to develop the evidence base that local partners use to agree priorities, keep their Sustainable Communities Strategy (SCS) up to date, and monitor progress on SCS and Local Area Agreement outcomes.

Section 5

Risk management

5.1 Partners need to ensure they have an agreed risk management strategy at the outset for how risks will be managed. This should be included in their signed agreement. The strategy should be explicit about the risk management framework, insurance provisions where appropriate, and the responsibilities of individual partners in managing financial and operational risks.

5.2 CIPFA Pooled Budgets guidance splits risks into two main types: shared risks and risks for each partner organisation. These risks (summarised in Box 8) ought to be considered by the relevant partners when forming an agreement.

Box 8: Risks

Shared risks

Partners will have to share new risks that they would otherwise not have to consider. Examples of these risks include:

- The level of contribution to the pooled or aligned budget does not meet the level of expenditure;
- Partners are unable to agree on how to deal with overspend;
- Partners cannot meet their contributions due to income reductions within their separate organisations;
- Change of partners' objectives and responsibilities during the pooled or aligned budget period;
- Future pressures on services delivered through the pooled or aligned budget;
- Potential financial exposures;

Partner organisation risks

Risks for each partner performing their duties through the partnership arrangement include:

- Failure to achieve aims, efficiencies etc. could lead to greater pressure on individual organisations
- Arrangements are not sufficient to help respond to changes in circumstances and new events – and can lead to break down of partnership.

Based on CIPFA (2009) *Pooled Budgets: A practical guide for Local Authorities and National Health Service*, p. 30.

Section 6

Accountability

6.1 Partners' signed agreements should provide clarity on aims, responsibilities and accountability locally. Arrangements will depend on circumstances. Partners' duty to properly account for public funds was covered in Section 4. Local partners remain accountable for outcomes via the Local Performance Framework and other performance frameworks.

The Local Performance Framework

6.2 Local bodies are accountable to the people they serve. Local councils, and councillors, with their unique democratic mandate, are crucial to making sure that local services are responsive to the needs of their local communities. Government has been committed to ensuring that councils have the powers to act decisively and effectively on behalf of local residents. Council scrutiny committees already have a range of powers to require other public bodies to participate in scrutiny reviews. Depending on the circumstances, these powers range from provision of information, attendance at scrutiny committee hearings or consideration and responding to scrutiny recommendations. The Local Authorities (Overview and Scrutiny) Bill takes forward proposals set out in the Government's Strengthening Local Democracy Consultation, and if enacted, will extend this full range of scrutiny powers to a wider range of public and private bodies than at present.

6.3 Giving local areas more freedom and making them more accountable goes hand in hand with greater transparency of performance data so that citizens can see how local services are doing compared to the best performers. By publishing public data on priorities and performance on local authority websites, and by using information from the Comprehensive Area Assessment (CAA) on the Oneplace website,¹⁰ citizens are better able to compare performance against commitments and against delivery in other areas. Together these give power to local people to hold their local bodies to account for their performance.

6.4 CAA provides a strong oversight of performance in the local area. It includes independent assessments of how individual organisations use their resources that can identify any failings in financial management and governance arrangements for both local authorities and their partners. There is a particular focus on how well local partners are working together to address local issues and improve value for money. It also provides an

¹⁰ <http://oneplace.direct.gov.uk>

assessment of prospects for delivery of local priorities and, with the authority, identifies actions needed to address these.

6.5 In *Putting the Frontline First: Smarter Government* (December 2009) Government commissioned the Audit Commission to develop a use-of-resources assessment for an area. This would look at what public resources are buying in total: the value for money being achieved in an area across health, police and local government.

Other performance frameworks

6.6 The local performance framework above does not cover the full range of activities of local services. NHS and police services are also measured against other service-specific frameworks. These frameworks help hold those bodies to account for their activities and delivery of key outcomes.

Local people

6.7 If local people feel that their priorities are not being met or that the services they get are inadequate, it will be for the relevant local body to answer to them. Government has encouraged local partners to pursue stronger engagement with their citizens. From 1 April 2010 a duty to involve representatives of local persons will apply to named partner authorities. A duty already applies to best value authorities and statutory guidance is set out in *Creating Strong Safe and Prosperous Communities* (Department of Communities and Local Government, July 2008).¹¹ It should be recognised that councillors and other elected members of the community who have a key role as advocates for the community are likely to want to be engaged in issues of high local significance not just for the council but for the full range of local partners.

Government

6.8 These performance frameworks help Ministers to discharge their accountability to Parliament for the proper use of funds (by their departments, their agencies and local government) and delivery of value for money.

6.9 If local authorities or their partners fail drastically in the performance of their duties, central government retains powers to intervene. Action may range from issuing improvement notice to use of statutory powers, depending on the nature, scale and severity of the issues.

¹¹ <http://www.communities.gov.uk/publications/localgovernment/strongsafeprosperous>

6.10 In putting the frontline first: Smarter Government (December 2010) Government committed to developing options for reducing the day-to-day flow of data requests to the frontline. The action in the Total Place report ought to be considered and embedded in any pooled budget arrangement.

Section 7

Future developments and where to get help

7.1 New ways of working should continue to emerge as more local partnerships mature and strengthen. Thinking will also evolve from learning from Total Place and Total Capital, for example. All this will have implications for guidance and will generate new examples of good practice. Constraints on public finances increase the need for peers to learn quickly from each others' new ways of working to improve service delivery whilst at the same time making savings.

7.2 Regional Improvement and Efficiency Partnerships are expected to work with local areas to support improvement and efficiency. There is an increasing wealth of information on good practice. In the Comprehensive Area Assessment the inspectorates of local services have highlighted good practice that others can learn from with green flags. Some green flags awarded in December 2009 that appear to connect to aligning and pooling budgets are (information on these areas can be obtained from the Oneplace website):

- Hackney
- Royal Borough of Kensington and Chelsea
- Warrington
- East Riding of Yorkshire.

7.3. Relevant case studies and examples of good practice for pooling and aligning budgets tend to be found under different themes. Some examples can be found under joint commissioning (see paragraph 7.5 on specific aspects). Another example is Sunderland's customer service centre bunny hill, which is one of a large number of case studies on the Improvement and Development Agency (IDeA) website under front office shared services.

7.4 This guidance does not provide technical or professional assistance on pooled and aligned budgets. The following organisations can offer support:

- Improvement and Development Agency (IDeA): <http://www.idea.gov.uk>
- Regional Improvement and Efficiency Partnerships
<http://www.idea.gov.uk/idk/core/page.do?pagelId=8595264>
- Audit Commission: <http://www.audit-commission.gov.uk>

- Chartered Institute of Public Finance & Accountancy (CIPFA): <http://www.cipfa.org.uk/>
- Local Government Association: <http://www.lga.gov.uk>

Commissioning Support Programme (CSP)

7.5 Commissioning Support Programme (CSP) is a DCSF funded programme running until March 2011 to provide support to Children's Trust partners in developing their commissioning functions. It offers the following strands of support:

- expert advice and guidance to Children's Trust Boards, other partnerships and individual partners in response to telephone and email queries
- developing register of known schemes using or planning to use section 75 or section 10 partnership agreements and case examples
- frequently asked questions on CSP website
- checklists and toolkits being developed
- action Learning workshops: CSP together with the DCSF Commercial Group ran workshops in each region in mid 2009. Further workshops in each region are scheduled to take place between Jan-June 2010
- expert bespoke support to individual Children's Trust Boards, partnerships or individual partners as requested.
- Further information can be obtained from: www.commissioningsupport.org.uk

Box 9: Information and guidance on commissioning

- Department of Health (2009) *World Class Commissioning Programme*
- Commissioning Joint Committee (2009) *Standing Guide to the Commissioning of Local Authority Work and Services*
- Home Office, <http://www.drugs.homeoffice.gov.uk/dat/guidance/joint-commissioning/index.html> (accessed 26 Feb 2010)
- Department for Children, Schools and Families (October 2007) *Good Practice Guide to Commissioning Connexions*
- Department for Education and Skills and Department of Health (March 2006) *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*
- Office for Public Management (December 2007) *Integrated Commissioning for Children's Services: A practical guide to the development of simple commissioning frameworks and clear structures for children's services authorities.*

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Local Government Association

Improvement and Development Agency (IDeA)

IDeA Freedom to Lead Advisory Network

Regional Improvement and Efficiency Partnerships

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4. Audit Commission (2009) *Working Better Together?*
5. CIPFA (2009) *Pooled Budgets: A practical guide for local authorities and the National Health Service*.
6. Commissioning Joint Committee (2009) *Standing Guide to the Commissioning of Local Authority Work and Services*.
7. Department for Children, Schools and Families (2007) *Better Outcomes for Children's Services through Joint Funding: A best practice guide*.
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9. Department for Education and Skills and Department of Health (2006) *Joint Planning and Commissioning Framework for Children, Young People and Maternity Services*.
10. Department of Health (1999) *NTORS Two Year Outcomes (the National Treatment Outcome Research Study): Changes in substance use, health and criminal behaviour two years after intake*
11. Department of Health (2009) *World Class Commissioning Programme*.
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