

Revised Draft following internal consultation 3rd April

EAST SUSSEX COUNTY COUNCIL

NHS HASTING AND ROTHER CLINICAL COMMISSIONING GROUP

NHS EASTBOURNE, HAILSHAM AND SEAFORD CLINICAL COMMISSIONING GROUP

Financial Framework

relating to the East Sussex Better Together

Integrated Commissioning Fund

for the integration of health and social care services

add ESCC, NHS and ESBT logos

ICF Financial Framework Draft 0.7

3rd April 2018

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Introduction

Partners

- (1) **EAST SUSSEX COUNTY COUNCIL** of County Hall, St Anne's Crescent, Lewes, East Sussex BN7 1UE (the "**Council**")
- (2) **NHS HASTING AND ROTHER CLINICAL COMMISSIONING GROUP** of Bexhill Hospital, Holliers Hill, Bexhill-on-Sea TN40 2DZ (the "**HR CCG**")
- (3) **NHS EASTBOURNE, HAILSHAM AND SEAFORD CLINICAL COMMISSIONING GROUP** of 36-38 Friars' Walk, Lewes BN7 2PB (the "**EHS CCG**")¹

each a "**Partner**" and together the "**Partners**".

Background

- 1.1 The Partners recognised in 2014 that the scale of the financial challenge facing the NHS, adult social care, public health and children's services across the county required a fundamentally different approach to joint working between the Partners. In response, the East Sussex Better Together programme ("**ESBT**") was initiated to deliver fully integrated health and social care services and a sustainable local health and social care economy for future generations.
- 1.2 The Partners have with other Partners, specifically East Sussex Healthcare Trust (ESHT) and Sussex Partnership Foundation Trust (SPFT) agreed the ESBT Alliance Agreement to progress plans towards an Integrated Care System. The Partners have also formed a Strategic Commissioning Board to provide top-level governance for the Partners' commissioning strategies and decision-making (see clause 5.1).
- 1.3 ESBT is one of four place-based localities in the Sussex and East Surrey Sustainability and Transformation Plan (the "**STP**") footprint. The Partners together with neighbouring Clinical Commissioning Groups ("**CCGs**"), local authorities and providers, are working to develop an STP which will drive transformation of the patient experience and outcomes, over the longer term, to deliver sustainability. The Partners acknowledge that the ESBT and arrangements contemplated by this Agreement may evolve in accordance with the development of the STP and the availability of transformation funding through the STP.
- 1.4 The purpose of this Financial Framework is to set out the terms on which the Partners have agreed to collaborate through a framework ("The Integrated Commissioning Fund") for the management of pooled and aligned funds, and where applicable utilise powers under Section 75 of the NHS Act 2006 Act for local authorities and clinical commissioning groups to establish and maintain pooled funds out of which payment may be made towards expenditure incurred in the exercise of prescribed local authority functions and prescribed NHS functions.
- 1.5 The Partners are entering into this Agreement in exercise of the powers referred to in Section 75 of the 2006 Act, Part 1 of the Care Act 2014, section 113 of the Local Government Act 1972, the Better Care Fund Requirements, the Cities and Local Government Devolution 2016 and/or Section 13Z(2) and 14Z(3) of the 2006 Act and all other enabling powers as applicable, to the extent that exercise of these powers is required for this Agreement.
- 1.6 This Agreement also sets out the overarching arrangements for the Better Care Fund, which supports the integration of health and social care and to seek to achieve the National Conditions and local objectives. It is a requirement of the Better Care Fund that the Partners pool those funds in accordance with Section 75 of the 2006 Act. The Integrated Commissioning Fund established for the purposes of this Agreement is broader than the Better Care Fund, and the requirements of the

Better Care Fund plan (in terms of reporting, for example), shall only apply to the Better Care Fund element of the pooled fund.

- 1.7 The main **aims and objectives** of the Partners in agreeing this Framework are to support the integration of the commissioning activities of the Partners in respect of the relevant populations (resident and GP registered) of the geographical areas covered by EHS CCG and HR CCG in line with the Health and Wellbeing Board's vision of integrated health and wellbeing, and through the pooling or aligning of financial resources and integrated governance deliver Integrated Commissioning that will focus on developing joined up, population based, public health, and preventative and early intervention strategies and services thus providing a single system of health and wellbeing, focusing on increasing the capacity and assets of people and place. Specifically, the Financial Framework will assist the Partners to make best use of the collective health and care resources and thereby maximise the impact of investments and achieve best value for money.
- 1.8 The Financial Framework supports the wider ESBT Alliance Agreement and, while the Framework relates only to the integration of the financial management of the resources of the Commissioner Partners, the Integrated Commissioning Fund is an enabler of the wider Alliance Agreement and an integral component of the Alliance financial arrangements.

2. Scope of Integrated Commissioning Fund

- 2.1 The Partners have agreed that the scope of the Integrated Commissioning Fund shall be the maximum commissioning resource that it makes sense to pool, or align, to deliver joined-up commissioning. The Partners agree that, in the long-term, they wish to manage all budgets in a pooled manner, subject to legislation, but agree that, in the short-term, the Fund will be a combination of Pooled Funds and Aligned Funds. The reality is that the vast majority of resources are committed to existing services, contracts and packages of care. The available resources for re-commissioning in the short term are therefore limited.
- 2.2 Commissioning funding will be pooled or aligned, at service and/or contract level. Not all funding can be pooled, for example:
- Services not exercisable under Section 75 of the 2006 NHS Act;
 - those Services funded by Ringfenced Funding such as Public Health Grant and Primary Care co-commissioning, where the use of the Ringfenced Funding is mandated by external funders; and
- 2.3 The details of the Integrated Commissioning Fund including Pooled Funds and Aligned Funds are set out in Appendix 1 of this Agreement.

Terms of the Financial Framework

3. Status of the Financial Framework

3.1 The Financial Framework supports the overarching ESBT Alliance Agreement and, as such, adherence to the requirements of the Financial Framework is mandatory for all those exercising financial decisions and/or delegated authorities that have financial implications.

3.2 The Financial Framework is intended to supplement and underpin the delivery of all statutory, regulatory, professional and best practice standards that are relevant to both CCGs and the Council.

3.3 For the avoidance of doubt, the Integrated Commissioning Fund and this Financial Framework relate only to the financial management arrangements of the Alliance Commissioners, ie the CCGs and the Council. The ICF is a sub-set of the overall ESBT Alliance financial position with the latter also integrating the Alliance Providers.

3.4 The review of the Financial Framework will be undertaken by the ESBT Finance Group, including any review of specific parts of the Financial Framework arising from audit report recommendations or national changes in statutory, regulatory, professional or best practice. The Finance Group will seek the comments of colleagues on the effectiveness of the Financial Framework, in order to inform the review.

3.5 The Financial Framework will be approved through the decision-making processes of the CCGs and the Council and endorsed by the Strategic Commissioning Board

3.6 Annual Review

This Financial Framework is to be reviewed, as a minimum, on an annual basis and/or on the occasion of any change in the statutory, regulatory, professional and best practice standards applicable to either CCGs or Local Authorities, including on the occasion of any recommendations made as a consequence of any audits undertaken.

4. Scope of this Financial Framework

4.1 This Financial Framework sets out the requirements and makes provision for governance and accountability of The Integrated Commissioning Fund; specifically:

- Authorities and responsibilities delegated from the Partners
- Financial planning and management responsibilities;
- Budgeting and budgetary control, including forecasting.
- Other financial considerations

4.2 This Financial Framework identifies the responsibilities of each Partner to:

- Support and facilitate the achievement of the objectives of the Integrated Commissioning Fund;
- Ensure that the objectives and functions of the Partners and of the Integrated Commissioning Fund are complementary and mutually supportive;
- Ensure due diligence and appropriate oversight of financial decisions;
- Ensure the achievement of the Partners' objectives.
- Comply with appropriate financial standards, regulations and statutory duties as applicable to either or both local authorities and NHS bodies.

5. Governance

5.1 The clinical and care principles by which the Integrated Commissioning Fund will be operated will

be overseen by the Strategic Commissioning Board and be consistent with the objectives of East Sussex Better Together. The Strategic Commissioning Board shall constitute committees in common of the Partners, and a Joint Committee of the CCG and the Council in compliance with the Local Government Act 1972, the NHS Act 2006 and the NHS Bodies and Local Authorities Partnership Arrangement Regulations 2000, which permit the creation of a joint committee.

- 5.2 The Strategic Commissioning Board represents the interests of both Partners in securing improved operation of the local health and care economy. The terms of reference and membership of the Board are set out in the Alliance Agreement.
- 5.3 The Strategic Commissioning Board will set out the key priorities and principles for the Integrated Commissioning Fund through which improvements to clinical and care outcomes and to financial sustainability will be secured.
- 5.4 Decisions to pool funding and management of Services or commissioning areas will be made by the Partners through their decision-making processes and endorsed by the Strategic Commissioning Board.
- 5.5 Decisions to deploy funds from the CCG Contingency Fund will require the written authorisation of the CCGs' Chief Financial Officer. Similarly decisions to deploy funds from the Council Contingency will require the written authorisation of the Council Chief Finance Officer. Authorisations will be given in accordance with the financial regulations of the relevant organisation.

Responsibilities

6 Partner responsibilities

- 6.1 The Partners have stated their commitment to developing Integrated Commissioning whilst ensuring the financial health of all Partners; and of other organisations within the local health and wellbeing economy. In order to support the achievement of this commitment, the Partners accept the following responsibilities and accountabilities in relation to the financial management of all financial resources falling within the scope of the ESBT Integrated Commissioning Fund.
 - The Partners accept their obligation to comply with all relevant statutes, regulations, professional accounting standards and best practice.
 - The Partners accept that each Partner's ultimate responsibility for service provision and delivery is not changed. However, they will delegate decision making, management, delivery and administration, where this improves the way that services are commissioned and delivered.
 - The Partners accept that, whenever roles, responsibilities and accountabilities are delegated to them from another Partner, a clear commitment to comply with all relevant financial management obligations and standards is simultaneously accepted, ensuring that public expectations of probity and openness are fulfilled and Partner's public reputations are not diminished.
- 6.2 The Partners will approve the following plans and policies at least once a year:
 - An ESBT Alliance Integrated Finance and Investment Plan, which will cover a minimum period of one financial year, in advance of 1st April in each year. The Integrated Finance and Investment Plan will cover all budgets within the Alliance including that of the Integrated Commissioning Fund and thereby represent the financial plan for the Fund. The CFOs will ensure that the Integrated Finance and Investment Plan is consistent with the individual financial plans and budgets of each Partner, and show clearly the aspects of the Plan relating

to the Integrated Commissioning Fund.

- This plan will provide sufficient detail to ensure that all Partners contributions to, responsibilities for and risks exposed to are explicitly stated, such that they can assure their parent organisations governing bodies that there are adequate resources to meet these obligations.
- A schedule of lead roles, responsibilities and accountabilities, including, where appropriate, details of delegated authorities to expend resources and/or details of Host Partner agreements.
- A financial management reporting and performance timetable, including the timescales and responsibilities for providing financial management information within specified formats, to underpin an agreed minimum standard and form of presentation of monthly management reports, the format of which will be reviewed annually by the ESBT Finance Group. Financial management information relating to the ICF will form a sub-set of the overall ESBT Alliance financial management information.
- A timetable for the closure of accounts, whether for monitoring/internal management requirements or for the production of annual statutory accounts.
- Accounting policies and standards for any S75/Pooled Budget arrangements, which will usually reflect those of the Host Partner, but in exceptional circumstances may reflect specific reporting requirements and policies required by Partners' statutory or regulatory frameworks.
- A schedule of any transfer of funds between Partners outside of S75/Pooled Budget arrangements, along with details of the reporting and performance requirements during the year and risk sharing arrangements associated with such transfers.
- A schedule of payments/transfers to be made between Partners, specifying the dates for payments/transfers and any specific management information or planning requirements required in advance of payments/transfers being made.
- Internal and external audit plans for the review of appropriate financial controls and the achievement of value for money for any S75/Pooled Budget and transfer of funding arrangements.

6.3 In the event that there is one or more S75/Pooled Budgets the scheme of delegation, financial regulations and procurement code of practice will be shared and reviewed by Partners via the ESBT Finance Group.

7 Responsibilities and Membership of the ESBT Finance Group and Chief Finance Officers

7.1 The Alliance Partners have established an ESBT Finance Group comprising the Chief Finance Officers (and/or nominated deputies) of the Partner organisations. The Finance Group has responsibilities for the Alliance financial management arrangements and, as a sub-set, the ESBT Finance Group will report to the Strategic Commissioning Board on all financial matters pertaining to the ESBT Integrated Commissioning Fund, including where appropriate on specific S75/Pooled Budget(s) or Fund Transfers, as well as the aggregated financial management, performance, risks and recommended actions in accordance with the Partners statutory, regulatory, professional best practice and risk sharing requirements and agreements.

7.2 The ESBT Finance Group will advise the all related management boards and Strategic Commissioning Board on the financial probity, feasibility and governance of commissioning activities, including but not limited to, all proposed commissioning, procurement and investment decisions.

7.3 The ESBT Finance Group will review the financial management and performance of the ICF against the Financial Plan and Strategy on a monthly basis, reflecting the risks and opportunities arising on a forecast outturn basis, making appropriate recommendations to the Alliance Commissioners and

Alliance Executive for actions arising from the estimated outturn position.

7.4 The ESBT Finance Group will provide financial advice to the Integrated Strategic Planning Group which has responsibility for preparing the Service Redesign Programme comprising projects and schemes that shift resource allocation through managing demand for services, investment and disinvestment. The Finance Group will also support the ESBT Portfolio Office to ensure that financial benefits are tracked and reported on an accurate and timely basis.

7.5 It is the responsibility of the Partners to try to reach consensus where differences of opinion arise about the financial probity and feasibility or governance of a particular proposal. However, in the event that an acceptable consensus cannot be found, the Partner bearing the greatest financial risk arising from the proposal will be able to determine the recommendation to be made to the Alliance Commissioners. In this event, full disclosure must be made of the differing opinions and the balance of financial risk associated with the proposal.

7.6 The ESBT Finance Group will, as a minimum, comprise the Chief Financial Officers for each of the Partners, or their nominated deputy. The Chief Financial Officers can agree to expand the membership of the Group between them, recognising the need to maintain a balance between the representation of the Partners.

7.7 For matters relating to the ICF, the ESBT Finance Group will be quorate when the Chief Financial Officers, or their nominated deputy, for each of the Alliance Commissioners is present. In any other situation, the ESBT Finance Group can consider proposals but will be unable to make any recommendations to the Alliance Commissioners or ESBT Alliance Executive. The CFOs can however agree to make decisions outside of the formal meeting if attendance is not feasible. Any such decisions should be recorded and reported to the next Finance Group meeting for minuting.

7.8 References in this document to particular officers shall be deemed to include officers authorised by them.

7.9 The overriding responsibility of the Chief Financial Officers will be to gain assurance as to the satisfactory standard of financial management, accounting and reporting of the Integrated Commissioning Fund. Each Chief Financial Officer will:

- Ensure that the Integrated Commissioning arrangements are appropriate and sufficiently secure to safeguard public funds;
- Ensure that financial governance and internal controls conform to the requirements of regularity, propriety and good financial management; sufficient to deliver successful operations;
- Ensure that reporting of the Integrated Commissioning Fund on strategic, operational and financial performance, budgetary control and risk management is adequate and reliable.

7.10 The Council Chief Financial Officer will ensure that the specific obligations of the s151 officer are delivered in respect of transactions involving the funds of the Council.

7.11 The Chief Financial Officer of each Partner will report assurance to their respective Audit Committees via control frameworks, regular reporting and independent audit review.

8. Responsibilities of the Host Partner

8.1 Where a Pooled Fund is established, a Host Partner will be agreed for that Fund. The decision on the appointment of the Host Partner is to be agreed by the Partners, after assessment of the relative merits of each holding the role. This appointment will be reviewed periodically.

8.2 As a minimum, the Host Partner will deliver the regulatory requirements:

- Appoint a Pooled Fund Manager;
- Deliver the NHS Bodies and Local Authorities Partnership Arrangements Regulations 2000 7(4) and 7(5) requirements:
- Accounts and audit
- Managing the fund, including the appointment of a Budget Manager, accountable for working within the constraints of the budget available.
- Reporting to the partners and reporting frequency

Further detail on the responsibilities of a Pooled Fund Manager is set out in Section 18 below.

Statutory reporting requirements, audit and counter-fraud arrangements

9. Annual financial accounts

- 9.1 The value of the budget for the Pooled Funds, as described in the appropriate Section 75 Agreement, will be material to both Partners; and as such will be subject to appropriate levels of external and internal audit scrutiny.
- 9.2 The annual financial accounts of both Partners will be required to include sufficiently detailed notes and/or evidence of the financial performance and records of the Integrated Commissioning arrangement:
- The structure of reporting to be followed for a “Joint Operation”, such as this Integrated Commissioning arrangement, is prescribed by the International Financial Reporting Standards (IFRS) in IFRS11(Joint arrangements) and IFRS 12 (Disclosure of interests in other entities);
 - The Statement of Financial Performance of any formal Pooled Fund is to be reported in the Host Partner’s accounts and reflected in the other Partner’s accounts;
 - The financial performance of an Aligned Fund is to be reported within the body of the relevant Partner’s accounts;
 - The financial performance of the entirety of the Integrated Commissioning Fund; and the associated risk share arrangement, is to be reported as an explanatory note in both Partners’ accounts.
- 9.3 Planning for accounts preparation and required audit arrangements will take account of:
- Timetables for producing the annual accounts, their audit and reporting requirements; recognising the earlier reporting deadlines for NHS accounts. It is acknowledged that Council reporting deadlines are susceptible to change;
 - The scope of required reporting, including the contribution to the CCG Annual Report; and to the Council Annual Report;
 - The evidence required to support the annual statement on governance; and for reporting any financial concerns with the Integrated Commissioning Fund;
 - The evidence required to support the Head of Internal Audit Opinion and the external audit Regularity Opinion.
- 9.4 The annual financial accounts will be delivered within the requirements of the financial regimes and rules of each Partner, specific to over and underspending against the approved budget:
- CCG – under current rules, over and underspends are treated as adjustments to the following year’s allocation
 - Council – not allowed to carry forward any overspend for the year. Overspending to be met from reserves, but more likely to be addressed through service reviews across the Council during the year. Use of underspendings on Aligned funds to be considered by the Council in the context of other service pressures and corporate priorities within the Council.

10. Arrangements for audit and counter fraud

- 10.1 The Partners agree that they will seek a joint approach and joined up arrangements for the internal and external audit of the Integrated Commissioning Fund:
- Access and timetable arrangements for both sets of (internal and external) auditors will be agreed as part of the annual audit planning and scoping exercise;

- Deliver combined assurance to the CCG and Council where possible;
- Deliver each Head of Internal Audit (HoIA) opinion and shared assurance for both Partner organisations.

10.2 In terms of the external audit legal and regulatory requirement:

- The Integrated Commissioning arrangements will represent a material and significant element of each Partner organisation's audit;
- The audit will address the Pooled Fund fully within the Host Partner's accounts, with the required narrative note in the accounts of other Partner;
- The audit will address the aligned elements of the fund within the accounts of the Partner with the originating budget, or the Partner to which the funds were transferred through s76 or s256 of the National Health Services Act 2006, if such transfers occur;
- A note will be included in the accounts of both Partners setting out the results; and the risk share impacts, for the entirety of the Integrated Commissioning Fund.

10.3 The assurances required for the sign off of the audit of both sets of financial accounts will be agreed between the external auditors.

11. Local Counter Fraud and Security Management Services (LCFSMS)

11.1 NHS Counter Fraud Authority has confirmed that its focus will continue to be on NHS resources. The Partners agree that coverage of counter fraud culture and issues within the Integrated Commissioning arrangement will be joined up, as far as is practicable:

- The CCG and Council will agree arrangements for sharing the approach to promoting the counter fraud culture; and for investigating and addressing instances of suspicion of illegal activity;
- The Council counter fraud functions will continue to be delivered by its internal audit provider and specific fraud team.

Budget-setting, risk-sharing and in-year financial management

12. Budget setting methodology

12.1 The ESBT Finance Group are responsible for developing and maintaining the financial planning and budgeting processes of the Integrated Commissioning Fund and consequently for producing an annual Financial Plan and Strategy, on this basis the ESBT Finance Group will need to agree a process and timetable for the production of an updated Integrated Finance and Investment Plan each year. The current agreed process can be illustrated as follows:

ESBT ALLIANCE INTEGRATED FINANCE AND INVESTMENT PLAN		
Purpose: To set affordability envelope and allocate planning targets to sub-plans; to ensure alignment back to individual organisational plans <i>Co-ordinated and controlled by ESBT Finance Group; decisions made via Alliance governance structures</i>		
↑	↑	↑
ESBT SERVICE REDESIGN PLAN (SRP - formerly the SIP)	ESBT COST REDUCTION PLANS (CRP - formerly the CIP)	ESBT FINANCIAL RECOVERY PLAN (FRP)
Purpose: to allocate resources to services according to ESBT priorities; including investment/disinvestment schemes and projects	Purpose: to contain and, where feasible, reduce the unit cost of provision	Purpose: to drive a recovery in the ESBT financial position for 2017/18 (assume projects with recurrent savings are reallocated to SRP or CRP for 2018/19)
<i>Co-ordinated and controlled by the ESBT ISPG</i>	<i>Managed by individual organisations against agreed planning targets</i>	<i>Managed jointly via Alliance Sub-Group for 2017/18; discontinued for 2018/19</i>
<i>Lead finance support from CCG</i>	<i>Lead finance support from relevant orgn</i>	<i>Lead finance support from ESHT</i>
<i>Projects managed and monitored by the ESBT Portfolio Management Office</i>		
<i><-- Inter-organisational impacts quantified and recognised --></i>		

12.2 The process and timetable must comply with the organisational requirements of each Partner and will need to be agreed by the end of August each year at the latest. The process will need to consider and cover the following requirements;

- Confirmation of the Services to be included in the Integrated Commissioning Fund (Pooled Fund and Aligned Fund) and the presentation of the ICF as a sub-set of the overall ESBT Alliance financial position;
- The funds and/or savings that will be required by each service and Partner in order to meet financial targets (eg NHSE control totals).
- Any allowances for inflation and/or growth, arising from changes in demand for services;
- The full year effect of market trends, patterns of service delivery and decisions made in prior years;
- Any plans for additional/new service developments or investments.
- Compliance with Partner internal and external budget planning timescales and deadlines.
- The need for any public consultations and/or engagement with service providers and staff.

12.3 The ESBT Finance Group will, annually, review and update the framework for the Integrated Finance & Investment Plan and to provide planning parameters to inform the production and revision of Service Redesign Programmes and Cost Reduction Programmes.

12.4 In general terms, the approach, methodology and assumptions of the Host Partner or the Partner holding the risk associated with aligned funds or transferred funds will be adopted. The ESBT Finance Group will be responsible for reaching a consensus required within the overall scope of the process and scope set out above, or escalating any points of disagreement through the relevant governance.

12.5 The Partners agree to design a robust business case approach for the production of Service Redesign Programmes and Cost Reduction Programmes; and to its financial impact. This will

involve:

- Robust and realistic analysis of overall savings projections;
- Robust analysis of the relative impact on Partners; and recognition of the need to reflect (compensate) for these impacts in future budget setting;
- Agreement on the impact on any risk share.
- The ESBT Finance Group is required to agree with the Integrated Strategic Planning Group (ISPG, or successor) a mechanism to review all proposed business cases for new or additional service developments or investments before additional resources can be committed by any Partner.

12.6 The ESBT Finance Group will recommend approval of the ESBT Integrated Finance and Investment Plan to the Alliance Executive and Strategic Commissioning Board, on an annual basis. As a sub-set of the Integrated Finance and Investment Plan the Plan and Budget of the Integrated Commissioning Fund will be recommended to the Strategic Commissioning Board. In addition, each Partner will recommend its own annual Budget to its own sovereign body for approval.

13. In-year financial management

13.1 The Partners agree that in-year financial management forms part of a wider performance management framework. Regular monitoring reports (at least quarterly) on the in-year financial performance of the Integrated Commissioning Fund as a sub-set of the overall Alliance position will be reported to the Alliance Executive, the CCG Governing Bodies and the Strategic Commissioning Board.

13.2 The Partners recognise that differences in funding regimes and freedoms result in a different response to recorded “overspends”:

- The CCG cannot carry “reserves” between years. Underspends and overspends are recognised within the annual resource allocation. Overspends in one year normally result in reduced allocation in the next and have to be agreed by NHS England.
- The Council cannot record an overspend at the year-end; and has to account for overspent budgets through its reserves. But the reserves are limited and should be replaced through budget targets set in the subsequent year.

13.3 The Partners agree, in principle, that they will use these differing “flexibilities” in a combined approach to maximise protection to the Integrated Commissioning function. Any unused contingency sums in a Pooled Fund should remain in the Pooled Fund and form reserves available to the Integrated Commissioning Fund in subsequent years.

13.4 The Partners agree that in the event that the financial forecast expenditure for the Integrated Commissioning Fund exceeds available resources (after the application of any contingencies), a remedial action plan must be agreed by the Strategic Commissioning Board within 4 weeks of the adverse forecast being shared with the Strategic Commissioning Board, signed off by the Chief Finance Officers of the Partners to provide assurance that it will bring the fund back in to balance.

14. Managing Inter-Organisational In-Year Impacts

14.1 The Partners recognise that the greatest strength of the ICF, which is collaborative working across organisational boundaries, statutory frameworks and funding arrangements, also gives rise to one of the most significant risks, i.e. if the programme doesn't deliver the anticipated benefits in accordance with anticipated timescales, there are adverse financial implications for one or more partner organisations however, the scale of these risks are difficult to calculate or mitigate in the absence of an agreed financial management framework.

14.2 The nature of projects within the ICF can be defined as follows;

Financial Complexity	Single ESBT Partner – Investment Only/Savings Only	External Organisations - Interdependent Investments & Savings
	Single ESBT Partner - Interdependent Investments & Savings	Multiple ESBT Partners - Interdependent Investments & Savings
Organisational Complexity		

- **Single ESBT Partner - Investment Only/Savings Only** – where all of the benefits (which may be service improvements, savings or both) are delivered within the control of a single organisation with no dependencies.
- **Single ESBT Partner - Interdependent Investments & Savings** - where investment is undertaken by a single organisation, with both investments and dependent savings within the control of that organisation.
- **Multiple ESBT Partners - Interdependent Investments & Savings** – where there are dependencies between ESBT partners e.g. actions by one partner will derive savings for another.
- **External Organisations - Interdependent Investments & Savings** – where it has been assumed that savings will accrue to the Commissioners as a consequence of actions by an external organisation leading to a reduction in chargeable activity by ESHT.

Project Complexity	Potential Pooling Approach		
	S75 Pooled Budget	S275/S276 Funds Transferred	Aligned Budget
Single ESBT Partner - Investment Only/Savings Only			X
Single ESBT Partner - Interdependent Investments & Savings			X
Multiple ESBT Partners - Interdependent Investments & Savings	X	X	
External Organisations - Interdependent Investments & Savings	X	X	

15 Risk Sharing Framework

- 15.1 **The Partners acknowledge that the pooled and aligned funds within the Integrated Commissioning Fund will be subject to financial risk for a variety of reasons. To enable risks to be managed appropriately and robustly by the Partners the following arrangements have been adopted.**

Proposed Risk Share Approach for Different Types of Budgets within the ICF

Single ESBT Partner - Investment Only/Savings Only – There is no need for a risk sharing agreement for this type of investment, since the investment and the direct benefits are contained wholly within a single organisation. However in order to build trust within the ESBT Alliance and a broader awareness of the connectivity between different parts of the “whole system”, commissioning plans and business cases will be overseen and approved jointly. This ensures a due diligence process prior to approval and also support the identification of links and implications, both direct and indirect, between different services.

Single ESBT Partner - Interdependent Investments & Savings

The Partners agree that the risk sharing approach identified above would work effectively for this approach as well, providing clear accountability for decision making and the realisation of benefits/outcomes. However, in this particular scenario, it is less easy to control and/or measure the benefits or outcomes, given that the financial investment and the savings may occur within different organisations.

To address this risk to both the financial return on investment and the accountability for the use of public funds, measurable success metrics will be established and agreed between all stakeholders, which can then be monitored on a regular basis. In this way additional benefits can accrue as a consequence of linking the monitoring of both financial and performance/outcome metrics simultaneously. The project management methodology will set out clear timeframes, to be documented within the Project Initiation Document within which the benefits/outcomes will be realised, whilst the Project Plan and the associated gateway reviews would support the joint monitoring of the delivery, whilst also allowing opportunities for reviewing the viability of further investment or progress.

The successful adoption of such principles are underpinned by an explicit commitment to undertake a rigorous and professional approach to identifying measurable benefits and outcomes, since the greater the degree of non-specificity will reduce the effectiveness of the metrics and increase the chances of disputes and misinterpretation later within the project.

S275/S276 Funds Transferred

Multiple ESBT Partners - Interdependent Investments & Savings

S275/S276 of the NHS Act 2006 allows funds to be transferred between local authorities and CCGs in a manner that is more informal than under the arrangements required for formal S75 Pooled Budgets. Because of the involvement of multiple partners in these arrangements, there are a greater number of opportunities for risks to arise.

Where required, Partners will develop and agree specific risk sharing arrangements and incorporate them into the specific s275/276 agreements, to ensure the appropriate use of public funds, for example creating an element of insurance against failure to deliver on either investment or outcome requirements, recognising and mitigating the specific assumptions and associated risks identified within the PID and Project Plan. This type of arrangement would need to reflect the two-way flow of risks, i.e. it is usually assumed that the majority of risk will be

associated with the final delivery of benefits but, this is built upon an assumption that the initial investment, whether this be purely financial or involving service development, will be undertaken in a timely and appropriate manner, e.g. commissioning, procuring and implementing an alternative service model which facilitates a saving as a consequence of reduced demand elsewhere in the system. Any such risk sharing agreement will be detailed in the relevant S275/S276 Agreement.

S75 Pooled Budget

External Organisations - Interdependent Investments & Savings

S75 Pooled Budgets have specific governance arrangements attached to them by statute, including the need to include them within the annual statement of accounts for the host authority, a formal legal agreement underpinning the pooling of funds, approval by the DH of the purpose and means of pooling budgets and formal reporting mechanisms to the DH. Where required, Partners will develop and agree specific risk sharing arrangements to ensure the appropriate use of public funds. The provisions for governance and risk sharing will be detailed within the relevant S75 Agreement between the partners.

16 Budget Virements

16.1 Budget virement means moving budgets between different budget lines. This process is designed to cover virements involving movement of budgets within the Pooled Funds (e.g. from one work stream to another or within a work stream from one service to another), or from Aligned Funds to Pooled Funds subject to approval from the relevant statutory body CFO.

16.2 The budget setting process aims to ensure that all budget holders receive realistic budgets at the start of the year in order that the business plan can be achieved. Nevertheless, there will inevitably be in- year changes, and this is where virement may be used.

16.3 There are occasions where virement are generally appropriate. These include:

- Adjustments to reflect changes that could not have been foreseen at the start of the year.
- Where planned actions by managers mean that resources previously allocated for one purpose are no longer required for that purpose and are used for another agreed purpose.
- Movement of Reserve budget to fund specific initiatives or mitigate budgetary risks where agreed by the Partner funding the reserve.

16.4 Virement Rules and Processes

- A virement is not permitted from non-recurrent to recurrent expenditure
- A Virement is not permitted where the CCG or Council would be committed to additional recurrent funding in excess of commitments agreed within the CCG or Council's operating plan
- Virements within the Pooled Funds must be approved by the CFO/Finance Director for the relevant Partner seeking to make the budget change

16.5 Virements to / from the Better Care Fund parts of the Pooled Fund must be agreed by the Partners and in accordance with the national Better Care Fund guidance and rules.

17 Pooled Funds and Section 75 Agreements

17.1 The Partners agree that all Pooled Funds will be subject to individual Section 75 Agreements that are specific to the Services included within that Pool. It is the intention however that all Section 75 Agreements adhere to common overarching principles which are set out in this Financial Framework. In the event of conflict between terms of a Section 75 Agreement and this Financial Framework then the Partners agree that the Section 75 takes precedence.

18 Responsibilities and role of a Pooled Fund Manager

18.1 A Pool Fund Manager is appointed by the Host Partner in accordance with requirements of the Section 75 Agreement and associated regulations.

18.2 Day to day financial management of the Pooled Fund will be overseen by the Host Partner/Pooled Fund Manager, who will be responsible for providing financial management reporting to the ESBT Finance Group, as outlined above.

18.3 The Partners have responsibility for ensuring the Pooled Fund is adequately resourced in terms of finance support, which may require specific resources or funding to be made available as part of the S75/Pooled Budget to facilitate this.

18.4 The Host Partner/Pooled Fund Manager will be expected to establish appropriate accounting and financial management systems and internal controls to ensure the efficient and effective management of the S75/Pooled Budget including but not limited to the following;

- An appropriate accounting reporting structure, supporting statutory, national and management reporting requirements whilst supporting effective cost centre management and internal control of expenditure and income, including appropriate links and returns to payroll, Human Resources, and HMRC.
- The establishment and operation of appropriate systems of internal control, which may be the systems that already exist within the Host Partner organisation but which should be shared with and approved by the ESBT Finance Group.
- The production and maintenance of a schedule of authorised officers and cost centre managers and their associated delegated authority.
- An appropriate training and development plan to ensure that all authorised officers are fully conversant with their roles, responsibilities, accountabilities and how to utilise and comply with the relevant internal controls and systems including;
 - Budget Monitoring and control
 - Authorising expenditure and invoices
 - Appointing staff
 - Commissioning and Procurement of services
 - Accruals and End of Financial Year Closedown
 - Budget Planning
 - Guidance and instruction on the roles, responsibilities and accountabilities of cost centre managers and authorised officers.
 - Exit Plan covering any financial arrangements that would be required to wind down a Pool.

19 Termination of a Section 75 Agreement

19.1 The options for terminating the Section 75 Agreement are set out within the relevant Section 75 Agreement but will need to reflect, as a minimum, the need for all Partners to honour existing and on-going legal commitments, including the funding of services and associated financial

risks.

19.2 The minimum notice period required for the termination of a S75/Pooled Budget will be 6 (SIX) months.

19.3 The Partners will agree mechanisms for entering emergency arrangements to reverse adverse trends, including:

- protocol for suspending the Host Partner's management arrangements for the Pooled Fund;
- structure of governance and management of the Section 75 Agreement or this Financial Framework in emergency measures.

20 **Cessation of a Pooled Fund**

20.1 Where a Pooled Fund is to be ceased, due to the termination of the Section 75 Agreement, the Partners must (amongst other obligations) comply with the Exit Plan. This may include considering the ownership of assets, and where particular liabilities and commitments will be apportioned. If the relevant Partner is not clearly identified, ownership will fall to the Partner acting as the Lead Commissioner. This applies to:

- Ownership of invested assets;
- Ownership of consequential service and contractual obligations.
- Where the Section 75 Agreement is to be terminated due to the financial failure of one or both of the Partners, the Partners will agree the stages for realising the losses accumulated by the Pooled Fund, in accordance with the formal risk sharing agreement;

20.2 The Partners acknowledge that they are public authorities, however "financial failure" in this context is interpreted to mean where the organisation is unable to provide viable recovery plans for both actual or forecast budgetary overspends or, where it cannot meet its financial obligations to its creditors.

21 **Better Care Fund**

21.1 The Better Care Fund (BCF) is mandated by government. It was launched through the Spending Round in June 2013, with the objective to deliver integration of services and improve outcomes for patients and service users and carers. The BCF is set up as a Pooled Fund, with the NHS commissioner and the local authorities contributing an agreed level of resource into a single pool that is then used to commission or deliver joined up health and social care services.

21.2 For the avoidance of doubt, The BCF is a Section 75 Agreement and Pooled Budget that forms part of the Integrated Commissioning Fund

Other financial Considerations

22 Managing the cash position

22.1 The Host Partner will:

- Hold monies contributed to the Pooled Fund that are required for transactions generated from the Host Partner, with the timing of contributions aligned to payment obligations;
- Administer the payment processes for its own transactions;
- Administer the consolidation of the financial records of the Pooled Fund.

22.2 The Partners will adhere to the rules and restrictions applying to them as follows:

- The CCG is required to limit cash draw-down to the monies required, when they are required:
 - Not allowed to draw excess cash;
 - Not allowed to earn interest, or investment income;
 - Not allowed to have a cash balance at the year-end;
- The Council is allowed to invest available cash to earn income on its own resource allocation and the Council will determine how interest income is used; and is not obliged to include any part of that interest income in the Integrated Commissioning Fund.

22.3 Banking arrangements will reflect existing arrangements of the host organisation for either Pooled or Aligned Funds.

22.4 Transaction payments from the CCG and the Council will be unchanged from current arrangements. The Council should not suffer a reduced capacity to generate investment income from retained cash and investment balances. But, the Council will not be able to derive investment advantage through early draw-down of CCG funds.

23 Payment mechanisms

23.1 The Partners acknowledge responsibility for paying all sums due to Providers, in compliance with contract terms.

23.2 The Partners will agree arrangements for making payments to Providers, such that Providers are not affected by any changes to the structure of commissioning from the Integrated Commissioning Fund.

23.3 The design of payment mechanism will ensure that the Integrated Commissioning Fund structure delivers the full process of receipt of invoice, confirmation of service delivery and standards compliance, confirming amount due to invoice amount, instructing payment.

24 Chargeable social care related services

24.1 The Council will retain responsibility for assessing the contribution (to a provided social service) to be paid by Service Users.

24.2 The Council will retain responsibility for collecting the assessed contribution.

25 VAT

- 25.1 Each Partner will be fully responsible for the appropriate and proper accounting for VAT, including the liaison with and payment to or claiming from any sums due to or from HMRC. VAT treatment for Non S75/Pooled Budget funds will be the sole responsibility of the Partner that accounts for and manages those funds, responsibilities include;
- i. Identifying the range of services for which VAT is reclaimable;
 - ii. Identifying charged services which have to be subject to VAT;
 - iii. Identifying controls for ensuring that VAT is treated correctly.
 - iv. Liaising with HMRC as appropriate and necessary.
- 25.2 The Partners shall agree that for the treatment of the Pooled Fund for VAT purposes:
- Where the Council will be the Host Partner it will hold and administer the Pooled Fund for VAT purposes.
 - The Council will commission services for which it is the Lead Commissioner and recover VAT according to the local authority VAT regime (full recovery).
 - The CCG will commission services for which it is the Lead Commissioner and recover VAT according to the NHS VAT regime (limited VAT recovery).
 - Any funds passing between the Partners under this agreement do not represent consideration for a supply of services and shall be outside the scope of VAT.

26 Insurances

- 26.1 The NHS element of the Integrated Commissioning Fund will continue to be risk-shared by the NHS Litigation Authority.
- 26.2 The Council will maintain its approach to insuring its service commissioning role.
- 26.3 Providers will be contractually required to prove that they have adequate and sufficient insurance cover for the services that they deliver.
- 26.4 Specific insurance responsibilities of a Pooled Fund will be set out in the respective Section 75 Agreement.

27 Capital investment

- 27.1 The Partners will explore the need for capital investment and the potential opportunities for capital funding as part of the Integrated Finance and Investment Plan process, informed by Service Redesign Programmes and Cost Reduction Programmes.
- 27.2 The Partners recognise that the Council is able to borrow to fund capital investment whereas the CCGs are not.
- 27.3 All relevant accounting requirements for capital expenditure will be complied with and agreement will be made to ensure clarity of the ownership of any assets that are to be retained.
- 27.4 The Council has the option to arrange on behalf of both Partners unsupported borrowing to support capital investment in the health and social care economy subject to an appropriate and

approved business case and repayment schedule.

28 Resources contributed by Partners

- a. Staffing, equipment, accommodation etc. resources provided by each Partner to the management and administration of the Integrated Commissioning Fund will be based, initially, on existing structures.
- b. The Partners will agree the approach to ensuring a fair share of the cost of administering any Pooled Fund.

29 Dispute Resolution

29.1 The following principles are to be adhered to for any dispute resolution:

- The resolution of a dispute under this Agreement must maintain the quality of health and social care provision now and in the future, deliver the best possible outcomes, support innovation where appropriate, make care more cost-effective, and allocate risk fairly.
- The resolution of a dispute under this Agreement must promote transparency and accountability. It should hold the Partners to the Agreement accountable to each other and to Service Users and citizens, and facilitate the sharing of appropriate information to achieve the ambition of the Parties.
- The Partners must engage constructively with each other within the dispute resolution process when working to reach agreement.

29.2 This dispute resolution process shall operate as follows:

The Chief Finance Officers shall seek to resolve disputes and achieve mutually satisfactory outcomes. If unable to agree, the dispute should be referred to the chief executives (or equivalent) of the Partners, who shall co-operate in good faith to resolve the dispute as amicably as possible within 14 days of service of the notice. The Partners may refer any disputes arising out of this Agreement to the Strategic Commissioning Board for resolution.

Glossary / Definitions

Aligned Fund means budgets for commissioning prescribed services which will be managed alongside the Pooled Funds.

Alliance Agreement means the Agreement made between the CCGs, ESCC, ESHT and any other Partners have set out the principles on which the Partners have agreed to collaborate to progress towards a local fully integrated accountable care model.

Better Care Fund - The Better Care Fund (BCF) is mandated by government. It was launched through the Spending Round in June 2013, with the objective to deliver integration of services and improve outcomes for patients and service users and carers. The BCF is set up as a Pooled Fund, with the NHS commissioner and the local authorities contributing an agreed level of resource into a single pool that is then used to commission or deliver joined up health and social care services

CCGs - Hastings and Rother Clinical Commissioning Group and Eastbourne Hailsham and Seaford Clinical Commissioning Group.

Cost Reduction Plan or Programme (CRP) – plans or programmes developed to reduce costs by improving efficiency / productivity within existing pathways or service designs (sometimes referred to as Cost Improvement Programmes, or CIPs).

Council – East Sussex County Council

DH – Department of Health

ESBT Finance Group – a regular meeting comprising the Chief Finance Officers and/or nominated deputies of the Partners

Exit Plan – a plan agreed at the outset of a project to enable smooth closure in the event that the Partners agree its termination.

Financial Framework – (this document) describes the ground rules under which the financial decisions relating to the Integrated Commissioning Fund will be made and outlines the internal controls and financial governance arrangements that will be applied to all relevant financial transactions.

Health and Wellbeing Board – established as a Council committee under s194 of the Health and Social Care Act 2012, the purpose of which is to promote more joined up delivery of services and involves oversight of achievement of the objectives of the integrated commissioning function; and oversight of proper governance of the integrated commissioning function

NHSE – National Health Service England the regulatory body that oversees the operation and functioning of clinical commissioning groups in England.

Integrated Commissioning Fund (ICF) - means the total of the Pooled Fund and any Aligned Funds.

Integrated Finance and Investment Plan (IFIP) – means the integrated financial planning process adopted by the Alliance Partners

Integrated Strategic & Planning Group (ISPG) – a regular meeting consisting of representatives of the Partner organisations with the remit to devise strategies and projects to progress ESBT objectives on behalf of the ESBT Alliance.

Partners – the CCGs and the Council are partners to this Financial Framework and will commit to upholding the integrity of the Financial Framework.

Pooled Fund - means any pooled fund established and maintained by the Partners as a pooled fund in accordance with the Regulations.

Pooled Fund Host – refers to the Partner that will host and provide the financial administrative systems for the specific Pooled Fund and undertake to perform the duties for which they will be responsible, as set out in paragraph 7(4) and 7(5) of the Regulations. The Pooled Fund Host will also be responsible for applying this Financial Management Framework and the associated internal controls to ensure compliance with statutory, regulatory and accounting standards and best practice applicable to the Partners.

Portfolio Management – a structured methodology adopted by the ESBT Alliance for the management of projects, programmes and portfolios.

Ringfenced Funding – Funds within the Integrated Commissioning Fund that must be spent in accordance with terms and conditions specified by an external funder.

Section 75 agreement (s75) – section 75 of the NHS Act 2006: the legislation that allows the establishment of pooled funds between NHS bodies and local authorities at a local level.

Section 256/257 agreement (s275/276) – sections 256 and 257 of the NHS Act 2006: the legislation that allows the transfer of funds between NHS bodies and local authorities at a local level.

Service Redesign Plan or Programme (SRP) – a plan or programme developed and maintained by the Integrated Strategic Planning Group (ISPG) to progress ESBT objectives through changes to pathways or services, including disinvestment.

SoDA – scheme of delegation of authorities, or equivalent, of the CCG, the Council and the Integrated Commissioning Board.

APPENDIX 1 – INDICATIVE BUDGET CONTRIBUTIONS

(Illustration base on 2017/18 budgets – 2018/19 to follow budget-setting approval)

Integrated Commissioning Fund - 2017/18 Illustration	CCG	ESCC	Total	Notes
	£'000	£'000	£'000	
Section 75 Pooled Budget				
Better Care Fund	26,688	5,418	32,106	
iBCF	0	8,711	8,711	
ICES	2,200	2,200	4,400	
Total Pooled Budget	28,888	16,329	45,217	
Aligned Budget				
ESHT	181,948	0	181,948	
ESHT Other	904	0	904	
Acute - Independent Sector	27,486	0	27,486	
Acute - Locally Commissioned Services	10,682	0	10,682	
Acute - London	6,319	0	6,319	
Acute - Other NHS	20,940	0	20,940	
BSUH	13,812	0	13,812	
SEACAMB Contract 999	18,557	0	18,557	
Acute	280,648	0	280,648	
Community - Adults	36,206	0	36,206	To be confirmed
Community - Childrens	2,535	0	2,535	
Community	38,741	0	38,741	
Mental Health	48,569	0	48,569	
Mental Health	48,569	0	48,569	
Prescribing	73,351	0	73,351	
Primary Care Commissioning	51,963	0	51,963	
Primary Care	125,314	0	125,314	
Adults CHC	20,059	0	20,059	
Children's CHC	2,231	0	2,231	
FNC	13,308	0	13,308	
Learning Disabilities	2,425	0	2,425	
CHC	38,023	0	38,023	
Corporate Commissioning	11,898	0	11,898	
Out of Hours	4,604	0	4,604	
Other CCG	16,502	0	16,502	
Running Costs	8,128	0	8,128	
CCG Admin	8,128	0	8,128	
Other Local Authority	2,077	0	2,077	To be confirmed
Other Local Authority	2,077	0	2,077	
Earmarked Reserves	7,757	0	7,757	
Earmarked Reserves	7,757	0	7,757	
Assessment & Care Management	0	19,123	19,123	
Equipment & Assistive Technology	0	2,097	2,097	
Learning Disability Support	0	39,992	39,992	
Management & Support	0	8,020	8,020	
Mental Health Support	0	5,409	5,409	
Substance Misuse Support	0	381	381	
Other Adult Services	0	1,820	1,820	
Physical Support, Sensory Support and Support for Memory & Cognition	0	41,309	41,309	To be confirmed
Supporting People	0	5,722	5,722	
Adult Social Care	0	123,874	123,874	
Other Public Health	0	3,444	3,444	
NHS Health Checks	0	0	0	
Health Improvement Services	0	2,533	2,533	
Sexual Health Services	0	3,075	3,075	
Drug & Alcohol Services	0	4,210	4,210	
Health Visiting and School Nursing	0	6,051	6,051	
Public Health	0	19,313	19,313	
Early Help & Commissioned Services	0	807	807	
ISEND	0	4,419	4,419	
Other Children's	0	279	279	
Childrens Services	0	5,505	5,505	
Total Aligned Budget	565,759	148,692	714,450	
Grand Total	24 594,647	165,020	759,667	To be confirmed

The prescribed services that **cannot be pooled**, as summarised in SI(2000)617: NHS Bodies and Local Authorities Partnership Arrangements Regulations includes:

NHS

- Acute surgical (unlikely to be able to disaggregate from hotel services);
- Emergency ambulance;
- Radiotherapy;
- Termination of pregnancies;
- Endoscopy;
- Laser treatments (class 4);
- Other invasive treatments.

Local Government

- Adoption services (Adoption & Childcare Act, 2003);
- Appointment of mental health professional (MHA, 1983);
- MHP powers of entry (MHA, 1983);
- Safeguarding children in care homes (Children Act, 1989);
- Appointment of director of social services (LASSA, 1970).

It is the Partners' intention that these services will be included in the Integrated Commissioning Fund as an Aligned Fund.

In addition Ringfenced Funds will not be pooled because of the conditions set by funding bodies. These include:

- Primary Care Co-Commissioning
- Public Health Grant

It is the Partners' intention that these services will also be included in the Integrated Commissioning Fund as Aligned Funds.