Suffolk County Council

Agenda Item 8

Audit Committee, 13 July 2016

Information Bulletin

The Information Bulletin is a document that is made available to the public with the published agenda papers. It can include update information requested by the Committee as well as information that a service considers should be made known to the Committee.

This Information Bulletin covers the following items:

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1. A briefing on the financial impact of the Better Care Fund (BCF)

1.1 The Committee asked for a briefing on the operation of the Better Care Fund in light of the budget shortfall expected as a result of the inability of health partners to achieve all the savings agreed in the 2015/16 Better Care Fund Plan for Suffolk.

1.2 The Better Care Fund is an amalgamation of revenue funding held by the Clinical Commissioning Groups (CCGs) and capital funding held by the County Council (these funds were agreed locally as being appropriate funding to put into the BCF for Suffolk). The BCF plan (link below) as authorised by the Health and Wellbeing Board describes the vision of how health and social care services can be integrated to improve the way in which customer needs are supported.

http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181ac53fc&qry=c_committee%7e%7eSuffolk+Health+and+Wellbeing+Board

1.3 A key element of implementing the BCF was the creation of a Pooled Fund with each CCG, established under Section 75 of the National Health Service Act 2006. It was a national condition of the BCF that such a pooled fund is established before funds will be released from the Department of Health. These agreements set out how the BCF will be used and distributed.

1.4 For 2015/16 the BCF was £50.0m. Of this, £14.9m was agreed to be passed to the Council as a continuation of previous year funding arrangements which protected the Council's investment across a number of services. A further £1.8m was transferred as a CCG contribution to the Council for the introduction of the Care Act.

1.5 In addition, agreement was made to seek savings from transformation and joint commissioning opportunities, with the Council having first call on £4.3m of any savings generated by the CCGs including a guaranteed transfer of £1m from

Great Yarmouth & Waveney CCG. Finally, £1.1m was available from Ipswich & East Suffolk CCG and West Suffolk CCG if a target on reducing non elective admissions was met.

1.6 In total this meant a guaranteed transfer of £16.7m with a further £5.4m potentially available. The table below summarises the expectations and actual outcomes from the BCF in 2015/16.

	Expectation under BCF agreement (a)	**ACS budget 2015-2016 (b)**	**Actual 2015-2016 (c)**	**Variance (d)**
	£ million	**£ million**	**£ million**	**£ million**
Better Care Fund	14.9	14.9	14.9	0.0
Care Act	1.8	1.8	1.8	0.0
Transformation & Joint Commissioning Savings	5.4	4.1	1.0	-3.1
Total	**22.1**	**20.8**	**17.7**	**-3.1**

1.7 From the start it was considered unlikely that the full £5.4m would be delivered, and so the 2015/16 ACS budget (column b) was set on the basis of using £16.7m to fund ongoing services with a further £4.1m set as a savings expectation from the service transformation programme for Health and Social Care Integration (HASCI) (see paragraph 1, Annex D 15/16 Budget Book).

1.8 The final position for 2015/16 (column c) was that £17.7m was received but no share of further efficiencies savings as the hospitals did not decrease activity and the CCGs did not deliver transformation savings. This left a £3.1m shortfall (column d) on the HASCI saving.

1.9 With hindsight, the timetable to deliver savings from the transformation programme (HASCI) was too optimistic. The Government has set a target of 2020/21 to have integrated services across all NHS and Local Government partners who provide Health and Social Care. These organisations are now engaged in trying to understand the totality of the system funding shortfall and the potential scenarios to bridge the gap. This will be a long running process, and comes against a backdrop of deteriorating financial positions for the health sector coupled with increasing demand on hospital services. (This refers to the Sustainability Transformation Plans being developed for the 'Suffolk Footprint').

1.10 The £4.1m HASCI saving requirement is due to increase to £10.0m in 2017/18. In the meantime the CCGs have been less willing to offer guaranteed transfers or give the first call to the Council on any transformational savings – although there is still a willingness on all sides to work together to generate and share savings. This position mirrors the difficulties being faced across the country.

1.11 ACS is actively looking at alternative ways of achieving the £4.1m HASCI saving acknowledging that there is little chance of this being delivered in 2016/17. It will also consider the further saving of the £5.9m which is planned for 2017/18 to achieve the total saving of £10.0m, as the Government has indicated that Council funding will rise through the Better Care Fund in 2018/19 – a year later than this additional saving is due to come.

1.12 Other sources of information include:

Scrutiny Paper – Better Care Fund - Protection of Social Care and update on financial position 2015 16 Covering Report
http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181841b5c&qry=c_committee%7e%7eScrutiny+Committee

Cabinet Quarter 3 Financial Reporting
http://committeeminutes.suffolkcc.gov.uk/LoadDocument.aspx?rID=0900271181b16ef9&qry=c_committee%7e%7eThe+Cabinet

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2. The financial consequences for the Council of the Government's recent announcement that all schools will become academies

2.1 The Committee asked for clarification on the treatment of existing debts or deficits that are due to the Council when a school converts to an academy.

2.2 The Government aims to have the majority of schools converted to academy status by 2020. It should be noted that academies are funded using the same revenue funding formula as maintained schools and so there is no cost implication in this respect. However, other costs incurred by the Local Authority (LA) when a school converts to an academy, are summarised below.

Schools that convert to academy status with a deficit balance

2.3 The Department for Education (DfE) sets a per pupil allocation to local authorities; this funding is termed the Dedicated Schools Grant (DSG). Compared with other local authorities, Suffolk is one of the lowest funded authorities in terms of per pupil funding.

2.4 Some schools are finding it increasingly difficult to balance their budgets and have only a small reserve. Therefore if the school has an unplanned cost, the school may go in to a deficit position. As the majority of school costs are staff related, it is often difficult to reduce the overspend and balance the budget on a timely basis.

2.5 Where a school converts with a sponsor, the LA is responsible for any deficit that the school has on conversion; (whereas a surplus balance is paid to the academy). These deficits are currently funded from the DSG reserves but this is not a long term option as a) the current reserve is decreasing and the LA is unable to transfer further DSG funding to the reserve and b) the funding consultation proposes that the schools funding block will have to be transferred in full, directly to schools wef April 2019.

2.6 The table shows, to date, the schools that have converted with a sponsor and had a deficit balance that was funded by the LA:

Financial Year	School	Deficit on Closure
2011-12	Deben High School	148,895
2011-12	Orwell High School	162,187
2011-12	Kirkley High School	1,634,707
2014-15	Newmarket College	51,890
2015-16	Suffolk One	480,000
	Total	**2,477,679**

2.7 When a school converts without a sponsor and closes with a deficit balance, the DfE refund the LA (and the academy has to repay the DfE). There is therefore no financial risk to the LA from this kind of conversion.

Schools converting with existing loans/cash flow advances

2.8 A small number of schools have a loan with the LA. These are historic arrangements and were used to fund capital projects etc. This loan facility is no longer provided by the LA.

2.9 However, some schools do have a cashflow advance. Schools are not permitted to overdraw their bank accounts (Section 3.5.1 of the Scheme for the Financing of Schools). When a school's profile of expenditure does not fit easily with the fortnightly distribution of budget by the DfE and where the school's reserves are low, a cashflow advance may be required to prevent the school from becoming overdrawn. A cashflow advance is an internal loan and the school agrees a repayment plan with the LA.

2.10 The DfE guidance is to continue the arrangements that are in place with the school when it converts. These financial agreements are written in to the Commercial Transfer Agreement (CTA). However, the LA now aims to settle any such arrangements before a school converts to an academy to avoid the possibility of non-payment and consequential legal action.

Costs of conversion

2.11 A number of costs are incurred by the LA to facilitate the conversion of a school to an academy. These include legal costs and property costs which average approximately £6,000 for each conversion (this does not include officers' time).

2.12 To convert the remaining 229 maintained schools to academies would therefore cost the LA approximately £1.4 million, plus officer time.

2.13 In addition, some costs may be incurred by the LA to ensure the conversion goes ahead e.g. staffing restructure and/or building maintenance costs and although they are not strictly a cost of conversion, they could be considered conditional to the conversion. Restructure costs prior to conversion are currently funded from the Dedicated Schools Grant redundancy budget. Post conversion redundancy costs are funded by the Education Funding Agency.

Capital costs

2.14 Government policy requires the LA to ensure there are sufficient pupil places available in Suffolk. When a new school is required to meet increased demand, it has to be opened as either an academy or a free school (not a maintained school). If the new school is an academy, the LA is required to fund the cost of the building and then lease the building to the academy on 125 year lease for only a nominal charge. The cost of the capital funding, including the cost of borrowing, remains with the LA. However, if the new school is a free school, the cost of the building work is met be the DfE, not the LA.

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