

<b>To:</b> Members of Southwark Health and Social Care Board (Southwark Council Cabinet and Southwark PCT Board)	<b>Date:</b> 2 <sup>nd</sup> December 2010 <b>Meeting name:</b> Southwark Health and Social Care Board
<b>Report Title:</b>	Financial overview and pooled budgets
<b>Classification:</b>	Open
<b>From:</b>	Malcolm Hines, Director of Resources, Southwark PCT and Carl Rushbridge, Departmental Finance Manager, Southwark Council

## **1. Recommendations**

- 1.1 To note the current financial position of Health and Social Care and the three operational pooled budgets set up under s75 of the National Health Service Act 2006.
- 1.2 To agree the revised funding allocation for Community Equipment outlined in paragraphs 4.3.1 to 4.3.6 of the report.

## **2 Purpose of report**

- 2.1 This report updates the Health and Social Care Board on the overall financial position of the PCT, Southwark Adult Social Care Services and the three operational pooled budgets.

## **3 General Finance update – Council and Social Care budgets**

### **3.1. Budgets 2010/11 to 2014/15**

- 3.1.1 On 5 October 2010 the Health Secretary announced that £70 million of extra funding would be allocated to Primary Care Trusts to be spent this financial year across the health and social care system, to enable the NHS to support people back into their homes after a spell in hospital through re-ablement. This grant amounts to £408,000 for Southwark PCT and plans have been made to ensure this money is spent on additional re-ablement services. This funding will enhance the resilience in the winter planning process for urgent care.
- 3.1.2 The recently published Comprehensive Spending Review indicated an average reduction in local government funding of 28% over four years from April 2011. Included within the review was an additional £2bn to support work across the Health & Social Care economy. Details of the allocations are not yet available but it is clear that some funding will flow from the NHS to Local Government. Further details of the spending review and its impact can be found in the Related Publications section of this report.

3.1.3 Demographic changes and increasing numbers of clients in transition from children's services mean that there will be significant additional pressures on the department's resources post April 2011 when the current contribution to the LD Pool from the PCT is received directly from Central Government.

### 3.2 Social Care Budget Position at 31st October 2010/11 (Month 7)

3.2.1 The position at Month 7 is a projected overspend at year end of £1.7m on a gross budget of around £146.2m. The main reasons for this variance are pressures in learning disabilities and difficulties in delivering the full range of savings. Management action is being underway to mitigate these pressures and the end of year position is expected to show an improvement.

### 3.3 PCT Budget Position at 31st October 2010/11 (Month 7)

3.3.1 Overall, the PCT expects to deliver the budget on target. This includes a 2 years worth contribution to the Challenged Trust Board fund.

#### 3.3.2 Acute Over Performance

As at month 7 acute budgets are overspent by £2.2m with a forecast overspend, without mitigations, of £3.5m. It is critical that these budgets do not overspend and a detailed contingency package has been agreed.

#### 3.3.3 Management Costs

The PCT is on course to achieve its 2010/11 management costs target. This is subject to the outcomes of staff consultations.

## 4 Pooled Budgets

### 4.1 Hosting Arrangements

4.1.1 Social Care is the lead organization for the Learning Disabilities and Integrated Community Equipment Service whilst the PCT hosts the Mental Health pooled budget.

### 4.2 Learning Disabilities Pool

4.2.1 This pooled budget is shared with the Council contributing 66% and the PCT contributing 34%.

4.2.2 The forecast position at month 7 is an overspend of £1.5m (no Risk Share applied). This is on a budget of:

	£000
LB Southwark	24,227
Southwark PCT	<u>11,695</u>
Total	<u>35,922</u>

4.2.3 The variance is due to unachievable savings mainly around the delays in de-registration of clients in the LD accommodation project because of contractual complexities and delays by CQC (Care Quality Commission) in processing applications to de-register homes.

4.2.4 This is the final year of the pool and risk share arrangements in their current format. From 1 April 2011 funding will transfer to the Council in the form of a new specific grant from the Department of Health.

### 4.3 Integrated Community Equipment Services (ICES)

4.3.1 This pooled budget is shared with the Council contributing 80% and the PCT contributing 20%. The agreement requires the split to be regularly reviewed to ensure it fairly reflect actual spend.

4.3.2 The forecast position at month 7 is a £0.4m overspend, as detailed below (£000s):

	Budget	Forecast	Overspend
LB Southwark	1,114	1,114	0
Southwark PCT	<u>337</u>	<u>725</u>	<u>388</u>
Total	<u>1,551</u>	<u>1,899</u>	<u>388</u>

4.3.3 A new pan-London framework contract began in May 2010 with an aim of achieving savings of £100,000 in year. The budgets shown above have been adjusted to reflect the saving.

4.3.4 The variance is due to a 23% increase in activity from the prior year, coupled with a decrease in returns/recycling of equipment. Management action is being taken to reduce the spend levels on this budget.

4.3.5 In the event that the year end position is an overspend it is proposed that this is shared 60/40 between the Council and the PCT, to more fairly reflect the pressures.

4.3.6 The future of this pooled budget is unclear at present as staff from the PCT will transfer to Guy's and St. Thomas' NHS Foundation Trust. The flow of NHS funding for this arrangement in 2011/12 is not yet known and so attention will be paid to contractual arrangements to ensure a smooth transition.

### 4.4 Mental Health Pooled Budget

4.4.1 This pooled budget is hosted by the PCT. The contribution is 80% PCT and 20% Council. The forecast position at month 7 is a breakeven position on a budget of:

	£000
LB Southwark	10,036
Southwark PCT	<u>40,262</u>
Total	<u>50,298</u>

4.4.2 Activity analysis shows that there are several key areas that are significantly over target. Of particular concern are the following areas with high financial impact:

- Adult inpatient admissions – activity has been consistently high and the projection is that a 30% variance is likely to remain at the year end
- Psychiatric intensive care admissions – 27.3% over performance
- A&E liaison

4.4.3 These are areas of high financial impact, currently leading to a potential contract overspend of approx £270k. A joint demand management approach to the issue is being developed in the broader context of system wide sustainability discussions and it is anticipated that this will result in the budget breaking even by year-end.

#### **Related Publications**

HM Treasury: Comprehensive Spending Review (20 October 2010)

Southwark Council – Cabinet Report: 'Policy and Resourcing Strategy 2011/12 – 2013/14: Spending Review 2010' (2 November 2010)

Department of Health: 'A vision for adult social care: Capable communities and active citizens' (16 November 2010)

Department of Health: 'Liberating the NHS: Greater choice and control' (18 October 2010)