

Item No. 11.	Classification: Open	Date: 17 February 2011	Meeting Name: Health & Social Care Board
Report title:		Financial overview and shared funding	
Ward(s) or groups affected:		All	
From:		Malcolm Hines, Director of Resources, NHS Southwark Carl Rushbridge, Departmental Finance Manager, Southwark Council	

1 RECOMMENDATIONS

- 1.1 To note the current financial position of Health & Social Care and the three operational pooled budgets set up under Section 75 of the National Health Service Act 2006.
- 1.2 To agree a 60/40 risk share for the Community Equipment pooled budget in the event of any overspend in 2010/11, as set out in paragraph 4.
- 1.3 PCT Board to agree the transfer of £5.2 million from NHS Southwark to Southwark Council for 2011/12 under Section 256 of the National Health Service Act 2006, for the purpose of adult social care activity which benefits health, as set out in paragraph 5.

2 PURPOSE OF REPORT

- 2.1 This report updates the Health & Social Care Board on the overall financial position of the PCT, Southwark Adult Social Care Services and the three operational pooled budgets. It also reports on the shared and transfer budget arrangements, for 2010/11 and 2011/12, in line with the NHS Operating Framework, December 2010, and the Comprehensive Spending Review, October 2010.

3 FINANCE UPATE

3.1 Budgets 2010/11 to 2014/15

- 3.1.1 In October 2010 the Health Secretary announced £70 million of extra funding to PCTs 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.
- 3.1.2 A further £162 million was announced in January 2011 for “winter pressures”, in 2010/11, equating to £950,140 for Southwark. A report to the PCT Board on 27 January 2011 details the planned uses of these new funds. (Appendix 1)
- 3.1.3 The recently published Local Government settlement sees a reduction in formula grant for Southwark Council of 11.3% in 2011/12 and 7.4% in 2012/13. This is expected to rise to a total reduction of 29% over four years.

3.1.4 Demographic changes and increasing numbers of clients in transition from children's services mean that there will be significant additional pressures on the Council's resources post April 2011, most specifically in learning disability services.

3.2 **Social Care Budget position at 31 December 2010 (Month 9)**

3.2.1 The position at Month 9 is a projected overspend at year end of £0.8 million on a gross budget of £146.2 million. The main reason for variance is pressure in learning disability services and delays in delivering the 2010/11 savings programme. Management action is underway to mitigate these pressures and the end of year position is expected to show an improvement which should lead to a break-even position.

3.3 **PCT Budget position at 31 December 2010 (Month 9)**

3.3.1 The overall financial position has deteriorated as a result of further increases in acute activity in November 2010. As at Month 9 acute budgets are overspent by £3.2 million with a forecast overspend, without mitigations, of £2.9 million. It is critical that these budgets do not overspend and the PCT has agreed a detailed contingency package with the sector. The PCT continues to work with the South East London sector to understand the reasons for these increases and to agree a set of actions to bring activity back to planned levels. This trend is consistent with other London and sector PCTs and it is encouraging that Southwark is currently reporting the lowest acute overspend in the sector. However, the overall financial position remains challenging. A break-even year end position is projected.

3.3.2 The PCT is on course to achieve its management cost reductions target of 42%. It has been confirmed that NHS London will be funding any associated redundancy and severance costs

4 **Pooled Budgets**

4.1 **Hosting arrangements**

4.1.1 Social care is the lead organisation 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 9 is a potential overspend of £1.5 million. This is on a budget of:

	£000
LB Southwark	24,227
Southwark PCT	<u>11,695</u>
Total	<u>35,992</u>

- 4.2.3 The variance is due to slippage in achieving savings, mainly around the delays in de-registration of clients in the learning disability accommodation project because of contractual complexities and delays by CQC (Care Quality Commission) in processing applications to de-register homes.
- 4.2.4 Pressures on the pooled fund can be offset by allocation of funds from other budgets, which should lead to a break-even position at year end.
- 4.2.5 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

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 reflects actual spend.

4.3.2 The forecast position at Month 9 is a balanced budget as detailed below

	Budget £000	Forecast £000	Overspend £000
LB Southwark	1,114	1,324	210
Southwark PCT	337	428	92
New re-ablement funding	<u>0</u>	<u>(300)</u>	<u>(300)</u>
Total	<u>1,551</u>	<u>1,551</u>	<u>1</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. This has been offset by new re-ablement funding from the Department of Health.
- 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 pressures.
- 4.3.6 The future of this pooled budget is unclear at present as staff from the PCT will transfer to Guy's & St Thomas's 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. The agreed process of due diligence will consider the implications of the changed arrangements.

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 9 is a break-even position on a budget of:

£000

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

5 FUNDING FOR 2011/12 VIA HEALTH TO SUPPORT ADULT SOCIAL CARE

- 5.1 The Comprehensive Spending Review and NHS Operating Framework for 2011/12 and beyond set out £1 billion nationally for adult social care to benefit health. This comes via PCT budgets as a separate allocation. A smaller portion (£0.9m) is set aside for re-ablement, to pick up the full year effects of the 2010/11 in-year funding. A larger portion (£4.3 million for Southwark) is for adult care more generally to benefit health.

- 5.2 Transfer arrangements for the £5.2 million have been set out under Section 256 of the National Health Service Act 2006.

- 5.3 There have been subsequent letters of clarification about the purpose of the funds. These letters are set out in appendices:

Appendix 2 Letter from David Behan DH 13 January 2011

Appendix 3 Letter from Ruth Carnall, CE NHS London 21 January 2011

- 5.4 The broad areas of spend so far agreed include:

- continue the provision of Integrated Equipment (ICES)
- facilitate further enhancement of rapid response and assessment services.
- increase investment in assistive technology
- increase investment and capacity for step down services
- ensure the continuation of services for people with mental health issues and learning disabilities.

- 5.5 A joint working group chaired by the Deputy Director of Adult Social Care will provide leadership and governance in respect of joint working to utilise and develop relevant local services.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
HM Treasury: Comprehensive Spending Review (20 October 2010)	Tooley Street	Malcolm Hines
Southwark Council – Cabinet Report ‘Policy & Resourcing Strategy 2011/12-2013/14: Spending Review 2010’ (2 November 2010)	Tooley Street	Everton Roberts
Department of Health ‘A Vision for Adult Social Care: Capable communities and active citizens’ (16 November 2010)	Tooley Street	Susanna White
Department of Health ‘Liberating the NHS: Greater choice and control’ (18 October 2010)	Tooley Street	Susanna White
Southwark PCT Board ‘Winter pressures/re-ablement money for Southwark’ (27 January 2011)	Tooley Street	Vicky Bradding

APPENDICES

No.	Title
Appendix 1	Report to PCT Board – 27 January 2011
Appendix 2	Letter from David Behan, Department of Health – 13 January 2011
Appendix 3	Letter from Ruth Carnall, Chief Executive, NHS London 21 January 2011

AUDIT TRAIL

Lead Officer	Susanna White	
Report Author	Malcolm Hines & Carl Rushbridge	
Version	Final	
Dated	January 2011	
Key Decision?	No key decision to be made.	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	No	No
Finance Director	Yes	No
Director Social Services/ CE PCT	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Support Services/ PCT dispatch	14 February 2011	