

To: Members of Southwark Health and Social Care Board (Southwark Council's Executive and Southwark PCT Board)	Date: July 2 2009 Meeting name: Southwark Health and Social Care Board
Report Title:	Finance Update
Classification:	Open
From:	Malcolm Hines, Director of Resources Southwark PCT and Mike Watson, Assistant Director of Social Care Finance

1. Recommendations

- 1.1 The Health and Social Care Board is asked 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.

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

Social Care Budgets 2008/09, 2009/10 and 2010/11

- 3.1 The Council Medium Term Financial Strategy required departments to exemplify savings equivalent to 5% of their net controllable budget each year for three years starting 2009/10.
- 3.2 The social care controllable budget in 2008/09 amounted to £89.9m and the savings target 2009/10 after adjustments was £4.125m. The savings target for 2010/11 is £4.706m. This represents a considerable challenge and will require major re-design in ways of working and patterns of service.
- 3.3 Adults Social Care overspent by £891k in 2008/09. This largely related to unresolved issues from 2005/06. However, it was a very difficult year for containment of expenditure. At month 2 the department is projecting an overspend of £1.56m as a result of slippage on savings proposals. This will have to be managed down to breakeven by year end.

4. Update on PCT Budgets: Outturn for 2008-09 and Forward Look for 2009-10 onwards

- 4.1 The final revenue position for 2008/09 was an underspend of £218,000 on a budget of circa £50 million.

- 4.2 This was achieved after significant cost pressures, particularly in acute hospital referrals rising by up to 9%, much faster than the rate of population growth, and including achievement of the national 18 weeks treatment target. Reserves and other budgets were applied to offset these issues, but included non recurrent sources of funds.
- 4.3 For 2009-10, the PCT has received an uplift of circa 5.2%, and has applied this to recurrently fund cost pressures, and a limited range of targeted investment set out in the Commissioning Strategy Plan.
- 4.4 This has left a net requirement for savings of £10million, and all areas of the budget have contributed to meeting this target. At Month 2 a breakeven position is predicted, but very little real activity data is available yet on commissioned services.
- 4.5 Looking forwards, the PCT will get 5.1% in 2010-11, the last year of the current CSR round. Even at this level of increase it is expected that additional savings will be required on top of the Department of Health efficiency target which increases to 3.5%.
- 4.6 The years 2011 onwards are dependent on the next CSR round this autumn, and how economic factors are incorporated into future uplifts. The efficiency target will increase again to 4% per annum from 2011, as set out in the recent Treasury "Operational Efficiency Programme" report.

5. Pooled Budgets

Hosting Arrangements

- 5.1 Social Care is the lead organisation for the Learning Disabilities and Integrated Community Equipment Service whilst the PCT hosts the Mental Health pooled budget. An update on the financial position of these budgets is given below:
- 5.2 The pooled budget final positions for 2008/09 were as listed in the following table:

2008/09		Budget	Outturn	Variance
		£000	£000	£000
LD Pool	Social Care	21,462	22,782	1,320
	PCT	10,293	10,973	680
	Total	31,755	33,755	2,000
MH Pool	Social Care	10,613	10,812	199
	PCT	42,537	43,333	796
	Total	53,150	54,145	995
ICES Pool	Social Care	1,067	1,198	131
	PCT	298	335	37
	Total	1,365	1,533	168

ICES

- 5.3 A modernisation project via the Government's Care Services Efficiency Review, "the retail model", is being trialled this year as part of the plan for quicker, more economic services.

Learning Disability

- 5.4 The budget position was predicted, but represents a major cost pressure across the whole system. A major service redesign away from residential care towards supported living will take place in this financial year, as part of the approach for a more personalised and economic service. However, cost pressures remain, and the number of young people moving from children's services will mean additional budget requirement of circa £1-1.5 million in each forthcoming year.

Mental Health

- 5.5 The final position had not been anticipated in-year and has been investigated. A range of smaller pressures combined to produce this position, and this budget will need careful focus in this year.

6. Pooled Budgets Update 2009/10

Learning Disabilities

- 6.1 The position at Month 2 is a small projected underspend – effectively breakeven. This is on a budget of:

	<u>£000</u>
LB Southwark	23,323
Southwark PCT	<u>11,224</u>
Total	<u>34,547</u>

Integrated Community Equipment Services

- 6.2 At Month 2 ICES is projected to break even on the following budget:

	<u>£000</u>
LB Southwark	1,209
Southwark PCT	<u>338</u>
Total	<u>1,547</u>

Health and Social Care Risk Sharing Arrangements – Mental Health

- 6.3 The risk sharing arrangements for Mental Health, as agreed on Feb 7th 2008, and subsequently reaffirmed as continuing to apply for 2009-10, at the Health and Social Care Board, are:

- 20% Council:
- 80% Primary Care Trust.

6.4 At Month 2 the Mental Health budget is projecting a breakeven position based upon the following budget:

	£000
LB Southwark	10,448
Southwark PCT	<u>43,867</u>
Total	<u>54,315</u>