

To: Members of Southwark Health and Social Care Board	Date: 1 st December 2009
Report Title:	Finance Update
Classification:	Open
From:	Malcolm Hines, Deputy Chief Executive & Director of Resources Southwark PCT and Mike Watson, Interim 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. Update on PCT Financial Position: 2009-10

- 3.1 The PCT is reporting an overall year-to-date over spend of £5.967m as at Month 7. The PCT is forecasting a break even position by year-end

- 3.2 The table below shows the Year to Date position (to Month 7):

	Budget to Month 7	Spend to Month 7	Var'ce to Month 7	Annual Budget	Likely F/cast Year End Spend	Likely F/cast Year End Var'ce	Best Case F/cast Year End Var'ce	Worst Case F/cast Year End Var'ce
	£000	£000	£000	£000	£000	£000	£000	£000
Commissioned Services: Acute Acute Contingencies & Mitigations	154,071	160,619	6,548	263,663	277,453	13,790	13,615	14,381
Commissioned Services: Client Groups and Southwark Provider Service	80,777	81,486	708	138,024	139,049	1,025	472	3,328
Other Earmarked Budgets	3,879	3,546	(333)	5,874	(2,911)	(8,785)	(10,846)	(6,487)
Primary Care	37,285	36,557	(728)	66,024	64,769	(1,255)	(1,350)	(350)
Prescribing	17,989	17,847	(142)	30,839	30,699	(140)	(140)	(35)
Corporate Costs	7,900	7,814	(86)	13,879	14,405	527	194	975
Grand Total All PCT	301,902	307,869	5,967	518,303	518,303	0	(3,217)	11,812

FORECAST POSITION AT MONTH 7

5,967

0

(3,217)

11,812

- 3.3 This forecast is considered very high risk and the PCT Board has been asked to note the following:
- that the forecast outturn assumes full delivery of the systems wide sustainability initiative with local Foundation Trusts (particularly Kings) and other mitigating actions totalling £5.2m;
 - ongoing discussions with Southwark Provider Services to develop schemes to deliver the balance of their savings targets currently estimated at £0.3m;
 - that all flexibilities have now been committed and that any further deterioration in financial performance will result in the PCT overspending.
 - ongoing discussions on year end arrangements with local Foundation Trusts and the Lambeth, Southwark and Lewisham (LSL) LSL Alliance.
- 3.4 The worst case forecast is an overspend of almost £12m.

4. Council Adult Social Care budgets

- 4.1 The Council Medium Term financial Strategy requires departments to exemplify savings equivalent to 5% of their net controllable budget each year for three years starting 2009/10.
- 4.2 The social care savings target for 2009/10 is £4.125m. The 5% target for 2010/11 is £4.333m with a further target of around 5% likely the following year.
- 4.3 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 in all future years.

Social Care Budget Position at Month 7 (31st October) 2009/10

- 4.4 The position at Month 7 is a projected overspend at year end of £789k on a gross budget of around £150m. The main reasons for this variance are:
- A delay in home care retendering and its anticipated savings
 - Fewer people than anticipated leaving services through the eligibility process.
 - More expenditure on Learning Disabilities (see section on pooled budgets)
- 4.5 Work is continuing to manage down the over-commitment.

5. Pooled Budgets

- 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:

Learning Disabilities Pooled Budget

- 5.2 The position at Month 7 is a projected Overspend of £1.4m for the pool (no risk share adjustments applied). This is on a budget of:

	£000
LB Southwark	23,477
Southwark PCT	<u>11,224</u>
Total	<u>34,701</u>

Reason for Variance:

- 5.3 There are more clients requiring funding than was projected by the Community Team and a small number of clients with very expensive community and residential care plans has had a significant effect.

Integrated Community Equipment Services (ICES)

- 5.4 At Month 7 ICES is projected to under spend by £50k on the following budget:

	£000
LB Southwark	1,214
Southwark PCT	<u>338</u>
Total	<u>1,552</u>

Reason for Variance:

- 5.5 Savings in equipment purchase.

6. Health and Social Care Risk Sharing Arrangements – Mental Health

Mental Health Pooled Budget – 2008/09 Outturn

- 6.1 The overspend of £995,000 in 2008/09 (reported at the 2nd July meeting of the Health & Social Care Board) was mainly due to the following:
- Eventual agreement to pay for a wide range of historical invoices where there was no evidence of prior approval (£400k). Some of these go back to 2006/07. We have improved our approval systems and there is now a much tighter process to manage spend through a Tertiary Panel and the monthly integrated budget meetings. However, there remains a residual risk as further historical (pre 2009/10) invoices will still be charged to the pool.
 - Finalised risk share arrangements with SLAM. A risk share agreement was negotiated at the beginning of the financial year for cost per case activity whereby the costs above an agreed threshold would be shared 50:50 with SLAM to a maximum of £450k. The threshold was reached at the end of the financial year and the pool was eventually liable for the full £225k. It should be noted that this clause and associated risk was removed from the 2009/10 contract with SLAM.

Mental Health Pooled Budget – 2009/10 Update

- 6.2 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.

6.3 At Month 7 the Mental Health budget is projecting an overspend of £326k based upon the following budget:

	Budget £000	Share of Overspend £000
LB Southwark	10,472	65
Southwark PCT	<u>43,867</u>	<u>261</u>
Total	<u>54,339</u>	<u>326</u>

Reasons for Variance:

- Further historical invoices for provision in the independent sector
- Additional costs of Psychiatric Intensive Care Unit
- Pressures in homecare budgets and agency staff.

6.4 Existing pressures within the pooled budget are being managed via the recently commissioned savings plan around reduction of agency staff, and a moratorium on non-care expenditure

Recommendation

Members are requested to note this report.