

JOINT COMMISSIONING BOARD

Agenda Item 12

Brighton and Hove City NHS
Teaching Primary Care Trust
Brighton & Hove City Council

Subject:	Financial Performance Report – Month 2		
Date of Meeting:	28 July 2008		
Report of:	Director of Finance, Brighton and Hove PCT		
Contact Officer:	Name:	Michael Schofield	Tel: 01273-545314
	E-mail:	Michael.Schofield@bhcpct.nhs.uk	
Key Decision	No		
Wards Affected:	All		

FOR GENERAL RELEASE

1. SUMMARY AND POLICY CONTEXT:

- 1.1 This report sets out the results of the year end audit of the pooled joint commissioning budgets, and matters arising. It also provides details of the budgets for 2008/2009, and developments in respect of the financial management implications for the move to Foundation Trust status of Sussex Partnership Trust, expected during 2008/2009. Foundation trusts have different management arrangements, and are more directly accountable to the local population, but Sussex Partnership Trust will still continue to deliver mental health services.

2. RECOMMENDATIONS:

- (1) Board members are requested to note the conclusion of the audit of the PCT financial statements, which includes information about the section 75 agreement, and to approve the proposal to prepare a balance sheet for 2008/2009;
- (2) Board members are requested to consider the 2008/2009 budgets, to note the ongoing review work in respect of the mental health 'baseline' and to consider the proposed risk share arrangements in respect of the provider pools – both of which arise from the move towards Foundation Status of Sussex Partnership Trust; and
- (3) Board members are requested to note the forecast break-even outturn at Month 2, including the ongoing discussions around the application of the prior year underspend.

3. RELEVANT INFORMATION:

Year End Audit 2008/2009

- 3.1 The arrangements for the section 75 pooled budget arrangement have been in place for some time, drawing on flexibilities created to allow strengthened joint working between health and local government. The PCT prepares a memorandum note to its financial statements in respect of the arrangement, as this is best practice, and this is carefully reviewed as part of the audit of the PCT financial statements. This audit is now complete, and the PCT auditors – having specifically reviewed the pooled budgets notes – have issued an unqualified audit opinion on the financial statements and the arrangements for value for money at the PCT. This gives Board members a certain level of assurance around the monitoring and reporting, although not as substance as a full audit. The final memorandum note to the financial statements is included as Appendix 1.
- 3.2 The underlying framework for audit has changed with the introduction of new International Standards for Auditing, applicable to audits of public sector bodies in the UK. As part of this audit approach, the PCT external auditors revisited the previously agreed approach to the pooled budget, and raised the issue of the preparation of a balance sheet for the pool in order to calculate an ‘imputed cash’ balance to be reversed back to the contributing bodies. The PCT officers demonstrated that the arrangements of the pool are such that any imputed cash balance would be immaterial, and the auditors accepted this view. However, the PCT considers that it would be a useful ‘best practice’ exercise to calculate a balance sheet at Month 6 and Month 12 in 2008/2009, and propose to report the results of this exercise to the Board. This is a complex technical exercise, but will assist in supporting the overall accountability for the budgets entered into the pool by both partners.

Budget Proposals 2008/2009

- 3.3 For 2008/2009, contributions to the pool reflect the improved financial outturn at the end of 2007/2008. The PCT has increased all NHS contributions by the tariff uplift funding of 2.3%, including those for South Downs Health NHS Trust which would normally attract a lower tariff. The PCT has also agreed to invest an additional £0.4m on a recurrent basis in the Integrated Community Equipment service, recognising the significant work at South Downs on service improvement. **The total additional PCT investment is £1.397m in the pooled budgets for 2008/2009.**
- 3.4 For 2008/2009, the City Council has invested £1.528m additional funds in learning disabilities, including inflation, but has mandated savings targets of £0.641m, giving rise to a net additional investment of £0.887m. A further £0.531m has been invested across the PCT-led pooled budgets, but an associated savings target of £0.466m has been set, giving a net investment of £65,000. **In total, the City Council has invested an additional £0.952m in the section 75 budgets for 2008/2009. Total investment across the pool for 2008/2009 is therefore an additional £2.3m across both entities.**

- 3.5 Board members may wish to note the ongoing discussions around an appropriate contracting currency for mental health services as it moves towards Foundation status. The PCT, working jointly with Sussex PCTs, has been working with SPT to develop a new form contract for mental health services, with detailed activity measures – well in advance of the national programme. As part of this process, the ‘underlying’ elements of the contract in respect of the splits of funding across service areas, including those in the pool, are being reviewed. This is because the funding streams are tied to historical blocks, rather than being linked to specific units of activity. The Board will be updated with progress.
- 3.6 The table below sets out the final proposed budgets by client group for the consideration of Board members.

Pool Contributions by Client Group:	SDH	SPT	PCT	BHCC*	Total
PCT Pool:	£000	£000	£000	£000	£000
HIV/AIDS Services Client Group	720	300	-	-	1,020
Intermediate Care Services Client Group	3,452	-	323	-	3,775
Older People's Mental Health Services Client Group	-	13,140	-	-	13,140
Substance Misuse Services Client Group	-	2,683	-	-	2,683
Working Age Mental Health Services Client Group	-	27,874	-	-	27,874
Integrated Equipment Store	1,322	-	-	-	1,322
	5,494	43,998	323	-	49,815
Council Pool:					
Learning Disabilities Services Client Group	6,396	-	927	21,707	29,030
Total Contributions to the Pooled Budgets	11,890	43,998	1,250	21,707	78,845

*£83,000 investment by BHCC still to be allocated.

- 3.7 Board members may also wish to note that the pool has ‘in reserve’ the balance of the commissioning underspend from last year of £0.799m. Discussions between providers and commissioners are continuing in respect of the final details of the service area to which any balance of this carried forward underspend should be applied. £0.5m of this funding has been applied by the PCT to the Sussex Partnership Trust service level agreement to contribute towards the costs of the Improving Access to Psychological Therapies programme, and Commissioners are minded to apply the remainder of the funding towards the Dementia at Home service.

Risk Share Arrangements 2008/2009

- 3.8 Both the underspend at the end of last year, and the move of Sussex Partnership Trust towards foundation status, have focused the attention of both commissioners and providers on the issue of risk share. In addition, a new contract (which will be legally binding, but is currently in shadow form) has been signed between the PCT and Sussex Partnership Trust, and this has been carefully scrutinised by Monitor (the regulator for Foundation Trusts), who have raised questions over risk share.
- 3.9 Accordingly, Commissioners and providers have been discussing the possibility of a risk-share agreement which would relate initially to the community care

element of the mental health budget (i.e. the element which is spent by Sussex Partnership Trust) and would set a tolerance under which the provider accepts the risk of over or underspend, with rigorous conditions on the continuing applicability of funding to the residents of Brighton and Hove. When finalised, these proposals will be brought to the Board for consideration.

Month 2 Forecast Outturn 2008/2009

- 3.10 As at the end of Month 2, the overall forecast is for breakeven. Learning disabilities is currently forecasting an overspend of £0.114m, although a recovery plan is in place. There are forecast over and underspends in respect of mental health (the community care/ council-provided element), but these need to be considered in the context of the underspend carried forward. Officers will continue to monitor the position. The table below shows the forecast outturn at Month 2.

M2 Forecast Outturn Variance by Client Group:	SDH	SPT	PCT	BHCC*	Total
	£000	£000	£000	£000	£000
PCT Pool:					
HIV/AIDS Services Client Group	-	-	-	-	-
Intermediate Care Services Client Group	-	-	-	-	-
Older People's Mental Health Services Client Group	-	(396)	-	-	-
Substance Misuse Services Client Group	-	157	-	-	-
Working Age Mental Health Services Client Group	-	470	-	-	-
Integrated Equipment Store	-	-	-	-	-
	-	-	-	-	-
Council Pool:					
Learning Disabilities Services Client Group	-	-	-	114	-
Savings/ Recovery Plans		(114)		(114)	
Forecast Outturn at Month 2	-	-	-	-	-

*Note unapplied underspend b/f in respect of mental health and substance abuse

- 3.11 One of the issues that the PCT and the City Council will be focussing on in the coming months is the financial management of continuing care and complex care packages for individuals. Despite a significant increase in the NHS budgets for continuing care, a forecast overspend is emerging in NHS budgets even at this early point in the year. However, this impacts on the main PCT budgets, rather than the section 75 budgets. Similarly, there are significant pressures on the learning disabilities expenditure areas, primarily undertaken in the City Council. Officers will be working over the coming months to secure the benefits of partnership working and to try and jointly address these pressures.

4. CONSULTATION

- 4.1 In determining levels of planned expenditure across the client group areas, both the PCT and the City Council have completed extensive consultation exercises. The PCT has prepared an Annual Operating Plan, which highlights the processes for prioritising investment across the range of healthcare, and sets out how new monies will be spent. The City Council engages in an extensive public consultation process in the run up to the budget-setting process.

5. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 5.1 The financial implications of the report are found in the text, highlighting the proposed budgets for 2008/2009.

Finance Officer Consulted: Michael Schofield/ Nigel Manville Date: 11/7/08

5.2

Legal Implications:

There are no specific legal implications which arise out of this report as it is in the main for noting purposes only.

The proposal to prepare a balance sheet for 2008/2009 offers a greater degree of accountability and scrutiny.

The proposals for 2008/2009 budgets need to ensure sufficient provision is made for the ongoing ability to meet the assessed needs of service users thereby continuing to meet statutory duties and protect human rights.

Lawyer Consulted: Farida Amin

Date: 15.07.08

Equalities Implications:

- 5.3 There are no direct equalities implications arising from this report.

Sustainability Implications:

- 5.4 There are no direct sustainability implications arising from this report.

Crime & Disorder Implications:

- 5.5 There are no direct crime and disorder implications arising from this report.

Risk and Opportunity Management Implications:

- 5.6 There are no direct risk and opportunity management implications arising from this report. Both organisations have extensive risk management frameworks which address the risks arising from the section 75 agreement.

Corporate / Citywide Implications:

- 5.7 There are no direct corporate/ citywide implications arising from this report.

SUPPORTING DOCUMENTATION

Appendices:

1. Extract from PCT Financial Statements
2. Details of the elements of the Budget

Appendix 1: Extract from the PCT Audited Financial Statements 2007/2008

Note 24. Pooled Budget

The PCT has entered into a pooled budget with Brighton & Hove City Council. Under the arrangement funds are pooled under S75 of the Health Act 2006 for: Older Peoples Mental Health, Learning Disabilities, HIV/AIDS, Substance Misuse, Intermediate Care and Working Age Mental Health activities and a memorandum note to the accounts provides details of the joint income and expenditure. The pool met its budget in year.

	07/08 £000's	06/07 £000's
Gross Funding		
BHC PCT	41,704	38,404
South Downs Health NHS Trust	-	317
Brighton & Hove City Council	35,210	36,662
	76,914	75,383
Expenditure:		
Non NHS Providers	4,359	3,140
Other NHS Providers	272	2,515
South Downs Health NHS Trust	5,249	7,501
Sussex Partnership Trust	43,078	38,522
Social Care	21,986	22,521
Brighton & Hove City PCT	1,970	1,185
	76,914	75,384

The pool has two elements - an element hosted by Brighton and Hove City Council for Learning Disabilities, and an element hosted by the PCT for all other services provided. Both pooled funds form part of the overall pool, which is jointly managed through the Joint Commissioning Board, which receives regular financial reports.

There is no separate accounting entity for the pool, and the PCT and the City Council make contributions at the same time as the pool pays over payments to external parties (i.e. the contribution to the pool and the payment by the pool are one and the same transaction). This means that, at the year end, the only elements of the 'pool balance sheet' will be equal and opposite debtor and creditor balances between the PCT/City Council and the pool, and between the pool and external parties. There is no imputed cash element. The PCT does not consider these matching debtor and creditor balances to be significant and, accordingly, has not included a balance sheet in this disclosure note.

Appendix 2: Contributions to the 2008/2009 Budget by Brighton and Hove City PCT and Brighton and Hove City Council

The table shows the contributions made by the two entities to the pool, with an analysis across the service groups and the 'vehicles' for provision. The providers have separate provider pools, but the JCB governance arrangements are focused on the commissioning arrangements.

PCT Contributions to the Pool 2008/2009					
	SDH £000	SPT £000	PCT £000	BHCC £000	Total £000
HIV/AIDS Services Client Group	579	300	-	-	879
Intermediate Care Services Client Group	2,122	-	323	-	2,445
Learning Disability Services Client Group	6,396	-	927	-	7,323
Older People's Mental Health Services Client Group	-	6,912	-	-	6,912
Substance Misuse Services Client Group	-	2,471	-	-	2,471
Working Age Mental Health Services Client Group	-	24,021	-	-	24,021
Integrated Equipment Store	682	-	-	-	682
	9,779	33,705	1,250	-	44,734
BHCC Contributions to the Pool 2008/2009					
	SDH £000	SPT £000	PCT £000	BHCC* £000	Total £000
HIV/AIDS Services Client Group	141	-	-	-	141
Intermediate Care Services Client Group	1,330	-	-	-	1,330
Learning Disability Services Client Group	-	-	-	21,707	21,707
Older People's Mental Health Services Client Group	-	6,228	-	-	6,228
Substance Misuse Services Client Group	-	212	-	-	212
Working Age Mental Health Services Client Group	-	3,853	-	-	3,853
Integrated Equipment Store	640	-	-	-	640
	2,111	10,293	-	21,707	34,111
*£83,000 still to be allocated					

Pool Contributions by Client Group:					
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PCT Pool:					
HIV/AIDS Services Client Group	720	300	-	-	1,020
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The two 'pools' form part of one larger 'pool' – which is managed under the overarching pooled budget arrangement. Technically, the Board of each lead commissioner manages the pool within the overall fund, and the JCB co-opts all members into one combined board at the start of each meeting. Note, the breakdown and components of the SPT element continue to be reviewed against the outcomes of the activity-based costing review, which is still under discussion.