

2010/11 Revenue Budget Overview

1. Introduction

2010/11 will be a very challenging year financially for all public sector bodies including Argyll & Bute CHP. Increasing demand on services coupled with a low funding uplift will put severe pressure on the CHPs revenue budget and there will be a significant budget gap to address.

2. Budget Overview

Forecast revenue expenditure in 2010/11 has been assessed at £175.9m. Against this, however, Scottish Government Health Department funding is only expected to be £171.9m. There is therefore a £4.0m budget gap to be addressed.

3. Causes of the Gap

As with most organisations, the causes of financial pressures are many and varied. For Argyll & Bute CHP, it is reasonable to summarise the causes of the forecast £4.0m budget deficit into four main headings;

Residual “Argyll & Clyde” deficit	£1.2m
Service pressures emerging in 09/10	£1.0m
Low funding settlement 10/11	£1.2m
Forecast service pressures for 10/11	<u>£0.6m</u>
	<u>£4.0m</u>

4. “Argyll & Clyde” deficit

On dissolution of Argyll & Clyde Health Board on 31st March 2006, the Argyll & Bute area transferred to Highland Health Board and brought with it a £4.9m recurring budget deficit.

This has been managed down over four years, however a residual deficit of £1.2m remains to be addressed.

CPP Full Partnership Meeting 10.02.10

5. Service pressures 09/10 & 10/11

On an annual basis, new service pressures emerge in the Health Service due to developing technologies, changes in legislation, introduction of new drugs etc. It is not unusual to have service growth costs in the region of 0.5% to 1% in any given year.

6. Low funding settlement for 10/11

The SGHD funding uplift for 10/11 is only 2.15%. This is the lowest funding uplift received for many years. Natural cost growth for existing pay and supplies costs has been assessed at 2.85%. This 0.7% gap equates to a funding uplift shortfall of £1.2m.

7. Summary of the Position

In total, the budget deficit which needs to be addressed by Argyll & Bute CHP in 2010/11 is £4.0m. With a relatively fixed economy, it will be very difficult to fully meet this challenge without affecting service delivery capacity.

8. Options for savings

In addition to the usual housekeeping measures, it will be necessary to consider some major initiatives to reduce costs. Areas for consideration include; out of hours services, bed rationalisation, staffing levels, primary care services and corporate services. A full plan to address the £4.0m savings target has yet to be agreed by the CHP Management Team.

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