

Appendix 3

It is intended that the budget will be constructed and managed based on a set of jointly agreed principles. The following jointly agreed budget principles will be applied to all service budgets for the Integrated Budget following the shadow year

- A three year indicative financial plan will be prepared by the Chief Officer working with the management teams of NHS Borders and SBC supported by Finance officers to meet agreed objectives and outcomes.
- Both the capital and revenue plans for the partnership will be prepared between October and February for implementation the following April. This will ensure the revenue consequences of capital investment (both in terms of the capital financing implications, additional asset running costs and savings proposed) are incorporated fully in both plans
- National guidance, the Single Outcome and Local Delivery Plan agreement and corporate priorities of the NHS boards and Scottish Borders council will be used as the basis for prioritising the resources available to the partnership.
- The revenue plan for the partnership will be prepared on a three year basis. The first year (confirmed) and the remaining 2 years will be indicative. The plan will be reviewed and updated each year to reflect, pay and price increases, new statutory burdens and demographic challenges.
- The capital plan will be prepared on a 5 year basis and will like revenue be subject to annual review. The Capital plan will comprise a 1 year operational and 4 year strategic element.
- Detailed guidance setting out the methodology used to allocate initial resources for capital and revenue will be set out at the start of each budget process. Initial resource allocations will be subject to amendment following confirmation of funding from central government.
- Budget setting is not a process for securing additional resources. Services developments will be subject to corporate consideration, evaluation and prioritisation before inclusion in the financial plan. Any excess of spending plans over available resources will require to be balanced by savings.
- All revenue savings proposals must be deliverable and unless otherwise identified, achievable within the identified financial year.
- The level of resources to be included within the partnership for the forthcoming financial year will be agreed by SBC and the Board of NHS Borders in line with corporate resource allocation methodologies which provide the overall resources within which the partnership will construct its base budget.
- The budget for the partnership will be delegated to the Chief Officer and through them to individual managers who will be responsible for delivery of services and associated outcomes within the resources

delegated. This will require managers to agree and sign off the budget they have been tasked with managing prior to the start of the financial year in question.

- Any in year variances will require to be balanced by savings elsewhere. If these variances are forecast to recur the following year they will require to be addressed within the following budget process on a permanent basis.
- Any changes to budgets arising from re-determination of government funding will be applied to base budget as early as possible in the financial year.
- A detailed time table with guidance for managers will be prepared to guide each annual budget cycle

For the 2014/15 shadow year budget, the following principles apply

- The attached budget is based on the 14/15 plan as agreed in each partner organisation. The process for agreeing budgets for the key budget categories is outlined below
- **Pay** - Pay budgets will be zero based and recalculated annually based on the agreed the staffing establishment. Budgets will be calculated using the October/November payroll. Vacancies will be costed using the minimum scale point of the applicable pay scale. In year financial appointments to vacancy above scale point minimum will be funded by the recruiting service budget adjustment. The subsequent re-costing of the staff establishment will address any shortfall.
- **Supplies and Services (Excluding Drugs)** - Supplies and services budgets will be reviewed annually. Budgets will be reviewed in line with information provided by procurement services and nationally agreed contracts. Other increases are based on four bases – Demographics (e.g. the number of old people requiring care), Government Policy Changes (e.g. SDS, Foster Care fees and allowances), Economic (e.g. impact of Welfare Reform) and Other Misc.
- **Drugs** - The setting of the drugs budget is taken forward an assessment of the impact of new drugs based on clinical evidence, volume increases and price changes. Individual GP prescribing budgets will be recalculated using the NRAC formula
- **Commissioned Services** - Expenditure against budget will be reviewed by the commissioning group. The majority of annual uplifts will be determined where applicable by regional national groups.
- **Income** - Departments review external fees and charges as part of the financial planning process to maximise income whilst meeting the needs of service users, including the most vulnerable. Any additional income generated through this process will contribute to closing the corporate gap. All fees and charges must be reviewed in accordance with External Charges policies alongside any other

supporting guidance such as COSLA guidance on charging for residential care.

- **Inflation** - Where relevant any inflation will be applied corporately. Cost inflation is allocated directly to specific budget heads based on three main bases – statutory inflation (e.g. Free Personal Care), Contractual Inflation (e.g. COSLA residential care home contract) and Business Critical Inflation (e.g. Scottish Borders Council uplifts as agreed in their financial plan is included in the attached proposed budget. NHS Border budget contains only the recurring base budget. Agreed uplifts will be added at the appropriate point during the year for example when salary increases are paid.

Efficiency Savings - Scottish Borders Council have included agreed efficiency savings within the attached figures. NHS Borders efficiency savings will apply as per agreed savings trajectories linked to individual efficiency schemes