

**CIPFA'S JOINT RESOURCING  
ADVISORY AND NETWORK GROUP**

**ALIGNED BUDGETS : SAMPLE  
CRITICAL PATHS**



## **The critical path to aligning budgets from 1 April 2003**

### **Introduction**

The two sample critical paths to aligning budgets provided should be used in conjunction with the Aligned Budget guidance issued by the CIPFA Joint Resourcing Advisory and Network Group during September 2002.

They demonstrate the steps and tasks that could be completed by partners if they agree to follow the paradigm 2 (A) and 2 (B) routes to aligning budgets from 1 April 2003. It is recognised, however, that these critical paths cannot be wholly applied in every area as this will depend on what stage the partnership and the financial arrangements have already reached on the journey to aligning budgets.

For example, there is an assumption made within the critical paths that the refining and scoping of the resources to be included in the 'pot' will be completed at the end of August. However, most areas completed this particular task earlier in the year to enable this information to be included within their initial Local Partnership Agreements. On that basis, the completion of the other tasks shown in the sample critical paths will also require to be adjusted.

The sample critical paths are available on the Joint Future Unit website ([www.scotland.gov.uk/health/jointfutureunit](http://www.scotland.gov.uk/health/jointfutureunit) ) and the CIPFA Scotland website ([www.cipfa.org.uk](http://www.cipfa.org.uk))

Appendix 3 attempts to outline the budget setting timetable for Local Government and Health.

## **Appendix 1: Critical Path to Implementing Aligned Budgets – Paradigm 2A**

Accompanying notes to the Critical Path

### **Governance and Management Issues**

A high level joint committee or board with elected members and senior managers to be established.

Managers to be agreed by partners as early in the process as possible to enable other aspects of the project to be taken forward with the full involvement of those managers who will have responsibility.

Consultation with the Staff Partnership Forum is essential to ensure the smooth development of the Joint Future Agenda.

### **Performance Management**

Integrated performance and budgets reports must be established to ensure that partnership meets the requirements of the local Partnership Agreement per CCD7/2001. Agreement to be reached on frequency, format and detail of reporting to joint committee. Consultation is currently underway on Community Care Assessment Framework – see chapter 4 of the CIPFA Bulletin: A Practical Guide for Local Authorities and NHSScotland for further information.

### **Finance Issues**

The Joint Finance Project Team will drive the work plan to ensure that all requirements are in place for April 2003. It is recommended that a lead team member should be identified to take forward each element within the critical path.

### **Budget Setting Process**

NHS and Local Authority budget setting timetables require to be harmonized to enable partners to meet their respective reporting program.

To ensure that partners do not encounter unresolved budget issues it is essential at this point that all aspects of budget setting are discussed and agreed prior to the budget sign up/agreement. Such issues as treatment of cost pressures, efficiency savings, service developments, carry forward arrangements etc. will be important to the future of the partnership, and must therefore be agreed in advance.

Both partners' managers must be involved throughout the budget setting process to determine that services can be delivered within the proposed funding to meet the objectives within the local partnership agreement.

See Appendix 3 for a comparison of the budget setting timetable for local government and health.

### **Budgetary Control Arrangements**

A scheme of delegation must be established to ensure partners have clear responsibilities. Relevant and timeous reporting in a format agreeable to managers to be established. Finance support is essential to both partners and this support must be identified to provide clarity to managers.

### **Accommodation/Premises/Transport**

A separate Scottish Executive working group has been set up to consider the implications of sharing premises and use of assets by partners. Further information will be available on the Joint Future Unit in due course.

### **Personnel Issues**

In some cases shared working will be a culture change for staff from both partners. It is essential that all relevant staff are provided with training to ensure the smooth transition and continuous development of the Joint Future Agenda. It is strongly recommended that a local staff is set up as early as possible.

### **Internal Control Issues**

Internal and external audit must take a lead role in the assessment of any required changes to the partners current internal control procedures. Partners Audit plans would benefit from being co-ordinated in respect of services within the local partnership agreement. Ideally, joint audit plans should be prepared, particularly for internal audit.

**Paradigm 2A**

	<b>Suggested Timetable</b>													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Define Services within Local Partnership Agreement</b>														
Agree vision														
<b>Refine the Joint Resourcing Pot</b>														
Identify Budgets and Sources:-														
Service														
Staff														
Equipment														
Property														
IT/Communications														
Financial Resources														
<b>Governance &amp; Management Issues</b>														
Establish Joint Committee														
Appoint Managers														
Agree Development Priorities and Targets <i>per CCD7/2001</i>														
Agree Service Activity Plans														
Consult Joint Staff Forum and agree Manpower Plans														
Agree Disputes; Escalation & Exit Strategies														

	Suggested Timetable													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Performance Management</b>														
Develop Performance Measures <i>per CCD7/2001</i>														
Agree reporting requirements														
Establish systems to generate info in agreed format														
<b>Finance issues</b>														
Establish a joint finance project team														
Harmonisation/clarification of Financial procedures														
Agree treatment of Ring fenced allocations/specific grants/developments														
<b>Budget Setting Process</b>														
Harmonize budget setting timetable														
Agree Indirect/Overheads Cost Arrangements														
Identify Inflation Uplifts														
Highlight Cost Pressure /Treatment														
Incorporate Efficiency Savings														
Agree Procedure for dealing with significant change														
Under/Overspends treatment														
Agree Carry Forward Arrangements														
Identify Level of Devolution														

	Suggested Timetable													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
Prepare Budget/3 year financial plan														
Budget sign up/agreement														
<b>Budgetary Control Arrangements</b>														
Agree format of reports with managers														
Agree reporting timetables – same for both partners														
Agree Flexibility permitted														
Agree rules for virement														
Set Budget variation acceptance levels														
Agree Scheme of Delegation														
Provide Support to Managers - ongoing														
<b>Accommodation/Premises/Transport</b>														
Consider implications on use of assets:														
Ownership														
Management														
Cost Sharing														
<b>Personnel Issues</b>														
Establish Training & Organisational Develop't Plan														
Implement Training Plan														

	<b>Suggested Timetable</b>													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Internal Control Issues</b>														
Revise Standing Financial Instructions as necessary														
Check Legal liability/Insurance provisions														
Review Clinical Audit/Governance arrangements														
Perform Risk Assessment and Develop Risk Plan														
Review Audit Arrangements:-														
Internal/External														
Internal Control														
Co-ordinate Internal Audit Plans														

## **Appendix 2: Critical Path to Implementing Aligned Budgets – Paradigm 2B**

### **Accompanying Notes to the Critical Path**

The critical path for Paradigm 2A has been amended to reflect the necessary differences where Paradigm 2 is adopted. These amendments have been highlighted by \* at the start of the item on the critical path. The notes below pull out the specific issues in more detail.

#### Governance and Management Issues

It is essential that the single manager is appointed as soon as is reasonably possible. It is important that the contribution of each Partner towards the remuneration of the single manager is agreed before appointment. The Partners also need to agree the role, responsibilities and accountability of the manager.

#### Performance Management

In order to successfully ensure that the partnership performs as prescribed in the Local Partnership Agreement, the single manager must implement regular integrated performance and budget reporting. The single manager and the Joint Committee/Board must agree how often the single manager will report to the committee on the financial affairs and performance of the partnership. The level of detail of this reporting must also be agreed – will it be on an exception basis only or all aspects .

#### Finance Issues

It is vital for proper stewardship of funds that the finance project team have a clear interface not only with the management team but also with all other groups/teams involved in the partnership. It is for the single manager, the management team and the finance team to determine how they want this interface to work in practice.

### Budget Setting Process

The single manager must be involved in the discussions held by each partner regarding the level of its contributions. The single manager's role in these discussions is to highlight what can actually be delivered on the basis of the proposed contributions. The single manager should clearly be trying to maximise the contribution to the partnerships. Where the single manager believes that the proposed contributions are significantly below the level required and that this will impact adversely on the ability to deliver the objectives outlined in the LPA, then the single manager must be able to report this to the Joint Committee/Board. Events may occur throughout the year which force a partner to review its contribution to the partnership (either increase/decrease). Arrangements must be in place which ensure that the single manager is informed as soon as is reasonably possible of any increase/decrease. The single manager, in these circumstances, must then determine what action is required in order to deal with the changed circumstances. (S)he must then report to the Joint Committee in order to report any proposed action.

### Budgetary Control Arrangements

It is essential that a scheme of delegation is agreed which clearly defines the responsibilities and functions delegated to the single manager, for example budgetary control. The scheme of delegation must also be clear about the responsibilities retained by the Partners and those responsibilities delegated to the Joint Committee. Given the range of financial activities likely to be delegated to the single manager, it is essential that (s)he is provided with sufficient financial and other administrative support.

### Personnel Issues

It is vital that a list of staff eligible to apply for management posts within the partnerships is established as soon as possible. Job descriptions for all new posts within the partnership must be agreed. The descriptions should clearly set out the budgetary responsibilities associated with each post. The single manager and his/her management team must fully understand and accept the standing orders, financial regulations and Scheme of

Delegation which (s)he must operate within. There will therefore be a training need which requires to be addressed.

### Internal Control Issues

The Financial Instructions and Scheme of Delegation of the partnership must allow delegation of budgets to the single manager. (S)he must also be able to authorise a wide range of transactions in the partners financial systems which are relevant to the budgets delegated to him/her and therefore procedures and documentation must be established and agreed in order to permit this. The financial regulations of the Partners may have to be amended so that the single manager is included in the definition of an authorised officer. For example, where the single manager is a local authority employee, the Trust's definition may need to be expanded to include duly authorised employees of the local authority.

It is the view of the CIPFA Joint Resourcing Group that the single manager should be required to sign a Statement of Internal Control which will provide assurance to the Joint Committee/Board that the risks of not achieving the aims and objectives have been evaluated and that the Partnership is being managed effectively, efficiently and economically. This report should also be given to the accountable officers in the each of the Partners organisations.

**Paradigm 2B**

	<b>Suggested Timetable</b>													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Define Services within Local Partnership Agreement</b>														
Agree vision														
<b>Refine the Joint Resourcing Pot</b>														
Identify Budgets and Sources:-														
Service														
Staff														
Equipment														
Property														
IT/Communications														
Financial Resources														
<b>Governance &amp; Management Issues</b>														
Establish Joint Committee														
* Appoint Single Manager*														
Appoint Managers														

	<b>Suggested Timetable</b>													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
Agree Development Priorities and Targets <i>per CCD7/2001</i>														
Agree Service Activity Plans														
Consult Joint Staff Forum and agree Manpower Plans														
Agree Disputes; Escalation & Exit Strategies														
<b>Performance Management</b>														
Develop Performance Measures <i>per CCD7/2001</i>														
*Agree reporting requirements including single mgr'w requirements*														
Establish systems to generate info in agreed format														
<b>Finance issues</b>														
Establish a joint finance project team														
*Establish an interface between finance and mgmt and other teams*														
Harmonisation/clarification of Financial procedures														
Agree treatment of Ring fenced allocations/specific grants/developments														

	Suggested Timetable													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Budget Setting Process</b>														
*Single mgr to be involved in contribution setting process*														
*Single mgr to be involved in change in contribution discussions*														
*Determine reporting mechanism for advising impact of changes in contributions by partners*														
Harmonize budget setting timetable														
Agree Indirect/Overheads Cost Arrangements														
Identify Inflation Uplifts														
Highlight Cost Pressure /Treatment														
Incorporate Efficiency Savings														
Agree Procedure for dealing with significant change														
Under/Overspends treatment														
Agree Carry Forward Arrangements														
Identify Level of Devolution														
Prepare Budget/3 year financial plan														
Budget sign up/agreement														

	<b>Suggested Timetable</b>													
	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Budgetary Control Arrangements</b>														
*Develop and agree Scheme of Delegation for single manager*								■	■	■	■	■	■	
*Provide Support to Single Manager*								■	■	■	■	■	■	
Agree format of reports with managers								■	■	■	■	■	■	
Agree reporting timetables – same for both partners								■	■	■	■	■	■	
Agree Flexibility permitted										■	■	■	■	
Agree rules for virement										■	■	■	■	
Set Budget variation acceptance levels								■	■	■	■	■	■	
Agree Scheme of Delegation										■	■	■	■	
Provide Support to Managers - ongoing										■	■	■	■	■
<b>Accommodation/Premises/Transport</b>														
Consider implications on use of assets:								■	■	■	■	■	■	
Ownership								■	■	■	■	■	■	
Management								■	■	■	■	■	■	
Cost Sharing								■	■	■	■	■	■	

	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	>
<b>Personnel Issues</b>														
*Establish staff eligible to apply for posts*														
*Agree partners contribution for single mgr and mgmt team posts (incl pay awards)*														
*Develop and agree job descriptions *														
*Develop and agree guidance and training plans for the single manager *														
Establish Training & Organisational Develop't Plan														
Implement Training Plan														
<b>Internal Control Issues</b>														
*Revise SFIs/Schemes of Delegation of Partners to allow for delegation of budgets to single manager*														
*Establish procedures for authorization by single mgr*														
Revise Standing Financial Instructions as necessary														
Check Legal liability/Insurance provisions														
Review Clinical Audit/Governance arrangements														
Perform Risk Assessment and Develop Risk Plan														
Review Audit Arrangements:-														
Internal/External														
Internal Control														
Co-ordinate Internal Audit Plans														

### Appendix 3: Budget Setting Timetable for Local Government & Health

<b>MONTH</b>	<b>Local Government Budgeting</b>	<b>NHS Budgeting</b>
April		
May		First monthly financial report issued on agreed annual budget
June		
July		
September	Detailed work begins on budgets for next financial year	
October		Half year review of financial position leading to next year budget review
November	Rough indication of likely government support	Detailed discussions with budget managers begin for next financial year
December		Detailed discussions fed into Trust Financial Plans
January	Revisions made to original estimates	Draft NHS Board Financial Plans discussed
February		Final Financial Plan revisions
MArch	Statutory obligation to announce council tax levels and produce a balanced budget	NHS Boards approve Financial Plan