



FINANCE POLICY & PROCEDURE FPP (No.8)

Capital Business Cases – Submission and Approval Process

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Author: Charles Porter – Director of Finance and Estates	Approval: Audit Committee
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FINANCE POLICY NO. 8

CAPITAL BUSINESS CASES – SUBMISSION AND APPROVAL PROCESS

This document should be made available to all staff employed by the South Central Ambulance NHS Trust. It sets out the guidance for all staff on the approval process for all capital expenditure which, in all instances, require the submission of a business case to the Fixed Asset management and Strategy Group. Guidance and advice on the application of this procedure should be obtained from the Assistant Director of Finance (Financial Control).

This document is supplemental and subordinate to the South Central Ambulance NHS Trust Standing Orders and Standing Financial Instructions and does not supersede the governance provided by them either in part or in whole. This document should be read in conjunction with Financial Policy No 5 on Guide for Managers and Staff on the Authority to incur expenditure and related financial matters.

(SO 17 and 18)

Charles Porter
Director of Finance

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CAPITAL BUSINESS CASES- SUBMISSION AND APPROVAL PROCESS

1. Introduction

- 1.1 The purpose of this paper is to outline the processes that must be followed for the approval of all capital expenditure.
- 1.2 The Fixed Asset Management Strategy and Management Group (FAMSG) is a sub-committee of the Trust Board. No capital expenditure can be committed within the Trust without their prior approval. This is obtained by submission of a capital business case.

2. Definition of Capital Expenditure

- 2.1 Expenditure on fixed assets is generally termed as capital expenditure but these are not necessarily the same. A fixed asset is expenditure that has a life in excess of one year and a value (inclusive of VAT) of greater than £5,000. In some cases items of less than £250 can be classed as capital provided they are purchased under single managerial control, have a degree of inter-dependence and have been purchased at broadly the same time. Advice on grouping of assets can be sought from the Chief Accountant or Accountant in Financial Control.

3. Capital Business Case Process

- 3.1 All expenditure on fixed assets must be supported by a business case and submitted to the FAMSG for approval. **Note that this now includes all lease expenditure except staff lease cars.** This is because in practice leases are a type of financing for purchase of fixed assets. The approval will related to the total lease commitments to be incurred.
- 3.2 The purchase of all fixed assets must be undertaken on a consistent basis so that the Trust can make an informed decision on the most economical means of financing. Therefore all future leases must be compared to other sources of funding and are therefore subject approval by the FAMSG via submission of a business case.

4 Business Case Forms

- 4.1 The revised business case forms which replace the current forms and must be submitted to the FAMSG for approval are available on the intranet. This Group meets bi monthly and has delegated powers from the Board for approval of all items of fixed asset expenditure.
- 4.2 This guidance should be read in conjunction with the revised Financial Policy number 5 as well as the Trust's Standing Financial Instructions and Standing Orders. Any individual, who either orders or signs off invoices

for capital expenditure or operational lease expenditure, should ensure that they have the necessary authority to do so.

- 4.3 It is important that the business case forms are completed fully so that members of the FAMSG have as full as information as possible to be able to make a decision on whether capital proposals should proceed. It is recommended that Business Case Sponsors should seek assistance from the Finance Department to complete business case forms before submission to the FAMSG. This will be provided by the Chief Accountant and Accountant situated within Financial Control or Divisional Finance Managers for non-corporate business cases that are less than £100k in total. Sponsors should consider and quantify as part of the case the environmental benefits of their business case proposals.
- 4.4 Capital business case forms require additional information on the revenue streams of proposed projects. It is important that these are understood by the FAMSG so that the Trust is not subject to additional revenue cost pressures that have not been properly funded. In addition these forms will enable the Trust to complete the net present value of the project so that the internal return on the project can be calculated.

5 Submission of Business Cases

- 5.1 All business case forms should identify the requirement. Once these are completed they should be submitted to FAMSG. A detailed breakdown of capital and cash phasing is required. These forms should also include all leases (except for lease cars not involved in the conveyance of patients) irrespective as to whether they are renewals (see 3.1 above)
- 5.2 When approval has been given the project will be listed as a scheme and allocated a number which will be notified to the project sponsor. Unless otherwise notified it will be assumed that the Budget Manager will be the same as the project sponsor. Account codes will be issued to the budget manager.
- 5.3 Normal requirements of Standing Financial Instructions and Standing Orders will apply and the tendering and or quotations process must be followed. Purchase Orders must be approved by an authorised signatory.
- 5.4 Budget Managers or their delegated officers should only use only those account codes issued to the applicable project scheme. Purchase orders and invoices should always be annotated with the scheme number so that they can be directly notified against the appropriate project
- 5.5 The approved scheme will be set up in Financial Ledger as a project under course of construction.

6. Capital Monitoring

6.1 Budget Managers will receive regular reports on budget versus forecast outturn for each scheme. These will be amalgamated together and form part of the Capital Programme financial statement that is

reported bi-monthly to the FAMSG. Furthermore these will form part of the Director of Finance and Estates Reports to the Board.

- 6.2 As a minimum, monthly statements will be issued to the identified budget manager showing agreed budget and spend to date for each scheme analysed by subjective code for all projects with a total business case value in excess of £500k. Expenditure against budget will be monitored by the FAMSG on a bi-monthly basis.
- 6.3 It is the responsibility of the budget manager to inform promptly the Assistant Director of Finance (Financial Control) or Chief Accountant of any major changes to the forecast figure so that the Capital Programme financial statement is reflective of the most up to date position.
- 6.4 Where capital expenditure for any approved scheme is forecast to be 10% higher than the original amount approved, then a revised business case will need to be submitted to the FAMSG or Board subject to a de minimus level where the difference is less than £5k.

7. Project Completion

- 7.1 When the project is complete, the budget manager should notify the Chief Accountant of date of completion. Completion in this context means when the asset is available for operational use. For example the fact that vehicles have been delivered does not constitute completion. It is important that the completion date is accurate so that the depreciation charge relating to the asset is accurately calculated and the asset can be appropriately included in an appropriate replacement programme.
- 7.2 When notified, the scheme will be shown as complete on the Capital Programme Board summary and the asset taken out of assets under course of instruction and shown as an addition in the Trust's Fixed Assets. Account codes relating to this project will be de-activated.
- 7.3 At completion it is the budget manager's responsibility to inform the Chief Accountant of any outstanding liabilities relating to the scheme. For example retention may still be outstanding on any building scheme. If outstanding liabilities are not identified at this stage there is no guarantee that there will be enough capital resource available at a future date to fund these commitments.
- 7.4 All completed projects that exceed total life expenditure of £500,000 will be subject to post completion review at the next available FAMSG. Finance will present to FAMSG a schedule of project costs set against budget. The FAMSG may also select projects of a lesser value for review. The Project Sponsor will be expected to provide a summary of the results of the project set against the original business case so that other members of the FAMSG can benefit from any lessons learnt.

8. Equality Statement

The Trust is committed to promoting positive measures that eliminate all forms of unlawful or unfair discrimination on the grounds of age, marital status, disability, race, nationality, gender, religion, sexual orientation, gender reassignment, ethnic or national origin, beliefs, domestic circumstances, social and employment status, political affiliation or trade union membership, HIV status or any other basis not justified by law or relevant to the requirements of the post.

By committing to a policy encouraging equality of opportunity and diversity, the Trust values differences between members of the community and within its existing workforce, and actively seeks to benefit from their differing skills, knowledge, and experiences in order to provide an exemplary healthcare service. The Trust is committed to promoting equality and diversity best practice both within the workforce and in any other area where it has influence.

The Trust will therefore take every possible step to ensure that this procedure is applied fairly to all employees regardless of race, ethnic or national origin, colour or nationality; gender (including marital status); age; disability; sexual orientation; religion or belief; length of service, whether full or part-time or employed under a permanent or a fixed-term contract or any other irrelevant factor.

Where there are barriers to understanding e.g. an employee has difficulty in reading or writing or where English is not their first language additional support will be put in place wherever necessary to ensure that the process to be followed is understood and that the employee is not disadvantaged at any stage in the procedure. Further information on the support available can be sought from the Human Resource Department.