

Staffordshire & Stoke-on-Trent ICB

Budgetary Control Framework

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1. Purpose

- 1.1. In the current economic climate, it is even more important than ever to ensure that there are robust budgetary control procedures in place to make best use of the available resources.
- 1.2. Budget holders are required to review procedures for financial management to ensure that they meet the standards laid down and must comply with the directions and guidance in this document. Financial performance is a key objective for senior managers within the ICB and, as such, failure to comply with budgetary control procedures may be treated as a breach of conduct.
- 1.3. The budgetary control framework is a key element of the ICBs internal control environment. It is designed to assist budget holders and managers in the discharge of their responsibilities. It describes the ground-rules within which budgets are to be operated in the financial year, it clarifies roles and responsibilities in respect of budgetary control, and it ensures that the budgetary processes of the ICB form part of the overall assurance framework.
- 1.4. The aims of the framework are:
- 1.5. To develop management understanding and capacity in relation to financial matters. This should be to enable managers to get the best possible value from the budgets at their disposal.
- 1.6. To provide the ICB with the necessary controls to ensure that expenditure is incurred in accordance with the ICBs approved budget.
- 1.7. Several underlying key themes will be maintained in the framework:
- 1.8. Budgets will be set within the ICBs expected resource.
- 1.9. Budgets will be set so that they are achievable and realistic with all budget setting methodologies and assumptions being made clear.
- 1.10. Expenditure will not be permitted to exceed budgets without the approval of the ICB Chief Finance Officer.
- 1.11. There will be no automatic right to receive a budget at the same level as previous years. Budget holders will need to demonstrate how resources within their control are being spent and identify the resultant value for money benefits derived therefrom. Budgets will also reflect the ICBs policy on management and operational cost reduction schemes and targets.
- 1.12. Actual staff posts will not be permitted to exceed funded establishments.
- 1.13. Budget reports will be issued on a regular basis for appropriate review and action.
- 1.14. Where practicable, expenditure and income budgets will be linked but identified separately in order that trends and performance can be monitored.
- 1.15. Clear ownership / accountability of budgets by budget holder / managers will be required and evidenced through formal sign-off of budgets.
- 1.16. Any proposal requiring additional funds must have appropriate finance input and sign-off, including identification of the source of funding, prior to submission to the Governing body or delegated committee for approval.

2. Roles & Responsibilities

Organisation

- Keep within specified resource limits (revenue or capital)
- Not to exceed cash limits
- Aim to pay 95%+ valid invoices within 30 days of receipt (Better Payments Practice Code)

Accountable Officer

Will delegate responsibility for the management of budgets to individuals in line with the scheme of delegation to permit such managers to perform their duties

Budget Holder

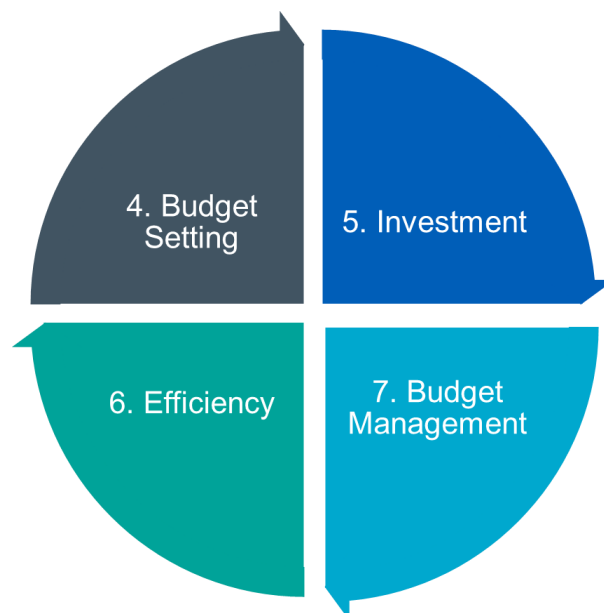
Budgets will be held by the individuals who are responsible for running services or delivering specific objectives. Such responsibility will be mirrored by accountability, through a budget, for the use of resources in discharging those responsibilities.

Finance Officer

Each budget holder will be allocated a Finance Officer whose responsibility it will be to:

- Provide accurate, timely and relevant information to help budget holders manage their budgets
- Make contact with budget holders on a regular basis to discuss any budgetary issues and forecasts
- Work closely with budget holders to understand the nature and patterns of expenditure and agree the likely forecast outturn position at the year end
- Provide advice and assistance to budget holders in the management of their budgets. Notwithstanding this, budget holders are ultimately responsible for the consequences of their decisions.
- Provide advice and assist the budget holder complete business case documentation for new development or reviews of existing services

3. Key stages to effective budget management



4. Budget Setting

- 4.1. The financial plans and resultant annual budgets are based on the ICBs anticipated resources, risks, efficiency targets and developments known at the time of setting the budget. Budgets will originate from discussions between budget holders and finance managers, informed by ongoing discussion throughout the year. Finance Officers will ensure that they have access to the latest strategic planning assumptions applied by the ICB Senior Management Team.
- 4.2. For planning purposes recurrent budgets will be 'rolled over' to form the baseline for the following year. However, there will be no automatic right to receive this rolled forward budget in full. Budget holders will need to demonstrate how resources within their control are being spent and identify the resultant value for money benefits. They may be called upon to justify specific spending schemes via the business case process before elements of their full budget is released to them.
- 4.3. The business planning cycle will ensure that all identified developments and cost pressures are assessed, prioritised and approved by the ICB with reference to local and national targets. Throughout the year, it will also serve as a tool for evaluating and potentially disinvesting in services which are already in place.
- 4.4. The budget phasing will be rolled forward from the previous year. Any movements away from this will follow the budget virement process.
- 4.5. Inflation adjustments will be applied in line with agreed financial planning assumptions.
- 4.6. Budgets are subject to Cost Improvement or Efficiency targets set both nationally and locally by the ICB. Please see slide 7.
- 4.7. All budgets must be agreed and "signed-off" by the appropriate budget holder.
- 4.8. Budgets must be approved by the ICB Board prior to the start of the financial year and in advance of any new financial commitments being made.

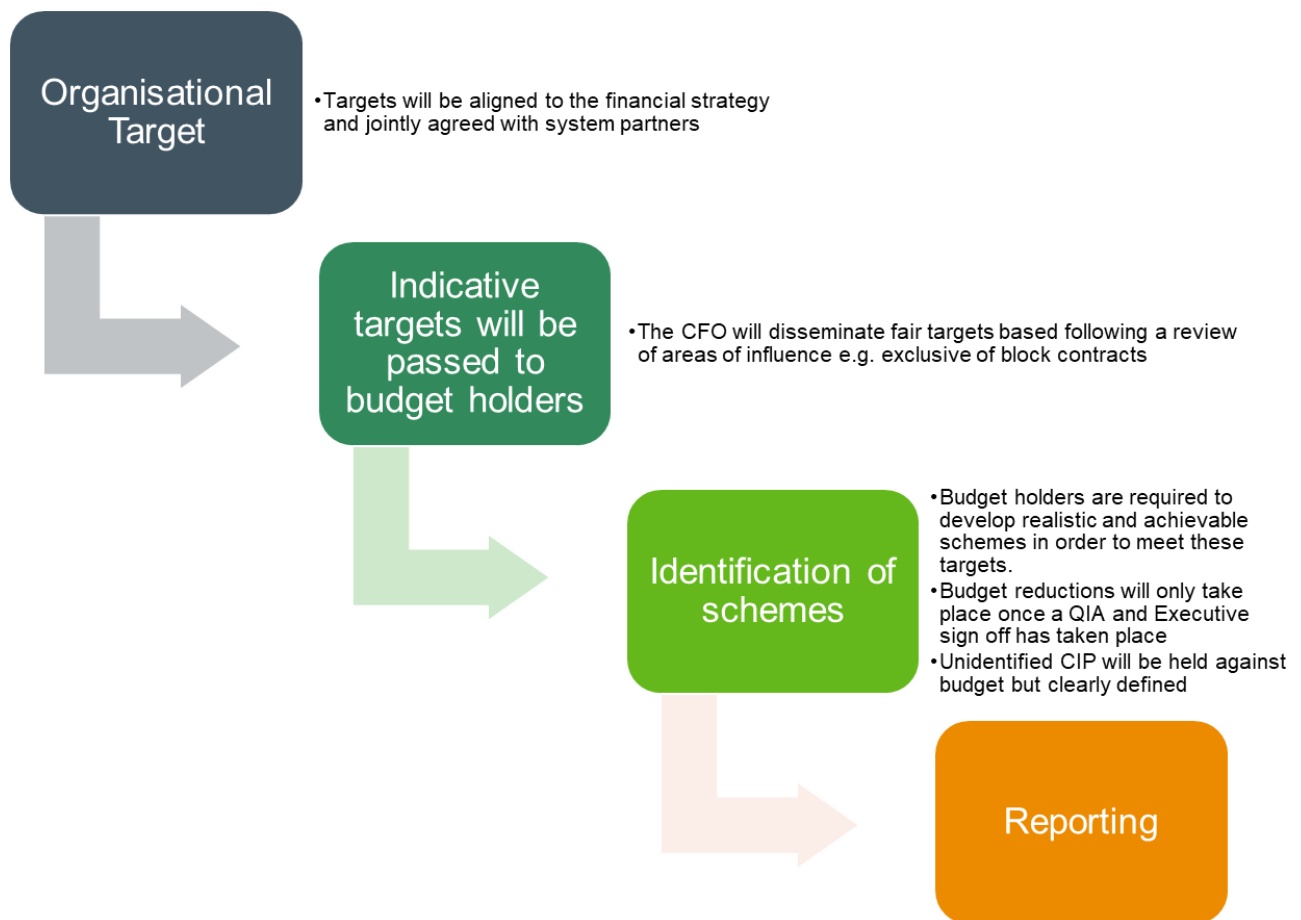
5. Investment

- 5.1. Budgets will be entirely consistent with the financial plan. If a budget holder requires increased investment, the business case process must be followed in line with the organisations SFIs and business case process.
- 5.2. All business cases must be subject to a post implementation review 6 months post 'go live'.
- 5.3. The business case process SOP can be accessed here: [IAN - 202202 - Business Case Process.pdf - Newer to Older \(sharepoint.com\)](#)
- 5.4. No applications should be made for any additional external funding towards pilots or service developments without formal financial sign-off.
- 5.5. This is to ensure that any projected costs submitted are validated and that the finance department is aware of the application in order to track receipt of the external funding.
- 5.6. Current SFIs signed off 1st July 2022 by the ICB Board:
- 5.7. <https://c9online.sharepoint.com/sites/ccggov/IntegratedCareBoard/Policies%20&%20Procedures/Finance/Scheme%20of%20Financial%20Delegation.pdf?CT=1672739467737&OR=ItemsView>

6. Reserves

- 6.1 The ICB Chief Finance Officer, on behalf of the Accountable Officer, will endeavour to create such reserves as are deemed necessary to secure the ability of the ICB to meet its financial duties. Reserves may include sums to cover future pay awards, price inflation, unforeseen contingencies, non-recurrent spending or other specific items as not yet allocated to individual budgets.
- 6.2 The ICB Chief Finance Officer may exercise discretion to partly or wholly allocate reserves directly to departments for subsequent allocation to specific budgets i.e. inflationary pressures.
- 6.3 Reserves will be reviewed on a monthly basis to determine both their adequacy and necessity.
- 6.4 All changes to revenue resource allocations notified by the Department of Health will be reflected initially in reserves. Budget holders do not have an automatic right to receive an allocation direct into their budgets.
- 6.5 Funds will only be released from reserves when the ICB Chief Finance Officer is satisfied that:
 - 6.5.1 The appropriate approval process and procedures have been complied with;
 - 6.5.2 There is a sound financial strategy in place for spending the resource;
 - 6.5.3 The purpose is in line with the ICBs strategic objectives and demonstrates value for money;
 - 6.5.4 The proposed use of resource is not or cannot be funded from within existing budgets; and
 - 6.5.5 The commitment will not jeopardise the ICB's ability to meet its statutory duties and financial targets.
- 6.6 Carry forwards from previous year:
 - 6.6.1 Automatic carry-forwards of unused budget funds for individual budgets from the prior financial year will not be available.
 - 6.6.2 Where a ICB has received 'ring fenced' income (not allocations), which would otherwise be lost to the organisation, non-recurrent budget carry forwards may be considered subject to written approval by the Chief Finance Officer. Under no circumstances can unused allocations received from the Department of Health or NHS England be carried forward.

7. Efficiency



8. Budget Management Reporting

- 8.1. Each budget holder will be provided with a monthly budget report within 10 working days of the month end to which the report relates.
- 8.2. Executive Officer level budget holders will receive summarised versions of financial statements identifying performance against each budget area within their remit.
- 8.3. All budget holders will continue to receive detailed budget statements by Cost Centre and will also be provided with additional information in relation to payroll expenditure.
- 8.4. Budget holders will be instrumental in underwriting the accuracy of forecasts provided in conjunction with the Finance Officer as they should have a more in-depth understanding of their budget area and be aware of any commitments (e.g. Purchase orders raised / SLAs agreed and performance to date).
- 8.5. A regular review will take place, involving both the Finance Officer and budget holder to ensure that the budget reports reflect a true record of the expenditure position to date and to agree the forecast position for the year end.
- 8.6. A budget holder must manage their overall budget position within the resources available. Variances, where income or expenditure differs from the budget, during the year need to be fully understood by the budget holder in order that the underlying financial position can be determined, and appropriate management action taken to bring expenditure back in line with the budget.

- 8.7. The ICB Chief Finance Officer will produce a monthly position statement for the ICB Board which will: -
- 8.7.1. Highlight performance against the ICBs key financial targets;
 - 8.7.2. Provide explanations for major variances against budgets and action being taken to rectify the position;
 - 8.7.3. Identify major financial risks that could affect the ICB's financial position and details of any action being taken to mitigate them.

9. Budget Under/Overspends

- 9.1. Budgetary underspends:
- 9.1.1. Budget holders are encouraged to generate savings and underspends, without reducing quality of service or administrative performance.
 - 9.1.2. Budget holders should note that underspends in any year are not normally carried forward for use in a subsequent year.
 - 9.1.3. If a budget is forecast to be underspent, the savings will be classified into two distinct categories:
 - Fortuitous – these are savings which accrue without the budget holder taking any specific action, eg staff turnover.
 - Planned – these are savings which are the direct result of specific action taken by the budget holder.
 - 9.1.4. Fortuitous savings will normally be vired to Central Reserves for the ICB to use, for example, to alleviate financial pressures elsewhere within the ICB or to fund new investments/developments
 - 9.1.5. For planned savings, discussion with the ICB Chief Finance Officer will determine whether some/all of the savings should be retained by the budget holder in the current year. Wherever possible budget holders should be allowed to retain planned underspends for alternative use provided that sound proposals can be put forward which will not jeopardize the ICBs overall financial position. Confirmation will be required that any commitment is of a non-recurrent nature and that the budget holder has clearly identified how and when savings will be released.
 - 9.1.6. Notwithstanding these arrangements, the ICB Chief Finance Officer has the right to request the use of any planned savings to alleviate financial pressures elsewhere within the ICB or to fund new developments.
- 9.2. Budgetary overspends:
- 9.2.1. A budget holder does not have the authority to overspend their budget(s).
 - 9.2.2. The ICB Board must safeguard its overall spending position with regard to the ICBs statutory financial duties and will expect appropriate prompt action to be taken in order to minimize the serious consequences of potential overspending.
 - 9.2.3. Where budget holders become aware that possible significant overspends could arise, immediate action must be taken to rectify the situation. The budget holder must inform the ICB Chief Finance Officer or a senior member of the Finance Team as quickly as possible. Delay that leads to a loss in opportunity to regulate overspending will be viewed as a serious breach of conduct.

- 9.2.4. Overspends will not normally be carried forward from one year to another. Executive Officers and budget holders are expected to provide a financial strategy to ensure that a balanced budget is achieved.

10. Budget virements

- 10.1. As a general principle, budget holders must not incur expenditure which is normally chargeable to the budgets of other budget holders without prior written authority
- 10.2. Virement (transfer) of funds between budgets/reserves may be necessary during the year for a number of reasons. One of these would relate to the peaks and troughs of service demand that may of necessity require some flexing of budgets.
- 10.3. Budget holders may wish to vire funds from within their own budgets (budget lines) or with budgets held by others. In all cases, a virement form must be completed (in conjunction with the Finance Officer) and signed by both the budget manager and the designated Finance Officer.
- 10.4. In those cases where transfers between budget holders are requested, the signature of both budget holders will be required before any budget is amended. The recipient should not assume that the virement will occur and must not take any action which commits expenditure until all signatures have been obtained.
- 10.5. A record of all budget changes from initial base budgets will be maintained by the Finance Team
- 10.6. Virements cannot be actioned for:
- Non-recurrent funds to meet recurrent commitments;
 - Transfers between capital and revenue (either way) without written approval of the ICB Chief Finance Officer;
- 10.7. Where it would increase running costs, unless approved by the ICB Chief Finance Officer.

11. Establishment Controls

- 11.1. Prior to placing a job advertisement, the proper establishment control procedure must be followed. In completing the establishment control documentation, the originating manager must:-
- 11.2. Identify how the full cost of the post will be funded. This will include, where applicable, costs relating to salary, travel, training, furniture, equipment, computer, mobile phone, etc.
- 11.3. Explain why the post should be filled, the impact on service delivery of not filling the vacancy and the financial impact of filling/not filling the vacancy.

12. Capital

- 12.1. Capital expenditure is expenditure on a tangible productive asset, costing £5,000 or more, with an expected life in excess of one year. The figure of £5,000 includes VAT where this is non-recoverable.
- 12.2. A group of assets which individually may cost less than £5,000, but collectively cost more than £5,000 may be capitalised where the items fulfil all of the following criteria:-
- Individually the items cost more than £250;
 - They are functionally interdependent;
 - They are acquired at about the same date and are planned for disposal at about the same date; and
 - They are under single managerial control.

- 12.3. A business case must be prepared for all capital schemes. Each proposal must have appropriate input and support from the Finance Officer prior to submission to the Governing body or delegated subcommittee/individual for approval. This will ensure that the associated costs, including revenue, are accurate and provide an additional check to ensure that all financial considerations have been taken into account.
- 12.4. Ultimate approval of all capital schemes rests with the NHS England.
- 12.5. Where schemes are proposed, no assumptions may otherwise be made regarding the splitting of capital costs between revenue and capital budgets. However, notwithstanding the above, any capital scheme must clearly include and have approval for any revenue commitments arising from the scheme.
- 12.6. No virement will be permissible between revenue funding and capital funding without the written agreement of the ICB Chief Finance Officer.
- 12.7. Once approved each capital scheme will have a designated budget holder who will be responsible for ensuring that expenditure does not exceed approved values.
- 12.8. The general rules stipulated within this budgetary control framework will also apply to capital expenditure.