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Bwrdd Iechyd Prifysgol
Cwm Taf Morgannwg
University Health Board

**FINANCIAL CONTROL PROCEDURE:
BUDGETARY CONTROL**

Initiated by: Director of Finance [& Procurement](#)

Approved by: Audit [& Risk](#) Committee

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~~Clinical Directors~~
~~Directorate Managers~~
~~Assistant Directors~~
~~Heads of Department~~

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[This policy has been subject to a full equality impact assessment.](#)

CONTENTS

1. Scope & Principles
2. Financial Plans & Budget Setting
3. Budget Holders & Delegated Budgets
4. Control of Income and Expenditure
5. Budget Virements
6. Savings
7. Reporting of Budget Performance
8. Equality impact assessment

1.0 SCOPE & PRINCIPLES

- 1.1 This procedure details the principles underlying the control over the UHB's operating costs and performance against budget /Revenue Resource Limit and the system required to operate those principles.
- 1.2 The procedure should be read in conjunction with Standing Orders, Standing Financial Instructions, Scheme of Delegation, and other relevant Financial Control Procedures - in particular, the procedures on Requisitioning of Goods & Services.
- 1.3 The Director of Finance & Procurement (DOF) is responsible for the production of the UHB's financial plan to meet its financial, statutory and planning obligations and the setting of budgets and control totals by which performance against these can be monitored.
- 1.4 The Chief Executive is the primary budget holder for the UHB and may delegate part or all of the budgets to other Directors of the UHB. Directors may not delegate budgets to other officers of the UHB although they may authorise other officers to spend against those budgets in accordance with the UHB's Scheme of Delegation. Accountability will remain with the Chief Executive.
- 1.5 It is important to have budget holder ownership in setting realistic budgets. However, this is balanced against a need for realism throughout the UHB on the amount of funding available.
- 1.6 The DOF is responsible for reviewing budgets and control totals on a regular basis and amending them where necessary.
- 1.7 The systems of budgetary control will incorporate the reporting and investigation of income and expenditure variances and the appropriate management action required to deal with these variances.
- 1.8 The DOF will report to the UHB Board and appropriate Executive Groups on the UHB's financial position and provide any budgetary information and advice necessary to enable the Chief Executive and other officers to carry out their budgetary responsibilities.

2.0 FINANCIAL PLANS AND BUDGET SETTING

- 2.1 The DOF is responsible for the formulation of the financial plan for the forthcoming year and its subsequent submission to the UHB Board for approval.
- 2.2 The financial plan will incorporate the need to achieve:
 - External, statutory and administrative targets.
 - Targets arising out of strategic plans and directives, including those generated by the Welsh Government (WG), which will need to be incorporated into the operational planning processes.
 - Targets determined internally by the UHB.
- 2.3 The financial plan will need to identify any impact of achieving the targets listed in 2.2 above.
- 2.4 Budgets will be prepared in accordance with the Financial Plan, within a set of Principles and Rules prepared as part of each year's budget setting process and within the forecast of available resources.
- 2.5 These budgets will be submitted for approval to the UHB Board and set by the DOF.
- 2.6 Operational delegated budgets will be agreed with budget holders at the beginning of the financial year.
- 2.7 Budget reserves will be set as considered necessary by the DOF.
- 2.8 The control over budget reserves shall lie with the Deputy DOF.
- 2.9 The Chief Executive, after taking advice from the DOF, will determine how to use any funds remaining in budget reserves.
- 2.10 The anticipated revenue resource limit from WG will act as the overall control total to ensure that budgets do not exceed the total resources available. In-year changes to the anticipated revenue resource allocation will therefore be processed through the budgetary control system in the appropriate month, with corresponding adjustments to budgets.

3.0 BUDGET HOLDERS AND DELEGATED BUDGETS

- 3.1 Budgets may be delegated by the Chief Executive to Executive Directors, who will be designated budget holders for their particular service areas.
- 3.2 All budget holders are accountable to the Chief Executive for their performance in managing their delegated budgets. The Chief Executive may, in the event of unsatisfactory budget performance, remove the status of budget holder. In such instances, the funds will revert to the Chief Executive's control.
- 3.3 Budgets may not be delegated further down the Directorate Structure. However, day to day management of those budgets, and the authority to spend against those budgets, may be delegated to other employees subject to the UHB's Scheme of Delegation. Further detail on the expenditure authorisation hierarchy is contained within the Scheme of Delegation.
- 3.4 Delegated budgets may change as the year progresses to take account of, inter alia:
- Pay Awards
 - Price Inflation
 - Service Developments, initiatives or additional activity agreed in year
 - Savings Targets
 - Other factors, as deemed appropriate by the Chief Executive or the DOF.

4.0 CONTROL OF INCOME AND EXPENDITURE

- 4.1 Budget holders have a duty to maximise income delegated to them and to control expenditure within their budgets. Reports will be sent to budget holders on a monthly basis, together with other relevant management information to assist in this process.
- 4.2 Budget holders should review budget reports and take appropriate action where necessary. Finance staff will assist in undertaking necessary investigations to establish explanations for variances and advise budget holders accordingly.
- 4.3 Budget holders should check and review other management information to ensure that expenditure and income has been appropriately charged to their departments. Any irregularities discovered in the review of these reports should be notified to their designated Directorate Support Accountant/Business Partners.

- 4.4 In the event of a possible overspend budget holders should consider further control over the authorisation of expenditure. Consideration should be given to keeping posts vacant, overtime and agency levels and other efficiency / savings measures.
- 4.5 The UHB's Financial Limits will be applied in all cases of requisitioning goods and services.
- 4.6 Budget holders will designate those employees authorised to sign staff enrolment forms, staff change forms, travelling expenses and removal expense claims.
- 4.7 A Vacancy Requisition Procedure exists within the UHB and this should be followed when dealing with staff appointments.
- 4.8 No employee will be permitted to commit expenditure from another Directorate's budget without appropriate written authorisation from that Directorate. It is, however, acceptable to have clearly understood protocols by which expenditure can be committed from a centrally held budget. The control over this process, however, remains with the designated budget holder who will be responsible for the performance against the centrally held budget. Central budgets will only be altered on the authorisation of the Chief Executive or DOF.
- 4.9 Income and expenditure performance will be measured on variances against the total budget of the Directorate. However, due regard should be taken of the variances on individual departmental reports and individual budget lines, in order to identify cost pressures, inefficiencies or opportunities for savings and income generation. It is also important to understand the variance split between income, staff expenditure and non-staff expenditure, and any trend patterns.
- 4.10 Budgets will be, as far as is practicable, phased so as not to unduly distort variances. The principle of matching the timing of income/expenditure to budgets will be maintained. It is preferable that this is achieved through accruing income and expenditure. Where this is not practicable adjustments to phasing of budgets will be permitted.
- 4.11 The DOF will ensure that staff with the appropriate skills and experience are available to provide advice and support to budget managers in their management of delegated budgets.

5.0 BUDGET VIREMENTS

5.1 Budget Virement is the transfer of funds between budget headings and is intended to promote flexibility in the budgetary process whilst pursuing the UHB's objectives as identified in its plans and policies.

5.2 Virements can be categorised as follows:

Non-Recurring Virement:

This involves the transfer of funds between budgets on a non-recurring basis. The effect of the virement therefore ceases at the end of the financial year and the funds revert to the original budgets for the following year. Temporary virement must not be used to fund expenditure of a recurring nature. Temporary virements shall only be undertaken where the amounts involved are material i.e. any changes to budgets will be by exception.

Recurring Virement

This involves the transfer of funds between budgets on a recurring basis. Permanent virement cannot arise as a result of non-recurring savings.

5.3 Budget holders may initiate non-recurring (where material) or recurring virements within their Directorate. The transfer of funds from one Directorate to another must be agreed between both parties and authorised by the budget holder from whom the funds are to be transferred.

5.4 A Funding Application Form should be completed when requesting Budget Virements from budget reserves. This funding application form should be requested by the Head of Finance/Finance Manager for the area concerned and validated by the Finance Manager within the Financial Planning & Reporting team. The application will then be processed by an appointed officer within this team and the final authorisation will be the responsibility of the Deputy DOF or DOF.

All Virements must be checked for their appropriateness to ensure they do not unduly distort the plans previously agreed by the Board and to prevent the use of non-recurrent funding to fund recurrent solutions. In this respect, virements from non-staff budgets to staff budgets or any virement involving income will require particular consideration.

5.5 Requests for virements should be in writing and clearly state the amount to be transferred and the budgets concerned.

6.0 SAVINGS

- 6.1 The Chief Executive, after taking advice from the DOF, will decide how much is required from saving schemes for the year ahead. Factors affecting that level will include:
- Shortfalls in funding from the Welsh Government, other Health Boards etc.
 - Directives from the Welsh Government.
 - Funds required to be generated internally
- 6.2 The Chief Executive and DOF will determine the level of savings required from budget holders and this may take the form of a general savings target or as specific targeted savings. The savings targets will be deducted from [Directorate Delegated](#) budgets.
- 6.3 Specific savings schemes designed to achieve the savings targets will result in reductions to individual budget lines and should not normally be reflected as a general unspecified negative budget.
- 6.4 The DOF will monitor progress on savings targets throughout the year and report accordingly to Executive Groups and the UHB Board.
- 6.5 Savings may result from recurrent or non-recurrent schemes. However, the latter should be replaced with schemes that generate recurring savings in future years.

7.0 REPORTING OF BUDGET PERFORMANCE

- 7.1 Monthly monitoring returns will be submitted to the Welsh Government in accordance with the prescribed timescale and format. These will be derived from the ledger and therefore be fully consistent with the UHB's financial position as determined by performance against delegated and reserve budgets. The monitoring returns will be consistent with the financial report submitted to the Board.
- 7.2 The DOF will report on the financial position of the UHB on a monthly basis to Executive Groups and UHB Board, highlighting particular areas of concern, and where appropriate, a recommended course of action. A forecast of the UHB's likely year-end position should also be included. Such forecasts shall be consistent with those reported within monitoring returns.
- 7.3 Monthly budget reports will be distributed to all budget holders, in accordance with a pre-determined timetable, and the DOF informed of the financial position on both delegated budgets and budget reserves prior to production of the monitoring returns.

Summary reports will be sent to budget holders by the 5th working day, with detailed reporting, including forecasts, being produced by the 15th working day of the month.

- 7.4 Delegated budget holders will be responsible for providing any information or explanations deemed necessary by the Chief Executive or DOF in support of their budgetary performance.

8.0 EQUALITY IMPACT ASSESSMENT

- 8.1 Following assessment, this policy is not considered to be discriminatory or detrimental in any way with regard to the following equality strands: Gender; Race; Disability; Age; Sexual Orientation; Religion or Belief; Welsh Language or Human Rights.