

Trust Financial Governance Policy 2019-20

Issue Date	Review Date	Version
May 2019	May 2022	7

Purpose

This document sets out the policy to be followed by service lines to ensure that the Trust has robust Financial Governance and budgetary controls. It provides those who are responsible for authorising expenditure and managing budgets with details of their specific powers and responsibilities.

Who should read this document?

All Care Group Managers/Directors, Service Line Managers/Directors, Senior managers and Budget Holders.

Key Messages

1. The Trust needs a strong financial governance and budgetary control framework
2. Principles of the Trust's financial governance and budgetary framework and associated controls are outlined in this document.
3. Service Line Directors, Managers and Budget Holders must be in place for all areas of expenditure.
4. Service Line Directors, Managers and Budget Holder roles, responsibilities, duties and training requirements are outlined in this document.

Core accountabilities

Owner	Alex Keast – Deputy Director of Finance
Review	Sarah Brampton – Director of Finance
Ratification	Sarah Brampton – Director of Finance
Dissemination (Raising Awareness)	Email sent to all Service Line Directors, Managers and Budget Holders, Daily e-mail, Vital Signs, Trust Documents
Compliance	Performance Framework and audit of budget holder checklists by internal audit

Links to other policies and procedures

Standing Orders, Standing Financial Instructions, Scheme of Delegation

Version History

1	Issued Oct 2010	
2	Updated Feb 2013	
3	Updated Oct 2013	Updated for the Service Line management structure
4	Updated May 2014	Updated for the new financial year and to incorporate wider Financial Performance and Governance measures
5	Updated May 2016	Updated for the new financial year
6	Updated May 2018	Updated for the new financial year and refined management roles implemented in 2017/18
7	Updated May 2019	Updated for the new financial year

The Trust is committed to creating a fully inclusive and accessible service. Making equality and diversity an integral part of the business will enable us to enhance the services we deliver and better meet the needs of patients and staff. We will treat people with dignity and respect, promote equality and diversity and eliminate all forms of discrimination, regardless of (but not limited to) age, disability, gender reassignment, race, religion or belief, sex, sexual orientation, marriage/civil partnership and pregnancy/maternity.

An electronic version of this document is available in Document Library – UHPT Trust Documents. Larger text, Braille and Audio versions can be made available upon request.

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1 Introduction

- 1.1 This document sets out the policy to be followed by Care Groups, Service Lines and Corporate budget holders to ensure that the Trust has robust financial governance and budgetary controls.

2 Purpose

- 2.1 As an organisation that is publically funded with stringent financial duties to achieve, it is essential for an NHS Trust to have robust financial and budgetary controls. This will ensure that it provides value for money and it is not vulnerable to the risk of fraud. A strong financial governance and budgetary framework will contribute toward the Trust managing its finances on an effective and sustainable basis.
- 2.2 This document sets out the policy to be followed to ensure that the Trust has a robust financial governance framework. It details the guiding principles on which financial resources will be allocated and provides managers that are responsible for authorising and monitoring expenditure and managing service line finances with details of their specific powers and responsibilities.
- 2.3 This policy has been developed with reference to internal and external audit standards around financial governance and in line with the Trust's Standing Financial Instructions. It has also been developed and reviewed by the Trust's senior finance team, budget holder and senior manager feedback from the previous version of the policy has also been taken into account in the development of this policy.

3 Definitions

- 3.1 The delegated senior clinical lead for a service line, or executive for a corporate area, is referred to in this document as the 'Service Line Director.'
- 3.2 Senior managerial lead for the service line or corporate area is referred to as the 'Service Line Manager'. This includes Service Line Cluster managers who may support more than one service line.
- 3.3 Managers that are responsible for authorising expenditure and managing individual department budgets are referred to in this document as 'Budget Holders'

4 Duties

- 4.1 The Trust has a devolved management structure, guided by Responsibility Accounting principles, whereby financial duties are delegated from the Accountable Officer (the Chief Executive) firstly to Executive and then to Care Group Managers, supported by Care Group Directors and Heads of Nursing and then to Service Line Managers, supported by Service Line Directors and nominated Budget Holders. Each Budget Holder's areas of responsibility are defined by the cost centres assigned to them.
- 4.2 In line with the Trust's Standing Financial Instruction and the Scheme of Delegation Service Line Managers are responsible for ensuring all budgets have a nominated Budget Holder. These need to be the individuals who will be the primary point of contact for exchange of information on the budgets to be set, be involved in setting their budgets and who will sign off their budgets as a correct record of the budget discussions. They will also monitor the budget and control expenditure throughout the year.
- 4.3 A list of all Service Line Directors, Service Line Managers and Budget Holders will be maintained by the Finance Support Team within the Finance Department.

4.4 The key duties and responsibilities of a Service Line Manager and Budget Holder (through the delegated chain of accountability) are:

1. *Delivering the Service's objectives and performance standards as part of the overall Trust's business plan*
2. *Keeping within the financial resources allocated*
3. *Ensuring value for money*
4. *Understanding, monitoring and acting upon the financial information for their Service line and/or budget*
5. *Keeping up to date with, and following, appropriate financial policies and procedures*

5 Main Body of Policy

5.1 These key duties and the detailed policy requirement are detailed below.

1. Delivering the Service's objectives and performance standards as part of the overall Trust's business plan

5.2 This involves ensuring that their departmental workload is being managed and quality and performance standards are maintained. This specifically includes identifying, managing and mitigating financial risk associated with performance standards required of the service line as outlined in the NHS contract for the provision of healthcare services to the clinical commissioning groups, NHS England and local authorities.

5.3 These performance standards include the following performance standards ;

- referral to treatment (RTT)
- cancer waiting times
- diagnostic waiting times
- cancelled operations
- four hour waiting time for those patients who attend the emergency department
- mixed sex accommodation compliance
- ambulance handovers
- clostridium Difficile infections
- CQUIN indicator milestones

2. Keeping within the financial resources allocated

5.4 Service Line Managers and budget holders must manage his or her Service line and/or budget within the budgeted funding envelop that has been allocated for the associated level of activity, for which they have confirmed and signed off.

Objectives of budget setting

5.5 The objective of the budget setting exercise is to:

- Align resources (capacity) with demand (as defined by the contract with commissioners). Resources being (i) workforce, (ii) theatres, (iii) beds, (iv) diagnostic support services, etc at a service line level ensuring delivery of all national targets and meeting the needs of the NHS Constitution.

- Set revenue budgets reflective of resource required to deliver contracted demand at service line level within the funding envelope available
- Establish a capital programme to service the estates and equipment backlog, support generation of revenue savings and meet strategic priorities.
- Ensure that plans and resources are in place to agree and meet local quality priorities.

5.6 The budgets are the final expression of all the key components of the business planning process being capacity and workforce planning, cost pressures, quality priorities and savings plans.

Additional budget allocations and virements

5.7 Resources cannot be committed by budget holders or service line management teams on non-activity related pressures or on service developments without expressed approval from the Executive.

5.8 Service developments must be discussed and approved in advance and any changes to service models by the appropriate clinical commissioning body. Agreement from commissioners, activated by an official variation order to the contract, will be required before any additional resource is allocated to the service line and associated budgets.

5.9 Any changes to staffing models or service structures associated with higher patient activities (not specifically related to service developments) that require additional resources above approved budgets will require approval from the Executive.

5.10 Non pay related costs that are incurred as a consequence of treating a higher number of patients will need to be identified and understood to be allowed as an exception in the assessment of budgetary performance.

5.11 The Director of Finance and the Deputy Director of Finance are authorised to approve allocations from reserves (funding provided for in centrally held budgets) to service line budgets. Care Group Managers are authorised to approve allocations from Care Group reserves. Any additional funding relating to approved cost pressures and costs related to additional levels of activity will be held in reserve until such time the service line incurs those costs.

In-year budgetary framework controls

5.12 The approved Service Line budget represents the authorised level of spending for the aggregate of all the Service Line cost centres. The funded establishment represents the authorised level and skill mix of staff that can be employed to meet activity levels described in the contracts agreed with clinical commissioners.

5.13 The Budget Holder for each budget (usually a cost centre) is responsible for ensuring that expenditure does not exceed the approved sum. Over spending is not allowed (unless this can be justified as a result of increased levels of patient activity) and Budget Holders will be held accountable for any unauthorised spending.

3. Ensuring value for money

- 5.14 Service Line Managers and budget holders must ensure that they are achieving 'value for money' and achieve the best use of available resources. This includes the following factors:
- Procurement of products and services- managers are responsible for ensuring that they work with the procurement department and in line with the 'Standing Financial Instructions' to achieve the best value for supplies and services.
 - Staff utilisation and planning – managers responsible for service lines and budgets need to ensure that all the staff resources in their control are optimised. For example:
 - Optimal staff rotas should be in place with all available staff hours utilised.
 - The use of temporary staff with premium costs avoided where possible with good workforce planning and management.
 - A reconciliation process is in place to track additional PAs worked by clinicians in delivering the required capacity so that there is an understanding that overall job plan commitments are met.

4. Understanding, monitoring and acting upon the financial information for their Service line and/or budget

- 5.15 Service Line Managers and budget holders must ensure that monthly budget statements and other financial information is reviewed and there is a clear understanding of current financial performance, and how this is likely to effect the future financial position of their area of responsibility. They should identify mitigating actions and recovery actions to correct adverse performance.
- 5.16 Each budget holder is required to complete the 'budget holder checklist' on a monthly basis to demonstrate that a thorough review of budgetary performance is embedded.
- 5.17 A monthly review of key service line financial performance indicators must also take place (See section 6 below).
- 5.18 With support from the Finance Department each Service Line must conduct a forecast of financial performance, identifying mitigating actions and recovery actions to correct adverse performance to support reporting to the finance committee and Trust Board. On a quarterly basis this will include a full assessment of the underlying financial position of the service line budgets.

Budget statements

- 5.19 The Finance Department prepares the agreed budget for each cost centre within each Service Line for entry onto the Oracle accounting system. A monthly budget statement is either e-mailed to Budget Holders or available on line. This contains details of the current budget and funded establishment, together with information on actual expenditure and staff in post.
- 5.20 This monthly budget statement may be viewed online through the accounting system using the "Business Intelligence (BI)" tool. The system is made available to all Service Line Managers and Budget Holders and enables "drilldown" to analysis of

payroll expenditure, travel expenses, stores issues and non-stores expenditure. The Finance Support Team provides training to enable users to access and use BI.

5.21 Budget Holders should be aware that the monthly budget statements provided are based on the output from the various accounting systems e.g. income, stock, purchase orders and non-purchase invoices. They will include those items where the process has been completed but will not include the cost of orders which have been placed but which have yet to be fulfilled by suppliers. The Finance Team will also “accrue” or “prepay” for known items, for example where a cost has been incurred but the invoice has not yet been received e.g. NHS Professionals. This means that the income and costs shown for a month reflect a fair view of the financial activity for that month, not just what income has been received and costs paid.

5.22 Once the monthly BI budget statements are available, Budget Holders must review them and undertake the checks detailed in the Budget Holders’ Monthly Checklist. There is a monthly sign-off section within this document which needs to be completed by the Budget Holder and Service Line Manager. This will help to determine whether:

- The bottom line expenditure and manpower variances are as expected and acceptable;
- The total budget and funded establishments are as expected;
- The budget allocations have changed in the month;
- Expenditure and staff in post in the month compare fairly with previous months - where has it changed and why?
- It is clear why the over / under spending and manpower variances have occurred; and
- All outstanding items have been included in the month's expenditure.

5.23 Budget Holders should be familiar with the Oracle guidance notes passed to them by the Finance Team during training and available on the NHS SBS website. If any of this information is not clear, then Budget Holders should contact the Budget Holder’s Helpdesk to request further assistance.

5.24 Budget Holders may be required to maintain their own system to record large orders placed or expenditure incurred so that they can plan to keep spend within the budget allocated.

5.25 It is essential that Budget Holder inform the finance department at the earliest possible opportunity of any significant cost pressures and increases in expenditure which are not current being accurately recorded.

5.26 Budget Holders should also be aware of the corporate implications of their actions and liaise with other Service Lines and Departments at an early stage.

5. Keeping up to date with and following appropriate financial policies and procedures

5.27 Service Line Managers and budget holders must ensure that they have knowledge of the Trust’s financial procedures. This means that they have had appropriate training and have read and understand key financial policies and procedure documents. These include:

- Standing financial instructions
- Detailed scheme of delegation
- Financial Controls Guidance

- Quick reference guide for budget holders

5.28 It is vital that Service Line Managers and budget holders clear all 'paperwork' to ensure budgets are accurate and financial processes run efficiently. This 'paperwork' includes approval of purchase orders and non-purchase invoices, goods received notes, staff appointment, termination and change of circumstance forms as quickly as possible.

Support for Budget Holders

5.29 The Finance Department has a staffnet page dedicated to Budget Holder Support where all documents and guidance can be found.

<http://staffnet.plymouth.nhs.uk/Departments/OtherSupportServices/Finance,ProcurementandPerformanceInformation/BudgetHolders.aspx>

5.30 The following Budgetary support processes are in place:

5.31 The 'Quick reference Guide for Budget Holders'

The main purpose of this document is to provide Budget Holders with a quick look up reference guide that provides an overview of Trust budgeting processes and procedures.

5.32 The 'Financial Controls Guidance' Document

This document is designed to be a hands-on guide to ensure that all staff understand the control processes the Trust has in place and the appropriate levels of approval and authorisation involved.

5.33 Budget Holder Mandatory Training programme

A mandatory online budget holder training programme is in place. This can be accessed online through the Trust's Training Department or the Finance Support Team.

5.34 Specific one to one training from the Management Accounting team or Financial Support Team

One to one Budget Holder training is available to all Budget Holders. This can be provided by the Financial Support Team who can give a basic introduction to the finance system and budget holder duties. Additional training can be provided by the Management Accounts team who can provide more details on the expenditure in the budgets and further business support. It is carried out for all new Budget Holders and refresher training is available for Budget Holders on a request basis

5.35 HFMA e-learning modules

The "Introductory Certificate in Healthcare Finance" is an e-learning pack developed by HFMA (Healthcare Financial Management Association) aimed at helping non-financial professionals, non-executive directors, and finance staff new to the NHS to improve their knowledge and understanding of various aspects of NHS finance. Each module is linked to a KSF. This training can be arranged through the Finance Department. These modules are available from the HFMA website.

Support for Service Line Directors and Manager

5.36 One to one support and training is available for all Service Line Directors and Managers from their Service Line Business Advisors and Accountants.

6 Overall Responsibility for the Document

6.1 The Director of Finance is responsible for the implementation and review of this policy. This may be delegated to the Deputy Director of Finance.

7 Consultation and Ratification

- 7.1 The design and process of review and revision of this policy will comply with The Development and Management of Trust Wide Documents policy.
- 7.2 The review period for this document is set as default of 3 years from the date it was last ratified, or earlier if developments within or external to the Trust indicate the need for a significant revision to the procedures described.
- 7.3 This document will be approved by the Finance and Information Committee and ratified by the Director of Finance.
- 7.4 Non-significant amendments to this document may be made, under delegated authority from the Director of Finance, by the nominated author. These must be ratified by the Director of Finance and should be reported, retrospectively, to the approving Finance and Information Committee.
- 7.5 Significant reviews and revisions to this document will include a consultation with named groups, or grades across the Trust. For non-significant amendments, informal consultation will be restricted to named groups, or grades who are directly affected by the proposed changes.

8 Dissemination and Implementation

Following approval and ratification, this policy will be published in the Trust's formal documents library and all staff will be notified through the Trust's normal notification process, currently the 'Vital Signs' electronic newsletter.

Document control arrangements will be in accordance with The Development and Management of Formal Documents.

The document owner will be responsible for agreeing the training requirements associated with the newly ratified document with the Director of Finance and for working with the Trust's training function, if required, to arrange for the required training to be delivered.

9 Monitoring Compliance and Effectiveness

- 9.1 To gain assurance that Care Group Managers, Service Line Managers and Budget Holders carry out their duties correctly the Finance department measures compliance with a number of performance indicators in four key areas.
- 9.2 Each service line's performance will be assessed every month using a balanced score card approach, of which financial performance will be a key element. These metrics will form part of the Trust's Service Line Performance Dashboards. The following dimensions will be measured on a monthly basis and form the basis of the financial management aspect of the monthly score card;

Dimension	Measure
Financial	Profitability (EBITDA) - improved %

Sustainability	
Financial Efficiency	Financial Improvement Plan achievement - year to date
	Financial Improvement Plan achievement - forecast
Financial Control	Budget Variance - year to date
	Budget Variance - forecast
	Agency pay as a % of total pay spend
	Invoices paid on time %
	Non pay spend under purchase orders as a % of total spend
Financial Governance	Budget Holder Checklists completed
	Budget Holder training completed

9.3 Further details on these metrics can be found in Appendix 1 (Please note that the exact items on this list and the scoring applied may vary to some degree to reflect key management priorities and focus.)

9.4 If Service Line Directors, Managers or budget holders persistently fail on these measures and in their duties then their duties can be removed.

9.5 In addition to this both internal and external audit will carry out periodic reviews of the framework and report compliance to the Audit Committee.

10 References and Associated Documentation

- Standing Financial Instructions
- Standing Orders
- Trust Scheme of Delegation
- Quick Reference guide for budget holders
- Financial Controls Guidance
- Budget holders' Checklist

Dissemination Plan			
Document Title	Trust Financial Governance Policy		
Date Finalised			
Previous Documents			
Action to retrieve old copies	Remove from Trust Documents		
Dissemination Plan			
Recipient(s)	When	How	Responsibility
All Trust staff		Vital Signs	Information Governance Team
All staff	on approval	Email, Vital Signs	Document Control
All staff	on approval	Trust Documents	Document Control

Review Checklist		
Title	Is the title clear and unambiguous?	Y
	Is it clear whether the document is a policy, procedure, protocol, framework, APN or SOP?	Y
	Does the style & format comply?	Y
Rationale	Are reasons for development of the document stated?	Y
Development Process	Is the method described in brief?	Y
	Are people involved in the development identified?	Y
	Has a reasonable attempt has been made to ensure relevant expertise has been used?	Y
	Is there evidence of consultation with stakeholders and users?	Y
Content	Is the objective of the document clear?	Y
	Is the target population clear and unambiguous?	Y
	Are the intended outcomes described?	Y
	Are the statements clear and unambiguous?	Y
Evidence Base	Is the type of evidence to support the document identified explicitly?	Y
	Are key references cited and in full?	Y
	Are supporting documents referenced?	Y
Approval	Does the document identify which committee/group will review it?	Y
	If appropriate have the joint Human Resources/staff side committee (or equivalent) approved the document?	N/A
	Does the document identify which Executive Director will ratify it?	Y
Dissemination & Implementation	Is there an outline/plan to identify how this will be done?	Y
	Does the plan include the necessary training/support to ensure compliance?	Y
Document Control	Does the document identify where it will be held?	Y
	Have archiving arrangements for superseded documents been addressed?	Y
Monitoring Compliance & Effectiveness	Are there measurable standards or KPIs to support the monitoring of compliance with and effectiveness of the document?	Y
	Is there a plan to review or audit compliance with the document?	Y
Review Date	Is the review date identified?	Y

	Is the frequency of review identified? If so is it acceptable?	Y
Overall Responsibility	Is it clear who will be responsible for co-ordinating the dissemination, implementation and review of the document?	Y

Core Information	
Date	Alex Keast
Title	Deputy Director of Finance
What are the aims, objectives & projected outcomes?	Review of Financial Governance policy.
Scope of the assessment	
Collecting data	
Race	N/A
Religion	N/A
Disability	N/A
Sex	N/A
Gender Identity	N/A
Sexual Orientation	N/A
Age	N/A
Socio-Economic	N/A
Human Rights	N/A
What are the overall trends/patterns in the above data?	N/A
Specific issues and data gaps that may need to be addressed through consultation or further research	N/A

Involving and consulting stakeholders				
Internal involvement and consultation	N/A			
External involvement and consultation	N/A			
Impact Assessment				
Overall assessment and analysis of the evidence	N/A			
Action Plan				
Action	Owner	Risks	Completion Date	Progress update