

## CAPITAL APPROVAL AND BUSINESS CASE POLICY

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## DOCUMENT CONTROL

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## **1. INTRODUCTION**

- 1.1 The purpose of the policy is to provide operational guidance for delivering capital projects identified as part of the Trust's Annual Business Planning process.

## **2. PURPOSE & SCOPE**

- 2.1 The general definition of capital expenditure within the NHS is the purchase of any asset or works scheme over £5,000 and with a life of more than one year. This extends to "grouped" assets over £250, which collectively exceed £5,000 and where they are functionally interdependent. This particularly applies to IT assets connected to a network, but could also include "set-up" furnishing costs. However, as an NHS Foundation Trust we are not bound by this definition.
- 2.2 The policy applies to all directors and managers responsible for capital expenditure and to managers who have operational control of Trust assets.
- 2.3 The policy and procedures supplement the guidance within the Trust's Standing Orders (SOs) and Standing Financial Instructions (SFIs), in particular SOs Section 10 (tendering and contracting) and SFIs Section 14 (Capital Investment). Procedures should also take account of all Estates Codes and statutory regulations that may be in force.

## **3. DUTIES AND RESPONSIBILITIES**

- 3.1 The estates strategy will be overseen by an Estates Strategy Group.
- 3.2 Other capital expenditure needs identified by divisional managers (e.g. IT and equipment) will be scrutinised by the Director of Finance and Business Development. In-year monitoring of the capital programme against plan will be undertaken by the Director of Finance and Business Development, her deputy and the Head of Estates and Facilities and monthly reporting to the Board will include progress against plan for the year to date.

## **4. EXPLANATIONS OF TERMS USED**

- 4.1 All explanations of terms used are described throughout this document.

## **5. STATEMENT OF POLICY**

- 5.1 Capital expenditure is an integral part of the Integrated Business Plan (IBP) and should only be utilised to progress corporate objectives. An Estates Strategy covering at least a 5-year period will form part of the Trust's IBP. Capital expenditure plans resulting from this strategy plus other capital equipment expenditure identified will be prepared as part of the annual business planning cycle and require sign off by the Trust Board.
- 5.2 The demand for capital expenditure will usually exceed the available resources. The key principle in managing capital expenditure is to ensure that any proposals are thoroughly reviewed prior to approval.
- 5.3 The principles underpinning the management of capital expenditure should ensure that:
- there is value for money;

- expenditure matches corporate objectives;
- control is maintained over Trust assets;
- healthcare services are provided in environments that promote effective care and optimise health outcomes by being well designed and well maintained with cleanliness levels that meet national specifications; and
- a safe and secure environment protects patients, staff and visitors and is supportive of patients' privacy, dignity and confidentiality and which respects their cultural and other differences.

5.4 In-year changes above £100,000 will be highlighted for re-approval by the Trust Board.

## 6. FUNDING

6.1 Monitor's Prudential Borrowing Code for Foundation Trusts provides a framework to manage capital with a greater degree of discretion, allowing FTs to target capital where it will have the greatest positive impact on care.

6.2 Funding for capital expenditure comes from retained revenue depreciation charges, cash surpluses on revenue generated as a Foundation Trust, asset sales and borrowing from the Independent Trust Financing Facility (ITFF) or commercial sources. As the latter is not backed by any form of Government guarantee, the Trust must prove its credit worthiness in a normal commercial sense. The Trust will be given a Prudential Borrowing Limit (PBL) by NHSI, dependent upon its risk rating. Any ITFF or commercial loans taken out to fund capital must fall within this limit, and the Trust needs to generate surplus cash to service the payments of interest and principal over the life of the loan. Exceptionally, there are some central "badged" capital allocations that may attract Public Dividend Capital (PDC) from HM Treasury.

## 7. PROCEDURES

7.1 **Schemes above £1m:** These will normally be considered by the Estates Strategy Group as part of the IBP, a project team and project manager identified, with a full business case prepared, following a project initiation document (PID). If timescales do not permit, e.g. where bids have to be made quickly from central "badged" allocations, an abbreviated case can be made. Where appropriate, consultation with the Trust's commissioners should take place. All schemes above £1m should be approved by the Trust Board.

7.2 **Schemes over £100k:** An abbreviated business case should be prepared for the Estates strategy group. Exceptionally, the Estate Strategy Group may require more detailed business cases for any schemes that carry a particularly high risk or have a high impact on revenue.

7.3 **Minor capital schemes and backlog maintenance:** Schemes will be approved by the Head of Estates and Facilities and IT schemes approved by the Head of IM&T within the context of the annual programme as agreed by the Trust Board.

7.4 **Revenue consequences:** Where a capital scheme has ongoing revenue consequences, the funding stream will need to be identified by the Director of Finance and Business Development before it can be included within the annual programme.

7.5 Post project reviews should be carried out for large schemes, particularly where there is an ongoing impact on Trust revenue.

## **8. TRAINING REQUIREMENTS**

8.1 The Trust will work towards all staff being appropriately trained in line with the organisation's Staff Training Matrix (training needs analysis). All training documents referred to in this policy are accessible to staff within the Learning and Development Section of the Trust Intranet.

8.2 Potential training requirements include:

- Risk management
- Project management
- Financial awareness for non finance staff
- Investment appraisal technique

## **9. EQUALITY IMPACT ASSESSMENT**

9.1 All relevant persons are required to comply with this document and must demonstrate sensitivity and competence in relation to the nine protected characteristics as defined by the Equality Act 2010. In addition, the Trust has identified Learning Disabilities as an additional tenth protected characteristic. If you, or any other groups, believe you are disadvantaged by anything contained in this document please contact the Equality and Diversity Lead who will then actively respond to the enquiry.

## **10. MONITORING COMPLIANCE AND EFFECTIVENESS**

10.1 Overall monitoring to be undertaken by the Finance and Investment Committee.

## **11. COUNTER FRAUD**

11.1 The Trust is committed to the NHS Protect Counter Fraud Policy – to reduce fraud in the NHS to a minimum, keep it at that level and put funds stolen by fraud back into patient care. Therefore, consideration has been given to the inclusion of guidance with regard to the potential for fraud and corruption to occur and what action should be taken in such circumstances during the development of this procedural document.

## **12. RELEVANT CARE QUALITY COMMISSION (CQC) REGISTRATION STANDARDS**

12.1 Under the Health and Social Care Act 2008 (Regulated Activities) Regulations 2014 (Part 3), the fundamental standards which inform this procedural document, are set out in the following regulations:

Regulation 13: Safeguarding service users from abuse and improper treatment

Regulation 16: Receiving and acting on complaints  
Regulation 17: Good governance  
Regulation 18: Staffing  
Regulation 19: Fit and proper persons employed  
Regulation 20: Duty of candour  
Regulation 20A: Requirement as to display of performance assessments.

12.2 Under the CQC (Registration) Regulations 2009 (Part 4) the requirements which inform this procedural document are set out in the following regulations:

Regulation 18: Notification of other incidents

12.3 Detailed guidance on meeting the requirements can be found at <http://www.cqc.org.uk/sites/default/files/20150311%20Guidance%20for%20providers%20on%20meeting%20the%20regulations%20FINAL%20FOR%20PUBLISHING.pdf>

## 13. REFERENCES, ACKNOWLEDGEMENTS AND ASSOCIATED DOCUMENTS

### 11.1 References

Monitor - Prudential Borrowing Code for Foundation Trusts 2009

Monitor – Risk Evaluation for Investment decisions by Foundation Trusts 2006

Information on business cases is available in the NHS Capital Investment Manual via the Department of Health website, where a Business Case Guide and spreadsheets are available.

[http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH\\_4119896](http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_4119896)

### 11.2 Cross reference to other procedural documents

Board of Directors' Standing Orders (part of the Constitution of the Foundation Trust)

Code of Business Conduct Policy

Information Governance Policy

Investment Policy

Record Keeping and Records Management Policy

Risk Management Policy

Standing Financial Instructions and Scheme of Delegation

Untoward Events Reporting Policy

All current policies and procedures are accessible in the policy section of the public website (on the home page, click on 'Policies and Procedures'). Trust Guidance is accessible to staff on the Trust Intranet.

### Relevant Objective within Trust Strategy

Estates Strategy

Integrated Business Plan