CAPITAL EXPENDITURE SANCTIONING PROCEDURES

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AUTHOR: Head of Financial Accounts
CONSULTATION: Audit Committee
Senior Finance Team
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APPROVAL BY FINANCE AND PERFORMANCE COMMITTEE: N/A

POLICY SUMMARY

The procedure outlines the process for the consideration of bids by the Capital Projects Programme Board and their approval under the Detailed Scheme of Delegation.

Forms to be completed for presentation to the CPPG are available from the Finance Department.

The Trust Monitors the implementation of and compliance with this policy in the following ways:

Internal Audit

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The Director responsible for monitoring and reviewing this policy is Executive Chief Finance Officer
ESSEX PARTNERSHIP UNIVERSITY NHS FOUNDATION TRUST

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1.0 INTRODUCTION

1.1 The purpose of this document is to clarify the procedure to be followed for all capital / non-recurrent revenue bids. It is designed to ensure the Trust's capital allocation is used appropriately and accounted for correctly.

1.2 The bid process to be followed differs for capital and non-recurrent revenue expenditure. Capital expenditure is required to be approved by the Executive Chief Finance Officer/Board of Directors/Finance and Performance Committee following recommendation by the Capital Projects Programme Group (CPPG) and in line with the Detailed Scheme of Delegation. Revenue expenditure is required to be approved by the Executive Chief Finance Officer or the Executive Team as required and in line with the Detailed Scheme of Delegation.

1.3 This document should be read in conjunction with the Trust’s Standing Financial Instructions, Standing Orders and other relevant procedures.

1.4 For the avoidance of doubt, this procedure refers to a number of key staff within the Finance Department for the completion of a range of tasks. In the absence of these staff, the tasks will be undertaken by covering members of staff. In the event there are no suitable staff to cover the identified task, the decision will be referred to either the Deputy Chief Finance Officer, Head of Financial Accounts or Head of Financial Management.

2.0 CAPITAL v NON RECURRENT REVENUE EXPENDITURE

2.1 The distinction between capital and non-recurrent revenue expenditure can be quite subjective, but in broad terms capital expenditure is used to purchase or enhance a non-current asset which will generally have a life in excess of one year, and cost more than £5,000 including any non-recoverable VAT. All repairs and maintenance work, and expenditure totalling less than £5,000 including any non-recoverable VAT would generally be classed as non-recurrent revenue expenditure.

2.2 Generally all invoices in respect of capital or non-recurrent revenue schemes will subject to VAT charged at 20%. The Trust is able to reclaim VAT from Her Majesties Revenue and Customs (HMRC) on certain types of expenditure. For scheme expenditure where a detailed specification is not available, there are over-riding rates applicable, depending on the nature of the work, and whether the expenditure is capital or non-recurrent revenue. Where a detailed specification is available, the scheme will be assessed by the Trust’s external VAT consultants, in order to optimise the overall VAT recovery.

Where the scheme is Procure 21 plus, the advisory VAT rate must be confirmed via HMRC VAT team prior to the start of construction. VAT on all invoices will then be reclaimable at the advisory rate.
3.0 SCHEME APPROVAL AND MONITORING

3.1 It is important the Project Sponsor (normally the relevant Director) liaises with the Purchasing Department to ensure that they are aware of the correct procurement method to be adopted. Advice will be provided as to whether competitive quotes need to be obtained, or whether the scheme needs to be tendered. In addition, confirmation will be provided as to whether the works exceed the OJEU limits for individual suppliers, and hence, whether an advert needs to be placed with OJEU.

3.2 The capital expenditure programme is approved by the Board of Directors, when approving the annual operational plan as part of the annual planning and submission process to NHS Improvement. The approved capital programme will generally include committed and uncommitted allocations.

Subsequent expenditure from the capital allocations will require the recommendation of the CPPG to the ECFO / CEO / Finance and Performance Committee as per the detailed scheme of delegation. In the event a new capital allocation is required which was not included within the annual / operational plan, the approval of the Finance and Performance Committee (based on a recommendation from the CPPG) is required.

As noted above, the distinction between capital and non-recurrent revenue expenditure can be subjective. In addition, the split may also be unclear during the annual planning and approval process and for this reason expenditure which is originally approved as capital may subsequently be reclassified as non-recurrent revenue and vice versa. Ultimately, it is the responsibility of the Finance Department to confirm the split between capital and non-recurrent revenue expenditure on capital schemes.

3.3 Prior to any bid being presented to the CPPG for consideration, the appropriate Option Appraisal form should be fully completed and forwarded to the Director of Estates for inclusion on the agenda. The latest forms are available upon request from the Capital Accountant. It is essential that all elements of the form are completed else the bid will not be included on the agenda or considered by the CPPG. This includes a view being taken by the Capital Accountant as to whether the bid constitutes capital or revenue expenditure, and any ongoing revenue implications for which funding needs to be identified.

Once bids have been duly considered and approved, a project code will be issued to the project manager.

3.4 For projects monitored by the Capital Projects Programme Group, an update and progress report will be submitted at least bi-monthly. The template format of the report presented to the CPPG is available from the Director of Estates.

3.5 The CPPG does not have any delegated authority to approve expenditure, but should instead review and recommend bids for approval in line with the Detailed Scheme of Delegation.
3.6 The CPPG has agreed some business rules to be followed, in line with the above, for the approval of capital bids/projects/schemes and is subject to the discretion of the Executive Chief Finance Officer. These are listed in Appendix 1.

4.0 COST PRESSURES ARISING DURING THE SCHEME

4.1 Due to the nature of project management, the CPPG accept that there are instances whereby additional expenditure not originally allowed for within an approved allocation, will need to be incurred. All bids are therefore required to include an appropriate contingency to cover this.

4.2 In the event the project manager believes the allocation, including the contingency, is insufficient to complete the project, a further request for funding should be made to the next available CPPG meeting. If the request is urgent, the advice of the Executive Chief Finance Officer should be sought.

5.0 POST PROJECT COMPLETION EVALUATION

5.1 All project managers must complete an evaluation of the scheme once the project has been completed. The Estates and Finance Departments can provide assistance with this as necessary.

5.2 The outcome of the evaluation should be reported back to the Capital Projects Programme Group. This will normally be completed twelve months after practical completion.

END