



**GIG**  
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WALES

Iechyd Cyhoeddus  
Cymru  
Public Health  
Wales

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## **BUDGETARY CONTROL PROCEDURE**

### **Introduction and Aim**

The budgetary process is part of the Trust's system of internal control and financial management. Budgets form an integral part of strategic planning and ensure that resources are targeted to support the delivery of the Trust Integrated Medium Term Plan (IMTP).

It is important to ensure that there are robust budgetary control procedures in place to make best use of the available resources.

The Trust Standing Financial Instructions detail the financial responsibilities, policies and procedures to be adopted by the Trust. Together with the Standing Orders, Scheme of Delegation and other Financial Procedure notes, they cover all aspects of financial management and control.

Budget holders are required to review procedures for financial management to ensure that they understand their responsibilities and comply with the directions and guidance in this document. Financial performance is a key objective for senior managers within the Trust and, as such, failure to comply with budgetary control procedures may be treated as a breach of conduct.

Budget holders are required to undertake Budget Holder training in order to continue to manage a budget. Training is provided by Finance Division staff. Further details are given in section 6.

This Budgetary Control Framework 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 Trust form part of the overall assurance framework.

### **The aims of the framework are:**

- To develop management understanding and capacity in relation to financial matters. This should be to enable managers to get the best possible value from their budgets.
- To provide the Trust with the necessary controls to ensure that expenditure is incurred in accordance with the Trust's approved budget.

<b>Linked Policies, Procedures and Written Control Documents</b>	
<a href="#">All corporate policies and procedures are available on the Public Health Wales website</a>	
<b>Scope</b>	
This procedure is applicable to all Public Health Wales Staff, including those with honorary contracts.	
<b>Equality and Health Impact Assessment</b>	An Equality, Welsh Language and Health Impact Assessment has been completed and can be viewed on the policy webpages.
<b>Approved by</b>	Audit and Corporate Governance Committee
<b>Approval Date</b>	29 January 2024
<b>Review Date</b>	29 January 2027
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<b>Accountable Executive Director/Director</b>	Huw George, Executive Director of Operations and Finance
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<b>Summary of reviews/amendments</b>				
<b>Version number</b>	<b>Date of Review</b>	<b>Date of Approval</b>	<b>Date published</b>	<b>Summary of Amendments</b>
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## **1 Introduction**

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Budget holders are required to review procedures for financial management to ensure that they understand their responsibilities and comply with the directions and guidance in this document. Financial performance is a key objective for senior managers within the Trust and, as such, failure to comply with budgetary control procedures may be treated as a breach of conduct.

Budget holders are required to undertake Budget Holder training in order to continue to manage a budget. Training is provided by Finance Division staff. Further details are given in section 6.

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### **The aims of the framework are:**

- To develop management understanding and capacity in relation to financial matters. This should be to enable managers to get the best possible value from their budgets.
- To provide the Trust with the necessary controls to ensure that expenditure is incurred in accordance with the Trust's approved budget.

**A number of underlying key themes will be maintained in the framework:**

- Budgets will be set within the Trust's expected resource.
- Budgets will be set so that they are achievable and realistic with all budget setting methodologies and assumptions being made clear.
- Expenditure will not be permitted to exceed budgets without the approval of the Executive Director of Operations and Finance.
- There will be no automatic right to receive a budget at the same level as previous years. As part of the Trust financial management process, budget holders will need to demonstrate how resources within their control are being spent and how value for money is being achieved. Budgets will also reflect the Trust's policy on management and operational cost reduction schemes and targets.
- Actual staff posts will not be permitted to exceed funded establishments.
- Directorate reports will be issued on a regular basis for appropriate review and action.
- Clear ownership / accountability of budgets by budget holder / managers will be required and evidenced through formal sign-off of budgets.
- Any proposal requiring additional funds must have appropriate finance input and sign-off, including identification of the source of funding.

## **2 Roles and responsibilities**

This section outlines the roles and responsibility for:

- The Trust
- Budget Holders
- Finance Partners
- Finance Business Partners

### **2.1 Trust Financial Duties**

The Trust is required to meet the following statutory financial duties and administrative requirements:-

- The Trust has a statutory duty to breakeven over a three-year rolling period.
- The Trust has a statutory duty to prepare a plan, the Integrated Medium Term Plan (IMTP), to secure compliance with the first statutory duty (above), and for that plan to be submitted to and approved by the Welsh Ministers.
- The Trust must ensure the Board approve balanced revenue and capital plans before the start of each financial year;
- The Trust has a Capital Expenditure Limit that must be met;
- External Finance Limit (EFL) – a requirement not to exceed the cash limit, i.e. do not spend more than the specified cash limit. The Trust has a combined cash limit for both revenue and capital;
- Public Sector Payment Performance (PSPP) – The Trust is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later).

### **2.2 Delegation of Budget Responsibility**

The Chief Executive delegates, via the Director of Finance, responsibility for the management of budgets to individuals in line with the scheme of delegation to permit such managers to perform their duties.

Any delegation of budgets by the Chief Executive will be specified in

a financial scheme of delegation, which will provide a clear definition of responsibility for the control of expenditure and the limits on the authorisation of expenditure. L1 forms are used to delegate budgets, along with an expenditure authorisation level from the Chief Executive to the budget holders listed on the financial scheme of delegation.

Expenditure limits of up to £10k can be further delegated by these primary budget holders using the L2 form. Both L1 and L2 forms can be found on the Finance Intranet pages or from Finance Partners.

### **2.3 Definition of a Budget**

A budget is a specific sum of money allocated to carry out a specific plan for a specific period. It expresses plans and intentions in resource and financial terms having regard for the quantity and quality of services to be given.

### **2.4 Budget Holders**

Budget holders are responsible for running services or delivering specific objectives and will be accountable, for the use of resources in discharging those responsibilities.

It is recognised that an awareness of financial control should be embedded within the culture of the organisation. As such, budget holders are responsible for ensuring that they, and staff within their team, are aware of current finance issues and understand the financial implications of their decisions and actions.

### **2.5 Budget Holder Role and Responsibility**

A nominated Finance Partner will be allocated to each directorate to help the budget holders manage their financial resources.

All budget holders have a number of responsibilities. These include:-

- Set realistic budgets in conjunction with the Finance Partner within the sum allocated.
- Managing services within the delegated budget.



- Spend funds only as required and manage resources to ensure value for money is obtained at all times.
- Work within the establishment control process to ensure that all posts are properly funded and approved.
- Timely approval and accurate coding of financial documents e.g. purchase requisitions, invoices.
- Monitor budgets on a regular basis, at least monthly.
- Work closely with Finance Partners, keeping them informed of any forthcoming financial issues, identifying risks that will affect the financial position and agreeing the likely year-end forecast outturn position.
- Investigate causes of expenditure and budget variances using information from activity, workforce and other relevant sources.
- Develop plans to address adverse budget variances, keeping the Finance Partner informed of reasons for the variance and the action taken to correct the position.
- Comply with the Trust's Standing Orders, Standing Financial Instructions, Financial Procedures and Tendering and Contracting procedures at all times.
- Budgets must be maintained in accordance with the Trust's overall IMTP and must be used only for the purpose for which they are provided except where otherwise approved by the Executive Team.

The accountable budget holder may delegate the management of a budget to a named delegated budget holder. Whilst the delegated budget holder must comply with all the above requirements, the budget holder remains accountable for the performance of the budget(s) under their control.

A comprehensive list of budget holders and budget managers will be maintained by the Finance Division.

## **2.6 Finance Partner Responsibility**

Each budget holder will be allocated a Finance Partner 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 (i.e. the extent to which expenditure is likely to deviate from budget).
- 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 in completing business case documentation for new developments or reviews of existing services.
- Maintain records to ensure that budgets accurately reflect the approved establishment levels.

## **2.7 Finance Business Partner Responsibility**

Each Directorate will be allocated a Finance Business Partner whose responsibility it will be to:-

- Ensure financial information is processed in accordance with Standing Orders, Standing Financial Instructions and Financial Procedures.
- Ensure the highest standards of financial stewardship and actively manage the delegated financial position to achieve breakeven positions for Divisions/Directorates and collectively for the Trust.
- Provide comprehensive financial leadership and advice and ensure proactive financial management and control of the Trust resources at all levels of decision-making.

- Advise Directorate management teams on complex business planning issues, and provide financial direction and financial control of services, contributing to the delivery of strategic and operational objectives set for both the Directorate and the Trust.
- Provide financial advice to the Directorate management teams to ensure effective utilisation of resources to deliver value for money.
- Contribute to the development of the Trust Integrated Medium Term Plan (IMTP) and coordinate the production of annual financial plans and monitoring reports for the Trust to support the achievement of its objectives.
- Manage the performance and development of the Finance Partners and Finance Assistants providing effective leadership and guidance.

### 3 Definitions

<b>Term</b>	<b>Definition</b>
<b>Balanced budget</b>	A budget that delivers a break-even position
<b>Budget</b>	A financial and / or quantitative statement that is prepared and agreed for a specific future period – usually a financial year in PHW. It translates aims of the Directorate into a statement of the resources needed to fulfil them in monetary terms
<b>Budget holder / manager</b>	The single named individual responsible for a budget. They are responsible for agreeing, reviewing and monitoring their allocated budgets and taking the action necessary to ensure that income and expenditure do not exceed that planned.

<b>Term</b>	<b>Definition</b>
<b>Budget monitoring</b>	A continuous process of reviewing actual income and expenditure against plan
<b>Business case</b>	A formal process (in written form) for identifying the financial and qualitative implications of options for changing services and/ or making investments
<b>Costing</b>	Quantifying, in financial terms, the value of resources consumed in carrying out a particular activity/ service or producing a certain unit of output
<b>Direct costs</b>	Costs that can be directly attributed to a particular activity or output
<b>Drawdown budget</b>	The amount of money available for an agreed activity that will be requested from funding source against evidenced activity / delivery. It cannot be accessed in advance of activity.
<b>Establishment</b>	A staffing establishment is the number of full-time/whole-time equivalents for each grade of staff budgeted for a directorate / division / function / team. If a budget manager keeps to the agreed staffing establishment, the amount spent against the budget should stay on track throughout the year. Any recurring changes to the budgeted establishment needs to be approved by the Establishment Control Panel.
<b>Forecast</b>	A prediction of future financial activity / spend / performance
<b>Non-pay</b>	Income or expenditure not related to people resource
<b>Non-recurrent</b>	One-off income, expenditure or savings which

<b>Term</b>	<b>Definition</b>
	are contained in a particular financial year and will not be repeated in future years
<b>Pay</b>	Income or expenditure related to people resource
<b>Collective budget</b>	This refers to the combining of resources within a Directorate, or across a number of Directorates with the agreement of The Chief Executive.
<b>Recurrent</b>	On-going income, expenditure or savings that will continue into successive financial years.
<b>Expenditure Slippage</b>	An informal term used to describe a situation where the expenditure is less than the budgeted plan – an underspend situation giving rise to a negative variance.
<b>Vacancy factor</b>	A negative Pay budget - Expressed as a % this is a calculation of the anticipated whole-time equivalents (WTE) number of vacancies against budgeted WTE workforce levels
<b>Variance</b>	The difference between budgeted and actual income and / or expenditure. Variances are used to identify and analyse the cause of over or under spends with a view to taking action to mitigate the position
<b>Virement</b>	The process of transferring budget from one budget heading / line to another

## **4 Procedure/Process/Protocol**

### **4.1 Budget Setting Process**

The financial plans and resultant annual budgets are based on the Trust's anticipated resources, risks, efficiency targets and developments known at the time of setting the budget. Budgets setting is an intrinsic part of the IMTP process and should be in accordance with the aims and objectives set out in the approved IMTP, and focussed on delivery of safe patient centred quality services.

Annual Financial Planning principles are provided by the Executive Director of Operations and Finance each year, which set out the assumptions for that year. These will include any Cost Improvement or Efficiency targets set both nationally and locally by the Trust, along with any further savings, which may be needed to create an investment fund.

Budget holders are required to develop realistic and achievable schemes in order to meet any savings targets.

Budgets will include both financial budgets (£) and workforce establishment budgets (budgeted whole time equivalents).

In the initial stages of budget setting, 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 may need to demonstrate how resources within their control are being spent and identify the resultant value for money benefits.

All budgets must be agreed and "signed-off" by the appropriate budget holder.

The planning cycle will ensure that all identified developments and cost pressures are assessed, prioritised and approved by the Trust 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.

Draft budgets will be subject to a formal scrutiny process and must be approved by the Executive team body prior to the start of the financial year and in advance of any new financial commitments being made.

Budgets must take account of the principles of Well-being of Future Generations (Wales) Act 2015 including the seven Well-being Goals and the five ways of working.

## **4.2 Non-recurrent Funding/Expenditure**

Recurrent (on-going) and non-recurrent (current year only/time limited) budgets will be separately identified and agreed with budget holders and managers.

Under no circumstances should recurrent expenditure be committed against non-recurrent funding unless by prior written agreement of the Director of Operations and Finance.

Non-recurrent funding may only be used to meet non-recurrent expenditure and will be withdrawn at the commencement of the next financial year unless by prior written agreement of the Executive Director of Operations and Finance.

Where external funding streams are identified as being non-recurrent, a written agreement, which confirms funding arrangements, must be signed by the external stakeholder/agency prior to any financial commitment being made by the Trust (e.g. advertising posts).

No applications should be made for any additional external funding towards pilots or service developments without formal financial sign-off. 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.

No funds should be committed until allocations have been confirmed.

For non-recurring funding streams, one of the following formal agreements will need to be in place:

- Signed confirmation from Awarding body confirming funding arrangements;
- Signed secondment agreement for seconded out member of staff

### **4.3 Savings Plans**

Cost efficiency measures will be agreed with budget holders prior to the start of each financial year and deducted from base budgets. Each measure will be monitored and reviewed on a monthly basis against the planned savings. Where actual performance is below that planned, a revised action plan must be agreed to deliver the agreed savings.

The ownership of any savings plan, along with the risk, and possible service impact, must be identified at the outset when plans are made.

### **4.4 Developments / Business Cases**

Business Cases will be required for all proposed developments or investment requests for both internal and external funding.

All Business Cases must have appropriate input and support from the Finance Division. In particular, the source of funding must be identified and confirmed by the Finance Partner/Finance Business Partner prior to submission to the Executive Team or delegated committee for approval. This will ensure that the associated costs are accurate and provide an additional check to ensure that all financial considerations have been taken into account. It will also ensure that, for both new and existing schemes, there is absolute clarity around the reasons for and the benefits and outcomes of the schemes under review.

Any changes to commissioned activity/spend and cost pressures impacting on budgetary spend must be approved. Baseline budgets will not be automatically reset to accommodate cost pressures.

Budget holders must formally apply for additional budgetary resources under the same rules as for investments and developments through the agreed business planning process.

Approved development or investment funding will be retained within a central budget until confirmation is received that the development has commenced. At such a time the budget will be released to a designated budget holder. The amount released to the budget holder will reflect any slippage between the planned start date and the actual start date.

Further advice regarding the financial content of a business case can be obtained from the Finance Partner/Finance Business Partner.



## **4.5 Centrally Held Budgets**

Other centrally held budgets may include sums to cover future pay awards, price inflation, unforeseen contingencies, non-recurrent spending or other specific items not yet allocated to individual budgets.

The Executive Director of Operations and Finance may exercise discretion to partly or wholly allocate reserves directly to departments.

Central budgets will be reviewed on a monthly basis to determine both their adequacy and necessity.

All changes to revenue allocations notified by Welsh Government will be reflected initially in central budgets. Budget holders do not have an automatic right to receive an allocation direct into their budgets.

Funds will only be released from reserves when the Executive Director of Operations and Finance is satisfied that:

- The appropriate approval process and procedures have been complied with;
- There is a sound financial strategy in place for spending the resource;
- The purpose is in line with the Trusts strategic objectives and demonstrates value for money;
- The proposed use of resource is not or cannot be funded from within existing budgets; and
- The commitment will not jeopardise the Trusts ability to meet its statutory duties and financial targets.

## **4.6 Carry forwards from previous year**

Automatic carry-forwards of unused budget funds for individual budgets from the prior financial year will not be available.

Where a Trust 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 approval by the Finance Division and with the written agreement of the funding

organisation. Generally speaking, funding from Welsh Government or other NHS Wales organisations cannot be carried forward.

#### **4.7 Reporting Procedures**

Each budget holder will have access to a monthly budget report via the financial system within 5 working days of the month end to which the report relates.

In order to provide an accurate financial position, prior to the reports being finalised:-

- Accruals (sums entered to reflect resources consumed but not yet actually paid for) will be entered by the Finance Division on a monthly basis. This includes Goods / Services Received and not paid for.
- Prepayment adjustments (sums entered to reflect payments made in advance of resources consumed) will also be entered by the Finance Division on a monthly basis.

Executive Directors will receive monthly Directorate reports identifying performance against each budget area within their remit.

Budget holders will be instrumental in underwriting the accuracy of forecasts provided in conjunction with the Finance Partner 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).

A regular review will take place, involving both the Finance Partner 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.

The Executive Director of Operations and Finance will produce a monthly position statement for the Executive Team and Trust Board, which will:-

- highlight performance against the Trust's key financial targets;
- provide explanations for major variances against budgets and action being taken to rectify the position;

- identify major financial risks that could affect the Trust's financial position and details of any action being taken to mitigate them.

#### **4.8 Investigation of Variances**

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.

All significant variances should be investigated by the budget holder in conjunction with the Finance Partner.

#### **4.9 Underspends**

If a budget is forecast to be underspent, the savings will be classified into two distinct categories:

- 1) Unplanned – these are savings which accrue without the budget holder taking any specific action, e.g. staff turnover.
- 2) Planned – these are savings, which are the direct result of specific action taken by the budget holder.

The 'Management of In Year Variances' sets out a framework which proactively supports the budget management, monitoring and forecasting of the financial position for each directorate throughout the financial year to achieve a breakeven position.

The Executive Director of Operations and Finance has the right to request the use of any savings to alleviate financial pressures elsewhere within the Trust or to fund new developments.

Budget holders should note that underspends in any year are not carried forward for use in a subsequent year.

#### **4.10 Overspends**

A budget holder does not have the authority to overspend their budget(s).

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 Executive Director of Operations and Finance or a senior member of the Finance Division as quickly as possible.

#### **4.11 Budget Virements**

Budget holders must not incur expenditure, which is normally chargeable to the budgets of other budget holders without prior written authority.

Virement (transfer) of funds between budgets/reserves may be necessary during the year for a number of reasons. Budget holders may wish to vire funds from within their own budgets (budget lines) or with budgets held by others.

A record of all budget changes from initial base budgets will be maintained by the Finance Division.

Virements **cannot** be actioned for:

- Transfers between capital and revenue;
- Where it would be in breach of the rules on earmarked or ring fenced funding arrangements;

#### **4.12 Establishment Control**

Prior to starting any recruitment process for a vacant post, or undertaking any review of banding, the proper establishment control procedure must be followed.

An approved staff establishment list is produced at the beginning of each year as part of the budget setting process. This list forms an important element of control in that it represents the staff resource needed to support the objectives of the IMTP and which was agreed as part of the budget setting process.

Any potential changes in establishment will need to be discussed and formally agreed by both workforce and Finance Business Partners. Such changes in establishment will include re-bandings.

If there are financial implications of any changes to the establishment, then these need to be formally approved by the Finance Partner/Finance Business Partner. If any increase in the

pay budget is required as a result of establishment changes, this needs to be approved by the Establishment Control Panel.

Each directorate should have a formal review process to consider all establishment changes or like for like replacements.

As a minimum, the documentation and process must:-

- 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.
- 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.

Establishment control forms completed in respect of all posts must be counter-signed by the Finance Partner/Finance Business Partner as additional confirmation of availability of funding for the post.

#### **4.13 Agency Staff Budgets**

Where agency staff are used, the appropriate establishment budget will be charged the actual agency/bank staff time.

The cost of agency staff is normally more expensive than NHS staff and therefore managers must ensure that sufficient funds are available within the overall budget to accommodate this additional cost.

#### **4.14 Public Sector Payment Performance (PSPP)**

The Trust is required to pay 95% of the number of non-NHS bills within 30 days of receipt of goods or a valid invoice (whichever is the later). It is important, therefore, that those who are required to authorise invoices / or provide proof of delivery of goods or services against purchase orders should do so immediately or as soon as practicable upon receipt.

The Finance Division will actively manage performance against this target and will contact all budget holders to ensure that appropriate actions are taken in a timely manner.

#### **4.15 Capital**

Capital expenditure is expenditure on non-current assets (Property,

Plant and Equipment, Right of Use Assets or Intangible Assets) as defined by the NHS Wales Manual for Accounts (Capital).

All non-current assets are held on the Trust asset register and currently comprise the following categories of assets:

- Land and Buildings
- Plant and Machinery
- Transport equipment
- Information Technology
- Furniture and fittings
- Computer software purchased
- Computer software internally developed
- Licences and trade-marks
- Development expenditure internally generated

There is no simple definition for capital expenditure and therefore advice should be sought by the budget holder from the Trust's Finance Manager for Capital as to whether expenditure is capital or revenue.

The Trust receives an annual discretionary Capital Expenditure Limit, which is primarily used to fund replacement items on the Trust Asset Register.

In addition, the Trust receives strategic capital directly from Welsh Government for any major schemes and new developments through the submission of Business cases.

A Statement of Need is submitted by budget holders for all items, which need to be replaced using discretionary funding. The Trust Capital Planning group receives and assesses all statements at the beginning of each financial year, and sometimes during the year as more funding becomes available.

All capital schemes must clearly include and have approval for any revenue commitments arising from the scheme.

Once approved each capital scheme will have a designated budget holder who will be responsible for ensuring that expenditure does not exceed approved values.

The general rules stipulated within this budgetary control framework will also apply to capital expenditure.

#### **4.16 Budget Holder Training**

Budget holders are required to undertake budget management training in order to manage a budget. Budget Holder training is provided by Finance Division staff.

Please contact your Finance Partner for details of training or visit the Finance Division intranet pages. It is essential that any training requirements are raised with your Finance Partner at the regular review meetings to ensure that there are no gaps in control.

In addition to the Budget Holder training, the Trust also provides General Finance training.

#### **4.17 Monitoring and Review**

This document will be reviewed and updated every 3 years; however, any required changes that occur prior to this will be addressed in line with correct governance processes.