

# BUDGETARY CONTROL MANUAL

Lincolnshire Partnership NHS Foundation Trust  
**BUDGETARY CONTROL MANUAL**

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## 1.0 INTRODUCTION

This manual has been produced with the intention of providing guidance to all Budget Holders on their budgetary responsibilities and the parameters within which they must manage their budgets. Budget Manager training sessions are also available on a regular basis to assist managers in their roles, and members of the Finance Team will be happy to offer support as required.

The guidance contained herein is supplementary to Standing Orders, Standing Financial Instructions and detailed policies and procedures, with which Budget Holders should be familiar, and are available on the Trust's intranet.

### Principles

The budget will be built on the founding principles of:

- ◆ Empowerment
- ◆ Accountability
- ◆ Fairness
- ◆ Achievability
- ◆ Agreement.

### Empowerment

Responsibility for wisely spending the scarce financial resource will be delegated to Budget Holders. Whilst controls are in place to protect all of us from high risk and long term commitments the responsibility for developing plans and managing expenditure rests with Budget Holders. Initial financial plans will be built up by type of expenditure but the Budget Holder will have the flexibility to re-plan within the year and spend their budget differently in order to achieve better healthcare more efficiently. The principle is:

*Freedom to spend but NOT to overspend.*

### Accountability

With the freedom to flexibly spend within budget comes the duty to manage finances and be held accountable for controlling costs. A primary Budget Holder can delegate responsibility for managing elements of their budgets to delegated Budget Holders but remain accountable to the Chief Executive for achieving their financial duty. The principle is:

*Controlling costs is part of the primary Budget Holders' job role.*

### Fairness

The introduction of Payment by Results will result in significant change in the future and lead to the re-distribution of resources across the Trust. The National Tariff is set each year to include elements of direct costs and overheads. Budgets currently set based on historic information will therefore, over time, see a move towards budgets set with greater emphasis on the effect of Payment by Results and Reference Costs.

### Achievability

Underpinning the principles of empowerment and accountability is an implicit assumption that it is possible to live within budget whilst delivering a safe and effective service. The budget process will allow for Budget Holders to identify and quantify specific pressures that make a budget unrealistic. The Budget Holder needs to be able to demonstrate that they

have developed plans to change the ways of working which will limit or negate the impact of such pressures. The principle is:

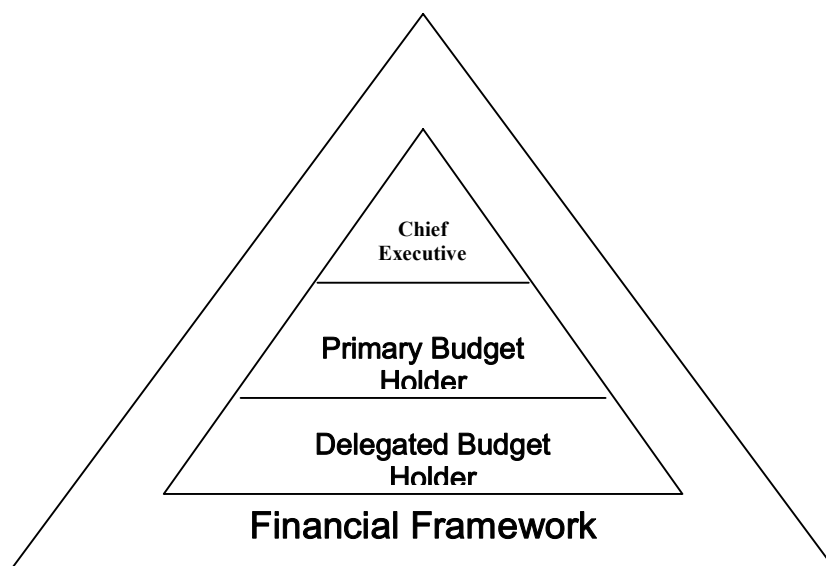
*Budget Holders have a right to be set achievable targets but have an obligation to constantly improve the ways of doing things and drive down costs.*

### **Agreement**

In order to deliver wider divisional or locality objectives it may become necessary to move money from one Budget Holder to another. The principle of empowerment dictates that the Budget Holders' agreement needs to be received before any such transfer takes place. The principle is:

*The Budget Holder is accountable for the funds and their prior agreement is needed before any transfer takes place.*

### **Financial Framework**



The roles of the Chief Executive, Primary and Delegated Budget Holders are defined within the context of the Financial Framework.

### **Director of Finance**

- ◆ Responsible for establishing and maintaining the financial framework and ensuring compliance with the system of controls
- ◆ Advises the Chief Executive and Board as to financial risk
- ◆ Co-ordinates the establishment of fair and achievable financial targets, ensuring the formulation of a financial plan
- ◆ Working alongside the Chief Executive, is responsible for negotiating achievable financial targets with the departmental heads
- ◆ Accountable for ensuring the Trust meets its financial duties.

### **Primary Budget Holders – General Managers and Departmental Heads**

- ◆ Responsible for negotiating achievable financial and healthcare targets, developing plans to achieve these targets and managing and influencing others to implement the plans
- ◆ Has the flexibility to spend the budget appropriately whilst adhering to financial and risk management controls
- ◆ Accountable for ensuring that their budgets are not overspent and that they achieve the healthcare objectives
- ◆ To ensure clarity of accountability the rule will be one Budget Holder for one budget

- ◆ Has the flexibility to delegate management of aspects of their budgets to delegated Budget Holders but retains overall accountability
- ◆ Identifying and delivering cost improvement/reduction programmes
- ◆ Ensuring that budgets remain within recurrent financial balance.

### **Chief Executive**

- ◆ Accountable Officer for the Trust
- ◆ Responsible for negotiating achievable financial and healthcare targets with the General Managers and Departmental Heads, and agreeing action plans
- ◆ Managing performance and instigating remedial action where appropriate
- ◆ Accountable for ensuring the Trust achieves all targets.

### **Controls**

To protect the Trust from unacceptable financial risk there is a system of control. The Budget Holder is part of this system of control and is relied upon to spend resources wisely and control costs within budget. Additional controls exist to prevent instances of over-spending now and in the future:

- ◆ Authorisation limits
- ◆ Establishment Control
- ◆ Standing Orders/Standing Finance Instructions.

### **Authorisation Limits**

To minimise the financial risk and safeguard the Budget Holder, all managers will need to continue to adhere to the Financial Procedures requiring correct authorisation for ordering goods and services.

### **Establishment Control**

When we permanently engage a member of staff we establish a long-term commitment to the individual and a contractual obligation that carries with it a future significant financial obligation. To minimise this future financial risk Budget Holders cannot employ staff above the level of their approved establishment. However, Budget Holders continue to have the right to negotiate changes to the make-up of the establishment as long as they keep within the total cost commitment of the budgeted establishment.

The Trust's Establishment Control procedures must be followed for the recruitment of staff to posts.

## **2.0 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.

### **Ring Fenced Money**

The Trust receives some funds that are ring fenced. These funds must be used for the purpose for which they were allocated. However, a few points may need to be clarified to assist managers:

- ◆ The scheme funding may include a contribution to overheads which may fund costs not directly attributable to the scheme e.g. finance, personnel etc. Therefore, the amount shown in managers' budgets may be less than the total allocation.
- ◆ Managers should ensure that all ring fenced expenditure is committed before other revenue, as any underspend on ring fenced monies must be returned to the commissioner for alternative use.

### 3.0 BUDGET HOLDERS AND RESPONSIBILITIES

The Chief Executive is the Overall Budget Holder for all the Trust's budgets. The Chief Executive may delegate some of the budgetary authority to Executive Directors/Assistant Directors, General Managers and/or Senior Officers of the Trust. In these circumstances the Executive Director/Assistant Director, General Managers or Senior Officer is a Primary Budget Holder.

#### Scheme of Delegation

Any delegation of budgets by the Chief Executive will be accompanied by a clear definition of responsibility for the control of expenditure, the exercise of virements, and of limits on the authorisation of expenditure. These areas are covered elsewhere within this manual.

In some circumstances it may be appropriate for a Primary Budget Holder to further delegate budgets to operational managers. In order for this to take place, Primary Budget Holders must supply relevant details of the delegated authority, together with specimen signatures, to the Finance Department (via the Management Accountant), the Head of Supplies and the Head of Payroll. The Primary Budget Holder will however remain accountable to the Executive Team for these budgets.

#### Responsibilities of all Budget Holders

All Budget Holders have a number of responsibilities. These include:

- ◆ To set realistic budgets in conjunction with the Management Accountant within the sum allocated.
- ◆ To take corrective action if overspending, keeping the Management Accountant informed of reasons for the variance and the action taken to correct the position.
- ◆ To inform the line manager/director if unable to keep budgets in balance.
- ◆ If underspending, keep the Management Accountant informed of the underlying reasons and consider virement or incorporation into the revised plan.
- ◆ Ensure value for money is obtained with all expenditure.
- ◆ Delegate authority to commit expenditure to nominated staff if appropriate (note this does not delegate ultimate responsibility).
- ◆ Code financial documents accurately.
- ◆ Inform your Management Accountant of any impending forthcoming financial issues so this can be included in the corporate picture.
- ◆ Ensure all virements are documented on appropriate forms.
- ◆ Monitor budgets monthly.
- ◆ Work within the Establishment Control process to ensure that all posts are properly funded and approved.
- ◆ Work with Management Accountants to maintain a financial risk register
- ◆ Work with Management Accountants on a monthly basis to agree the likely forecast outturn position at the end of the year (i.e. the extent to which expenditure is likely to deviate from budget).
- ◆ Produce directorate or departmental plans with supporting financial documentation.

These may all come under the heading of "manage the department budget" on a job description and are fundamental actions required of a manager of a department or section.

### **Responsibilities of Management Accountants**

The Management Accountants have several main duties that assist Budget Holders:

- ◆ To provide accurate, timely and relevant information to Budget Holders in the form of monthly statements, costings, reports or presentations in order to allow the manager to have all the known facts on which to make his/her decision. "All information is imperfect/incomplete but this should be minimised."
- ◆ To work with budget managers on a monthly basis to agree the likely forecast outturn position at the end of the year (i.e. the extent to which expenditure is likely to deviate from budget).
- ◆ To advise and assist Budget Holders in the decision making process where possible. Please note - Budget Holders must still make the decision and be responsible for the consequences of the decision.
- ◆ To maintain a financial risk register and ensure this is owned and updated by the budget manager.
- ◆ To maintain the establishment control mechanism and ensure that budgets accurately reflect the approved establishment levels.

## **4.0 COMPONENTS OF A BUDGET**

The total budget will be divided into three separate operating budgets; Income, Pay and Non Pay expenditure. Within each of these operating budgets there will be a number of budget lines or budget headings, representing the key areas of income or expenditure within the operating budget. The prescribed budget heading or expense type is usually the description of the expenditure, e.g. travel, hospitality etc.

Each budget heading in the Pay budget will also have a funded establishment figure. The funded establishment is the maximum number of whole time equivalent (WTE) posts, by grade, that have been approved by the Board. Taking the total contract hours of staff within the grade and dividing by the normal full time working hours for the grade calculates a whole time equivalent. Each individual budget line will be grouped by a cost centre which collects expenditure into a department or particular funding area.

## **5.0 BUDGET CALCULATIONS / BUDGET SETTING PROCESS**

The annual budgets are based on the organisation's anticipated resources, risks and developments known at the time of setting the budget. Budgets will originate from discussions between Budget Holders and the Management Accountants, informed by ongoing discussion throughout the year. It must be emphasised that the budget setting process represents a stocktake of the position at a point in time. There is an expectation that material financial issues will be addressed as they arise, rather than waiting for the annual budget setting process during which the discussion will usually centre around:

- ◆ The existing budgetary position for the current year
- ◆ Changes within the service which have happened over the previous 12 months and the impact of these, if any, on budgets
- ◆ Changes anticipated over the next 12 month period. This will include planned changes, reconfigurations or approved developments and any other known factors which could affect the service provided. Such developments will have been properly approved through the Business Planning and LDP process.

- ♦ Required cost reduction targets from existing budgets. Cost reductions will be required because the overall level of funding received by the Trust usually falls short of the actual costs likely to be incurred, and the Trust needs to find ways of funding the shortfall through its own efficiencies. The same principle will apply with the advent of Payment by Results, although additional activity in itself should generate extra income.

The outcome of the above will be summarised and the Director of Finance will present a Financial Plan, incorporating Divisional budgets, to the Trust Board for approval at the start of each financial year.

### Budget Setting Timetable & Business Planning Process

The general annual timetable for setting budgets tends to follow the pattern:

Activity	Timescale
Preparation of Department plans	August
Local Delivery Plan (LDP) discussions	November - January
Service Level Agreements finalised	January
Meeting / discussion with managers	Ongoing to February
Financial Plan and budgets approved by Board	February
Budget allocations issued to managers	March

It is important to note that the Trust does have a formal business planning process (documented separately and available on the Trust intranet) and guidance available includes a costing template for business proposals. Development bids should follow this process and individual managers should not seek to negotiate directly with commissioners outside the formal process. Your Management Accountant should be involved in any costings required – please do not put forward costing proposals without first talking to your Finance Department.

Business cases will be assessed according to their relevance to Trust priorities and value for money. As part of this, account will also be taken of the effect of the proposal on the reference costs position and ability to generate income. Managers should note that overheads need to be met within the overall cost of the service development, even where that element may not be reflected in the Departmental budget.

Developments must not proceed until adequate funding has been secured, and the budget allocated.

## 6.0 BUDGETARY LIMITS

The budgetary limit for a Primary or Delegated Budget Holder is the total of the operating budgets for which they are responsible. An Executive Director/Assistant Director/Delegated Budget Holder may exceed the amount allocated for an individual budget head, within the operating budget, but to do so the Budget Holder must correspondingly reduce expenditure on other budget heads within their opening budgets to ensure a balanced position, but must also be mindful of the virement limits (see Section 13).

Budget Holders are also reminded of their responsibility in adhering to Standing Orders, Standing Financial Instructions, the Scheme of Delegation and Financial Policies and Procedures in the ordering of goods and services.



## **7.0 APPOINTMENT OF STAFF**

The authority to appoint staff rests with the Primary or Delegated Budget Holder within their funded establishment/operating budget, subject to any current Workforce policy/guidance. A Staff Changes Notification Form must be completed, sent to the Human Resources Department, then be appropriately authorised in conjunction with the establishment Control procedure, before the vacancy is advertised. This procedure is to ensure that gradings are consistent with job descriptions and that any organisation-wide implications of the proposed appointment can be taken into account.

Please note that requests to take recruitment action will not be completed until the source of funding for the post has been identified.

The same procedure applies to proposed job grading changes (see separate HR guidelines for the arrangements of staff secondments).

## **8.0 AUTHORISATION OF OVERTIME, BANK AND AGENCY EXPENDITURE**

Primary and Delegated Budget Holders are able to authorise payment of overtime working, bank and agency staff where necessary, but will be held accountable for the costs incurred and should explore other, less costly options, before committing the Trust to paying premium rates.

## **9.0 REQUISITIONING/ORDERING OF GOODS AND SERVICES**

Delegated Budget Holders may requisition goods or services from within their operating budget subject to the expenditure limit on individual transactions and standing orders (see Section 6).

Primary or Delegated Budget Holders may only authorise requisitions against those budget heads for which they are the Budget Holder. If a Primary or Delegated Budget Holder wishes to requisition an item from another Delegated Budget Holder's budget then the requisition must be authorised by that other Delegated Budget Holder. Expenditure must be coded to the area where it is incurred.

Delegated Budget Holders must ensure that all requisitions have the appropriate financial code applied. If these code details are not completed then the requisition may be delayed. Each Primary or Delegated Budget Holder will be issued with a list of financial codes applicable to their budgets. If a Primary or Delegated Budget Holder is unsure of the correct financial code or requires further information on their application, then the Management Accountant should be contacted in the first instance.

Accurate financial coding is absolutely essential since this determines the budget head against which expenditure will be charged. The accuracy of expenditure reporting back to Budget Holders (see Section 10) is therefore dependant upon the accuracy and completeness of financial coding at the outset (see separate procedure note for ordering of goods and services).

## **10.0 REPORTING BUDGETARY EXPENDITURE**

Each Delegated Budget Holder will be supplied with a monthly budget report. The distribution of Budget Holder reports will be within 10 working days of the month end to

which the report relates (e.g. June's statement will be distributed during July) and may be emailed electronically. Please bear in mind that your Management Accountant will need to spend time on the reporting cycle for those two weeks shortly after the start of each month, and may therefore be unable to respond to queries as quickly as usual during that time.

10.1 Income and Expenditure details will consist of:

- ◆ Salaries and wages expenditure, based on actual payments through the payroll system.
- ◆ Income and Expenditure against other expenditure budgets, represented by:
  - Actual payments made for goods/services during the period
  - Manual estimate of the cost of goods/services received during the period but where payments have not yet been made ("accruals"). These will include estimates for services only invoiced periodically, e.g. utilities, as appropriate
  - Income from invoices raised through the debtors system.

If a Budget Holder requires a more detailed analysis of income and Expenditure, then they should contact their Management Accountant.

10.2 The annual budget for each budget head will be phased throughout the year, based on the expected pattern of expenditure as agreed with Delegated Budget Holders. This will, in the main, be on the basis of twelfths, e.g. for salaries and wages, but where appropriate seasonal fluctuations will be taken into account, e.g. for utilities.

10.3 A summary of the reported position, including agreed management action, will be incorporated into the monthly reporting process, with any significant variances or risks included in the Board Report and therefore within the public domain. Budget Holders will be accountable for significant variances and for implementing management action to address the imbalance.

Any queries on any element of Budget Holder reporting should be directed to the Management Accountant in the first instance.

## 11.0 BUDGETARY OVERSPENDS AND UNDERSPENDS

Primary or Delegated Budget Holders do not have the authority to overspend their budget(s).

- ◆ Overspends on individual budget head(s) within an operating budget must be matched by at least corresponding underspends on other budget headings within the same operating budget by the year-end
- ◆ At any time a budget head may be showing an under or over spend but particular attention must be given to the forecast year-end position. Variances during the year need to be fully understood, e.g. pattern of expenditure at variance from the budget phasing, in order that the underlying financial position can be determined and management action established to bring expenditure back into line with budgets
- ◆ The Management Accountants will assist with year-end forecasts but it is the responsibility of the Budget Holder to advise the likely position and instigate any required action to ensure at least a breakeven position.

Where a Delegated Budget Holder is forecasting a year-end overspend, that will not be managed back into line, then the reasons for this must be clarified and incorporated into the monthly reporting process. It is expected that:

- ◆ A Delegated Budget Holder's overspend will be subject to robust challenge by the Primary Budget Holder, who will then attempt to cover the overspend from within their own portfolio of budgets
- ◆ Any remaining overspend on the Primary Budget Holder's budgets will be subject to robust challenge by the Director of Finance / Chief Executive and will need to be managed centrally from within the Trust.

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

Fortuitous: These are savings which accrue/will accrue without the Budget Holder taking any specific action, e.g. staff turnover.

Planned: These are savings which are/will be the direct result of specific action taken by a Budget Holder.

Fortuitous savings will normally be vired to Central Reserves for the Trust to use, for example, to correct an adverse budget position elsewhere within the Trust. Budget Managers should note that underspends in any year will not normally be returned for use in the subsequent year(s).

For planned savings, discussion with the Director of Finance will determine whether some/all of the savings should be retained in the current year by the Budget Manager. Clarification will be needed that any commitment is of a non-recurrent nature and that the Budget Holder has clearly identified how and when savings will be released. Notwithstanding these arrangements, the Chief Executive/Director of Finance has the right to request the use of any planned savings to correct an adverse budget position elsewhere within the Trust.

The Chief Executive has the responsibility to ensure that the Trust overall does not overspend. In order to achieve this, Primary and Delegated Budget Holders need to recognise their corporate responsibilities that underpin day to day budgetary control.

The Management Accountants hold a financial risk register on behalf of each of the Divisions which should detail and assess the level of financial risks affecting the financial position. It is important that Budget Managers review the risk register monthly, identifying key risks and mitigating actions to address them.

The budget reports show the position for Revenue income and expenditure only. Capital expenditure relates to the purchase of assets (usually equipment/buildings costing £5,000 or more, but see the definition in Appendix B as this usually also includes computer equipment). It is important that Revenue budgets do not include Capital expenditure as this could result in a breach of one (or more) of the Trust's statutory financial duties. If you are in any doubt about whether or not any expenditure relates to Capital, please discuss this with your Management Accountant.

## **12.0 PAY / PRICE INCREASES**

As pay awards are determined, the salaries and wages budgets will be uplifted in-year from the pay inflation reserve set aside at the start of the year. Similarly, the effect of increased costs as a result of Agenda for Change will normally be funded from central budgets, and the adequacy of pay budgets will be reviewed each year in the context of the wider scope of Agenda for Change pay scales compared to previous pay structures. This may result in an addition or reduction to pay budgets.

Budget Holders should however note that in the event of pay award uplifts being in excess of the sum provided in the Reserve then any additional costs would have to be met from within budgets. In such an event the position would however be reviewed across all budgets to ensure that a corporate view is taken on the most appropriate way of financing any potential resultant deficit.

Any vacancy factors will similarly need to be actively managed by Budget Holders.

Anticipated price increases for non-pay, contractually committed expenditure may be included in the annually determined budgets (see Section 5.0) where this is affordable. Any in-year variances from these plans would have to be met from existing budgets.

### **13.0 TRANSFERRING FUNDS BETWEEN BUDGET HEADS (This is called "Virement")**

Virement is the planned transfer of resources from one operating budget to another.

#### **Purpose**

The virement of budget (income or expenditure) following acceptance of an approved budget plan should be kept to a minimum. However, it is recognised that in certain exceptional situations movement in the agreed budget between different expenditure codes, cost centres, or Divisions/Departments may be necessary. The procedures outlined in this document are designed to control, monitor and record such movements.

#### **Policy**

The following principles apply in all cases:

- ◆ Prior agreement of all affected Budget Holders (or delegated managers) for all virements must be obtained and documented
- ◆ No increases to establishment may take place outside the Establishment Control procedure
- ◆ No virements between revenue and capital budgets are permitted unless approved by the Director of Finance (or delegated manager)
- ◆ The Management Accountants will need to be informed of all virements in order that the ledger may be accurately updated and budget amendments properly recorded
- ◆ No virements will take place without completion of the appropriate documentation or authorisation
- ◆ Virement for less than £500 should not be requested.

#### **Procedure**

It is the responsibility of the Budget Holder (or delegated manager) currently responsible for the budget to initiate the process of vireing funds by completion of a Budget Virement Authorisation Form or request which should be routed through the Management Accountant.

Budget Holders (or delegated managers) should indicate the reasons for the proposed virement and whether the transfer is recurrent or non-recurrent, as these will form part of the audit trail.

Completed Budget Virement Authorisation Forms will be checked and actioned by the Management Accountant.

## Authorisation Limits

Virement limits are listed below for virements within Revenue budgets. No virements may take place between Capital budgets without the express permission of the Director of Finance.

Type of Virement	Budget Manager Authorised Limit		
	Prime Budget Holders	Delegated Budget Holders	Chief Executive
Recurrent	£75,000	£40,000	£150,000
Non-Recurrent	£150,000	£75,000	£300,000

The limits apply to each single virement. Multiple virements in respect of the same issue are not permitted as a means of avoiding the authorisation limits.

Lower limits apply to recurrent virements in order that the Executive Team may review proposals involving the use of recurrent savings and ensure that they are invested in areas consistent with the Trust's priorities.

A distinction needs to be drawn between:

- ◆ A virement (i.e. a conscious decision by a manager to move funds from one budget to another), to which the virement limits apply; and
- ◆ A budget amendment (e.g. an increase to a budget as a result of additional income received from commissioners, or a minor recast of non-pay budgets between expense headings within the same cost centre), to which the virement rules would not apply.

If in doubt, please consult your Management Accountant.

## 14.0 FINANCIAL MANAGEMENT PRINCIPLES

The Trust works to a number of financial principles / intentions and these are listed below for managers' reference.

Principle	Implication / Comment
1. Budgets are financial plans and must therefore reflect management plans and Trust priorities	No planned over/under-spends. Virements should be used to reflect revised plans
2. Budgets must reflect management plans for pay, non-pay and income	Underspends in non-pay budgets should not offset overspends in pay
3. Budgets must be funded in accordance with approved establishment levels	No new posts should be recruited to until funding is identified
4. The funded establishment recorded on the budget reports for each Cost Centre will be regularly reconciled to the HR system	
5. Cost Centres reflect discrete services	Operationally independent and separate services should be budgeted for on separate cost centres to facilitate the proper collection of costs
6. Negative pay and non-pay budgets are not permitted	Income budgets do appear in reports as negative figures
7. Cost reductions should be actioned in	They should never be funded non-recurrently

budgets on a recurrent basis	(which stores up problems for future years), but should be addressed via a formal budget adjustment
8. Each cost centre / Service should have a risk register in place	This allows risks to be monitored and mitigating actions listed and, where material, will be fed into the Trust's overall risk register
9. Bank, agency and locum spend will be monitored and reported each month	Managers should take steps to minimise this spend
10. Drug expenditure will be reported monthly by prescribing area	Trends and variances to be monitored and corrective action taken where necessary
11. Management Accountants and the Costing & Performance Accountant will liaise closely to understand cost in service areas and to influence local decision making	Managers seeking to move budgets to an already high cost area will be challenged
12. New pay budgets will generally be set at the actual level required, if known, or mid-point in the absence of better information	Pay budgets will be reviewed annually to ensure they are set at reasonable levels, with additions/reductions applied as necessary to correct material variances or unfair distribution of resources between Departments
13. Savings arising from Departmental proposals for reconfiguring services (over and above cost reduction targets) will generally be shared equally between the Service and the central team	The achievement of cost reduction targets will have first call against savings. The Central share of remaining savings will be reinvested in other Trust priorities

## 15.0 OTHER AVAILABLE INFORMATION

Budget Holders will be assisted by the Management Accountants and Deputy Director of Finance in the development of all other relevant information and systems to support the details set out in the budget statements. This is in line with a continued commitment to improve/enhance the monitoring and control of budgets wherever possible.

The Trust's intranet site also contains guidance in the form of policies and procedures.

## 16.0 TRAINING FOR BUDGET MANAGERS

- ◆ New budget managers will receive initial training from the relevant management accountant to enable them to commence their budgetary duties.
- ◆ Budget managers will be required to attend training workshops on a periodic basis. This will be provided jointly for teams of managers.
- ◆ Specific developmental training needs of managers will be considered. Managers may be invited to attend relevant courses and can request relevant training.

## 17.0 CONTACTS FOR HELP AND ADVICE

The Finance Department supports Budget Managers and the Trust in general as part of its Corporate function. In terms of support to Budget Managers, the following may be useful as a guide to relevant financial contacts.

- ◆ The Management Accountants will be happy to provide help and advice in any aspect of financial management or reporting and will be the usual first port of call for budget manager queries
- ◆ The Head of Financial Performance will be able to help with queries relating to contracts and Service Level Agreements and is supported by the Contracts Officer and Costing & Performance Accountant (who will deal with Reference Costs queries)
- ◆ The Head of Treasury Management will be available to respond to Capital queries
- ◆ The Deputy Director of Finance will be happy to assist in all other instances.

Please note that queries in respect of invoice payments, pay, pensions, travel, estates and procurement should be directed to the appropriate arm of Lincolnshire Shared Services.

## 18.0 QUALITY SERVICE FOR BUDGET HOLDERS

The Finance Directorate is committed to providing a top quality service to assist Budget Holders in their day to day budget management. In order to maintain the quality of the service it is important that Budget Holders are able to contact any member of the team to discuss any aspect of our service. We welcome feedback and would be pleased to hear of any areas where you feel our service could be improved.

We will be looking to agree performance monitoring indicators with our managers in the near future to allow us to measure the level of services we provide.

If you would like to make any suggestions or comments in the meantime, or if you would like to comment on the usefulness of this Manual and suggest areas for improvement, please send these to:

*Darren Steel  
Deputy Director of Finance  
Lincolnshire Partnership NHS Foundation Trust  
Cross O'Cliff  
Bracebridge Heath  
Lincoln  
LN4 2HN.*

Thank you for taking the time to read this Manual.

**SUGGESTED FINANCIAL READING/REFERENCE FOR BUDGET MANAGERS**

1. Standing Orders
2. Standing Financial Instructions
3. Scheme of Delegation
4. Trust Costing Strategy
5. Financial Codes Listing
6. Procedure Notes:
  - ◆ Ordering
  - ◆ Income Collection and Credit Control
  - ◆ Payroll
  - ◆ Petty Cash
  - ◆ Travel and Subsistence
  - ◆ Capital
  - ◆ Capital Disposal
  - ◆ Losses and Special Payments
  - ◆ Charitable Funds.

The above documents are generally available on the Trust intranet, but if you are unable to locate them, please contact a member of the Finance Team.



## GLOSSARY OF TERMS

1. **Overall Budget Holder**  
The Overall Budget Holder is the Chief Executive of the Trust.
2. **Primary Budget Holder**  
An Executive Director or Head of Service to whom the Overall Budget Holder has delegated budgetary authority from the Chief Executive.
3. **Delegated Budget Holder**  
A senior officer of the Trust to whom the Primary Budget Holder has delegated budgetary authority.
4. **Budget**  
A specific sum of money allocated to carry out a specific plan for a specified period.
5. **Budget Head**  
The individual budget lines within an operating budget.
6. **Funded Establishment**  
A post approved and funded as part of the budget setting process on a permanent basis, as opposed to temporary or seconded staff.
7. **Whole Time Equivalent**  
The total contract hours of staff within a grade divided by the normal full time working hours for the grade.
8. **Overtime**  
Hours worked in addition to an individual's normal contract hours.
9. **Payment By Results**  
The national mechanism through which providers will ultimately be paid by commissioners based on the work actually performed, by activity, rather than being paid a block sum of money to provide a more loosely defined service.
10. **Budgetary Limit**  
The maximum sum which can be expended.
11. **Recurrent & Non-Recurrent Expenditure**  
Recurrent expenditure relates to expenditure of a permanent, ongoing basis, such as pay. Non-Recurrent expenditure relates to that of a short-term, one-off nature (such as buying a new chair. These items are charged to Revenue budgets (see item 13 below).
12. **Virement**  
The planned transfer of resources from one budget to another.
13. **Capital Expenditure**  
Expenditure on an asset which will last more than a year and costing more than £5,000 (or on several inter-related assets, under the same managerial control, costing more than £5,000 in total and more than £250 each). Capital expenditure is

accounted for in a different way and should not appear in the monthly (revenue) budget reports.

**14. Revenue Expenditure**

Normal expenditure on goods and services incurred in the Trust's usual course of business. Revenue expenditure appears in the monthly budget reports.

## COMMON QUESTIONS AND QUERIES

- 1. Who pays for the costs of sickness cover?**  
The Trust does not hold central reserves to cover sickness costs so these will need to be managed within existing budgets.
- 2. Where there is a gap between starters and leavers who pays for temporary cover to fill in?**  
The individual Budget Holder will stand the cost of temporary cover, as no central budgets are retained to cover these costs.
- 3. Who pays for the cost of maternity cover?**  
The individual Budget Holder will need to cover the cost of maternity leave from their pay budget.
- 4. Who pays the cost of secondments?**  
Where a secondment is arranged, the Budget Holder offering the secondment will be charged with the individual's salary costs for the period of secondment.