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University Health Board

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## Capital Ordering Authorisation Protocol

### Introduction and Aim

This protocol has been developed to ensure that the University Health Board (the UHB) has appropriate management and governance arrangements in place around the process by which orders are raised to commit capital expenditure.

The UHB's Standing Financial Instructions (SFI's) and Scheme of Delegation and Earned Autonomy Framework are the key policy documents for this area. This protocol; should be read in conjunction with the UHB's capital management procedure. This protocol provides further details on operational arrangements which underpin this

Each year the UHB receives a capital resource allocation from the Welsh Government (WG). The UHB has an annual statutory financial duty to ensure that its capital expenditure does not exceed this resource allocation. The funding comprises two elements:

- **Discretionary Capital.** This is a one off annual allocation given to the UHB by WG. As the title implies, the UHB is free to prioritise the sum allocated as it best sees fit.
- **Capital funding issued by WG for a specific purpose.** WG has a number of capital budgets (the All Wales Capital Building Programme, the Health Technology Fund, Invest to Save Funding) which the UHB can bid against in order to obtain capital funding which often, as a result of the size of the projects involved, cannot be accommodated from within the discretionary programme. Section 3.3 of this procedure outlines the principles such bids should follow and the governance regime that applies to their submission.

In addition to the above the UHB can internally generate capital funding by means such as property disposals or encouraging charitable donations.

### Objectives

This procedure sets out the management and governance arrangements that need to be in place in respect to the authorisation of capital orders. It recognises that a one fit for all process for capital orders is not appropriate. Specifically it addresses the following:

- The authorisation process which the UHB places follows when placing estates works orders for discretionary schemes.
- The authorisation process which the UHB places follows in placing orders for all emergency capital expenditure requirements.
- The authorisation process which the UHB follows in placing orders for

<p>equipment (incl IM&amp;T) for equipment only schemes.</p> <ul style="list-style-type: none"> <li>The authorisation process which the UHB follows in placing orders for All Wales Capital schemes.</li> </ul>	
<p><b>Scope</b></p> <p>This procedure applies to all of our staff in all locations including those with Honorary Contracts who are involved in either bidding for, or the use of capital funding.</p> <p>In addition to the responsibilities detailed within the protocol staff also have a responsibility for making sure that they meet the requirements of their role profiles and any other responsibilities delegated to them.</p>	
<b>Equality Impact Assessment</b>	An Equality Impact Assessment has not been completed. The UHB will, however ensure that an Equality Impact Assessment is undertaken annually when it is prioritising its capital programme.
<b>Documents to read alongside this Procedure</b>	Standing Financial Instructions The UHB Scheme of Delegation UHB Capital Management Procedure
<b>Approved by</b>	Capital Management Group
<b>Accountable Executives or Clinical Board Director</b>	Executive Director Of Finance/Executive Director of Planning
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<p><b>Disclaimer</b></p> <p>If the review date of this document has passed please ensure that the version you are using is the most up to date either by contacting the document author or the <a href="#">Governance Directorate</a>.</p>	

Summary of reviews/amendments			
Version Number	Date of Review Approved	Date Published	Summary of Amendments
1		September 2014	This is a new protocol.
2		September 2016	Minor amendments to job titles
3		December 2017	The UHB's capital scheme of delegation was updated to include the Executive Director of Therapies, the Head of Procurement and the Head of Compliance and Discretionary Capital.
4	26 Feb 2019	March 2019	The UHB's capital scheme of delegation was updated to include the Deputy Chief Executive within IM&T approvals.

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### 1.0 Introduction

As per the UHB's Scheme of Delegation and Earned Autonomy Framework, the Director of Capital, Estates and Facilities is the delegated budget holder responsible for ensuring that the UHB stays within its Capital Resource Limit on an annual basis.

While the Director of Capital, Estates and Facilities) will be the delegated budget holder for the capital programme as a whole, the Executive Director of Planning and Executive Director of Finance will delegate responsibility for individual capital schemes (including those funded directly by WG) to nominated budget holders. The below sections outline the processes budget holders must follow in order to get capital orders raised & approved.

Budget holders are reminded that any budgeted discretionary funds not required for their designated purpose(s) revert to the UHB Capital Contingency Budget, subject to any authorised use of virement and subject to the Board's scheme of delegation

In addition any likely overspending or reduction of income that cannot be met by virement must not be incurred without the prior consent of the Chief Executive subject to the Board's scheme of delegation

### 2.0 The Authorisation of Discretionary Funded Estates Works Orders

Capital requisitions up to £5,000 (incl VAT) may be approved by either the Head of Compliance and Discretionary Capital or the Head of Capital Planning.

Capital requisitions for values between £5,000 and £25,000 (incl VAT) may be approved by the Director of Capital, Estates and Facilities.

Where requisitions exceed £25,000 the following applies:

All orders are to be raised within procurement. In order for the order to be raised the relevant procurement officer will need to be e-mailed with the following confirmation(s) of approval:

- For orders higher than £25,000 but up to a value of £125,000 (incl VAT) a requisition form signed by the Director of Capital, Estates and Facilities plus a capital approval form (CAPR) signed by the Executive Director of Planning or the Executive Director of Finance.
- For orders higher than £125,000 but up to a value of £500,000 (incl VAT) a requisition form signed by the Director of Capital, Estates and Facilities plus a capital approval form (CAPR) signed by the Executive Director of Planning and the Chief Executive.
- For orders higher than £500,000 (incl VAT) a requisition form signed by the Director of Capital, Estates and Facilities) plus a capital approval form (CAPR) signed by the Chair on behalf of the Board

Note: this process encompasses equipment bought as part of a discretionary works scheme.

### **3.0 The Authorisation of Emergency Equipment Replacement Orders**

As outlined in the UHB's Capital Management Procedure, where a clinical board needs to make an emergency request for capital to address an urgent medical equipment, IM&T, estates maintenance or statutory compliance issue then a standard form designed for this purpose needs to be completed. The forms are available from the Business Manager (Capital, Estates & Facilities). Once complete, for estates maintenance or statutory compliance issue the forms should be returned to the Business Manager (Capital, Estates & Facilities). In the case of urgent medical equipment bids, the forms should initially be sent to the Assistant Director of Therapies, who will review the bid before forwarding on to the Business Manager (Capital, Estates & Facilities). The Business Manager (Capital, Estates & Facilities) will advise the Director of Capital, Estates & Facilities on the level of contingency funding available to support the request. The Director of Capital, Estates & Facilities will then forward the details of the bid (including the level of funding available to support it) to the Executive Director Of Therapies, the Chief Operating Officer and the Executive Director of Planning who will decide if the bid is to be supported or not.

In circumstances where the value of the equipment exceeds £0.125m (but not £0.5m) then additional authorisation would be required by the Chief Executive in line with the scheme of delegation

In respect of equipment bids supported as part of the above process, to enable an order to be raised the Assistant Director of Therapies must forward a signed requisition form to the relevant procurement officer, together with copies of the e-mails where authorisation has been given by the Executive Director of Therapies, The Executive Director of Planning, the Chief Operating Officer and where necessary The Chief Executive.

In the case of urgent IM&T bids, the forms should initially be sent to the Head of IM&T, who will review the bid before forwarding on to the Business Manager (Capital, Estates & Facilities). The process then follows that outlined for urgent medical equipment bids except that in respect of IM&T bids supported as part of the above process, to enable an order to be raised the Head of IM&T must forward a signed requisition form to the relevant procurement officer, together with copies of the e-mails where authorisation has been given by the Deputy Chief Executive, The Executive Director of Planning, the Chief Operating Officer and where necessary The Chief Executive

Note: In years in which the UHB's contingency for such items has been exhausted then the UHB will approach WG directly for the funding for such items. The Business Manager (Capital, Estates & Facilities) will be responsible for notifying the procurement team when this occurs and where it is the case the relevant procurement officer must obtain confirmation from either the Business Manager (Capital, Estates & Facilities) or The Head of Financial Accounting that the necessary WG funding has been obtained before an order can be placed.

#### **4.0 The Authorisation of Equipment Orders to be placed for equipment only discretionary schemes**

The responsibility for the delivery of these schemes will be delegated each year to nominated budget holders. As part of this the budget holder will be required to draw up a costed list of the items to be purchased. The total cost of this list must not exceed the annual budget designated to the scheme by the UHB's Board. Once the list is prepared it should be approved by the UHB Board in line with the UHB's scheme of delegation as follows:

For Non IM&T Schemes:

- For equipment schemes totalling up to a value of £25,000 (incl VAT) the list can be approved by the Director of Capital, Estates and Facilities.
- For equipment lists having a combined value of more than £25,000 but less than £125,000 (incl VAT) these can be approved by the Executive Director of Planning, The Executive Director of Therapies or the Executive Director of Finance.
- For lists with an overall value higher than £125,000 but up to a value of £500,000 (incl VAT) may be approved by the Executive Director of Planning and the Chief Executive.
- For equipment lists costing higher than £500,000 (incl VAT) approval by the Chair on behalf of the Board is required.

All orders are to be raised within procurement. In order for the order to be raised the relevant procurement officer will need to be e-mailed with approval in line with the above:

For IM&T Schemes:

- For equipment schemes totalling up to a value of £25,000 (incl VAT) the list can be approved by the Head of IM&T

Where requisitions exceed £25,000 the following applies:

All orders are to be raised within procurement. In order for the order to be raised the relevant procurement officer will need to be e-mailed with the following confirmation of approval.

- For equipment lists having a combined value of more than £25,000 but less than £125,000 (incl VAT) these can be approved by the Executive Director of Planning or the Deputy Chief Executive.
- For lists with an overall value higher than £125,000 but up to a value of £500,000 (incl VAT) may be approved by the Chief Executive on the recommendation of the Deputy Chief Executive.
- For equipment lists costing higher than £500,000 (incl VAT) approval by the Chair on behalf of the Board is required.

## **5.0 The Authorisation of Orders for All Wales Capital Funded Schemes**

The initial Budget for such schemes shall be determined by the approval letter received from WG. The signing of the acceptance letter for the funding provided by the chief executive shall serve as authorisation to the Director of Planning and the Executive Director of Finance to appoint devolved budget holder to utilise the funding in the way intended:

In respect of contractor costs and the fees of external advisors, schedules should be obtained from the Health Board Cost advisors which reconcile to the WG approved sums. Copies of this schedule, the WG approval letter and a signed requisition by the budget holder need to be supplied to the relevant procurement officer in order for them to raise the appropriate orders. In respect of equipment, again a costed list of the items to be purchased should be produced by the budget holder. The value of this list should not exceed the value of equipment approved for the project by WG. Once in receipt of this list the relevant procurement officer can raise equipment orders on the written instruction of the budget holder.

The budget holder may choose to delegate some of the above tasks to members of their team. The relevant procurement officer may act on instruction from the person to whom the budget holder has delegated responsibility as long as they have been provided with written confirmation of the delegation by the budget holder.

Due to the nature of these schemes it may become necessary to vire funding between the different categories of expenditure within the one capital project. These virements can only be authorised by the project director (who will keep Capital Management Group and the Scheme's project Board briefed on the reason for and the effect of any such changes). Where this results in additional orders needing to be placed, the budget holder will advise the relevant procurement officer of the changes together with correspondence from Capital Management Group and the Project Board where the virements were discussed. As long as these virements are within the approved cost envelope of the scheme then this will allow the relevant procurement officer to place the additional orders on receipt of written instruction from the budget holder.

Occasionally the UHB may decide to allocate additional discretionary funds to a project to help it achieve its aims. Where this occurs the budget holder must again provide appropriate documentary evidence to support this decision to the relevant procurement officer (together with a list of what the additional funding is to be spent on). The UHB's scheme of delegation requires the following in respect of capital budgetary adjustments:

- Amendments greater than £1.0m require UHB Board approval
- Amendments greater than £0.5m; but less than £1m require Chief Executive Approval (based on the recommendation of CMG)
- Amendments up to £0.5m may be authorised by the Executive Director of Planning, Executive Director of Finance & Chief Operating Officer via the Capital Management Group.

These only apply to adjustments within the overall approved annual capital budget; any overcommitment on budget requires Board approval (or Chief Executive in emergency)

## **6.0 The Authorisation of Orders for Capital Schemes Funded outside of the Capital Resource Limit.**

In certain instances funding will be contributed to capital schemes by external bodies. Before orders can be placed in respect of such funding, the relevant procurement officer must be provided with the following:

- a) Written confirmation from the donating body of the sum to be donated.
- b) Written confirmation from the Director of Finance that we are to take the money.
- c) A costed list of items to be purchased from this money (which does not exceed in value the sum to be donated) – supplied by the budget holder.

Where this funding is contributing to the funding of an existing scheme, then the existing budget holder will be allocated this additional funding. Where the capital scheme is new and to be solely funded from this additional funding, the Executive Director of Finance and the Executive Director of Planning will appoint a budget holder.

Once in receipt of these, the relevant procurement officer should take advice on whether a VAT exemption certificate can be used to avoid VAT being charged on any of the equipment. They may then place orders on receipt of a signed requisition from the budget holder.

## **7.0 Conclusion.**

By implementing the above protocol; the UHB should ensure it has a robust governance regime in place for the authorisation of capital orders which is in line with its standing financial instructions, standing orders and the requirements of The Welsh Ministers Guidance.