

# North Central London Clinical Commissioning Group

Standing Financial Instructions

24<sup>th</sup> September 2020

# Introduction

## Standing Financial Instructions

This document describes the financial responsibilities, policies and procedures to be adopted by the North Central London Clinical Commissioning Group (CCG) as from 1<sup>st</sup> April 2020.

These Standing Financial Instructions have been designed to ensure that the CCG's financial transactions are carried out in accordance with the law and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They form an important foundation for supporting the delivery of strong financial control, stewardship and value for money across the CCG.

The Standing Financial Instructions identify the financial responsibilities which apply to all CCG employees. Should any difficulties arise regarding the interpretation or application of any of these instructions, then the advice of the Chief Finance Officer or the relevant Finance Director must be sought before acting.

All decisions under these Standing Financial Instructions must be made in accordance with the NCL Conflicts of Interest Policy, ensuring conflicts of interest are managed robustly.

## Compliance

The Standing Financial Instructions set out in this document must be adhered to by individuals in North Central London CCG, providing a basis for consistently strong financial stewardship across the organisation.

## Failure to Comply

It is key that all staff members adhere to the financial instructions set out in this document, and at all times act with due regard to financial stewardship and achievement of value for money from CCG financial resources. Failure to comply with Standing Financial Instructions can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.

If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and associated circumstances shall be reported to the next formal meeting of the Audit Committee for oversight and scrutiny. All members of the Governing Body and staff have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Finance Officer or Governing Body at the earliest possible opportunity.

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# 1. Financial roles and responsibilities

It is a statutory requirement for CCGs to have an Accountable Officer and a Chief Finance Officer. The Accountable Officer and Chief Finance Officer's roles and responsibilities are outlined below:

## Accountable Officer

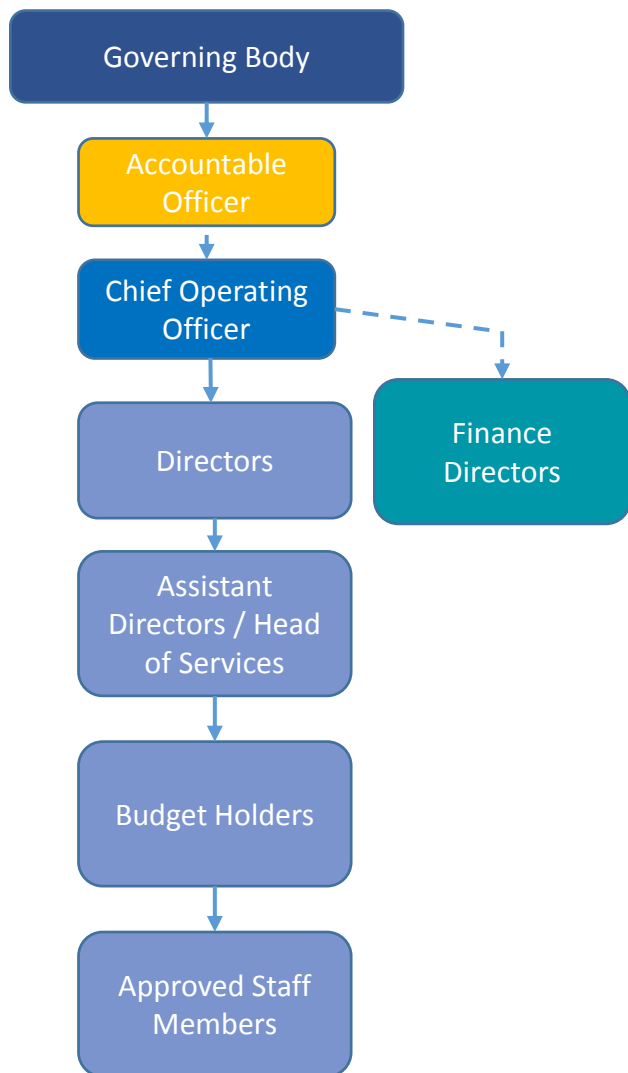
- The Accountable Officer has overall executive responsibility for the CCG's activities, and is responsible for ensuring that its financial obligations and targets are met. The AO has overall responsibility for the CCG's system of internal control which will include the ability to assign financial delegations to roles not prescribed in Annex 1.
- The AO will delegate their detailed responsibilities, but retain overall accountability for financial control; the AO is ultimately answerable to the Governing Body and NHS England for ensuring that the CCG meets its obligation to perform its functions within the available financial resources.
- The AO will ensure that Governing Body members, employees and all new appointees are notified of, and put in a position to, understand their responsibilities within these instructions.

## Chief Finance Officer

- The Chief Finance Officer will ensure that Governing Body Members and all CCG staff are aware of the financial strategy, and that the direction and guidance in said strategy is followed by the CCG.
- Ensure that where any of the CCGs enter into financial commitments or makes financial decisions, that they do so with due regard to their financial impact and represent value for money from CCG resources.
- The Chief Finance Officer is responsible for the overarching financial policies, tools and procedures that underpin sound financial management of the CCG.
- Those detailed responsibilities identified under Finance Director are applicable to the Chief Finance Officer role

# 1. Financial roles and responsibilities (cont.)

The Governing Body is responsible for ensuring appropriate arrangements are in place to enable the CCG to exercise its duties in accordance with the principles of good financial governance. Specific financial responsibilities are delegated within the organisation, and all employees must act with due regard to financial stewardship and achievement of value for money (as relevant) in the discharge of their wider duties.



## Governing Body

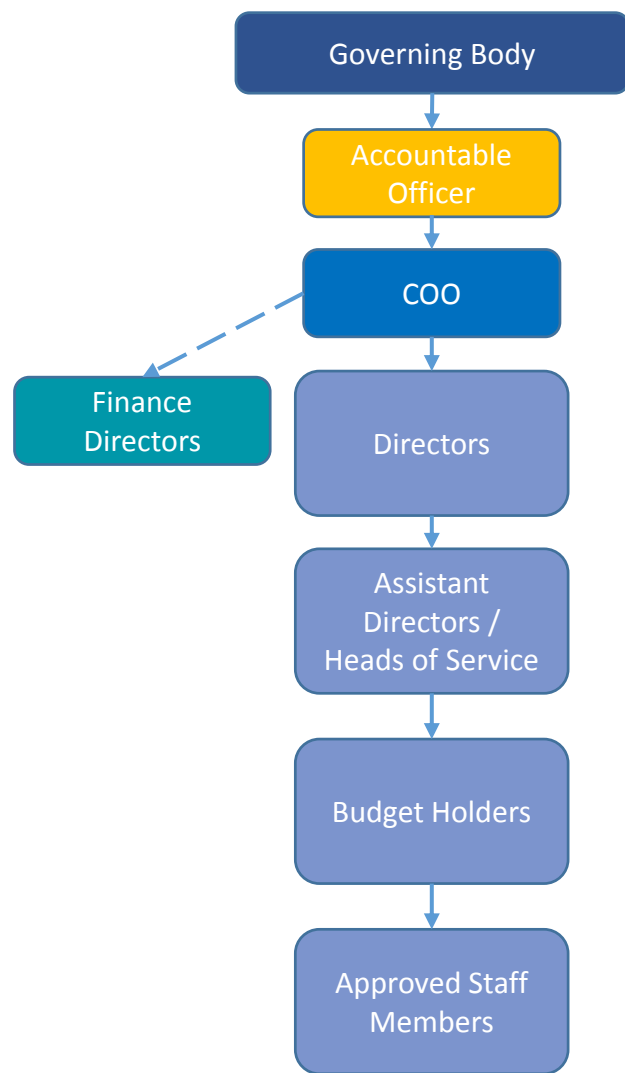
- The Governing Body will ensure that the CCG has appropriate arrangements in place to ensure it exercises its functions effectively, efficiently and economically, and in accordance with principles of good financial governance.
- The Governing Body exercises financial supervision and control by:
  - a) Contributing to and approving the CCG financial strategy;
  - b) Reviewing and approving budgets within funding allocations;
  - c) Defining and approving essential features in respect of procedures and financial systems (including the need to obtain value for money); and
  - d) Defining specific responsibilities placed on members of the Governing Body and employees as indicated in Annex 1.
- The Governing Body is responsible for approving financial investments and entering into financial commitments for the organisation as prescribed in Annex 1.
- All members of the Governing Body and employees, severally and collectively, are responsible for the security of the property of the CCG, avoiding loss.

## Chief Operating Officer

- The Chief Operating Officer (COO) has responsibility for the boroughs activities, and are responsible to the Chair, Accountable Officer and the Governing Body for ensuring that the CCG's financial obligations and targets are met. The Accountable Officer has overall responsibility for the CCG's system of internal control but has given delegated authority for this to the COO.
- They will delegate their detailed responsibilities, but retain overall responsibility for financial control; the COO is ultimately answerable to the Accountable Officer who is accountable to the Governing Body for ensuring that the CCG meets its obligation to perform its functions within the available financial resources.
- The COO will ensure that Governing Body members, employees and all new appointees are notified of, and put in a position to, understand their responsibilities within these instructions.

# 1. Financial roles and responsibilities (cont.)

The Governing Body is responsible for ensuring appropriate arrangements are in place to enable the CCGs to exercise their duties in accordance with the principles of good financial governance. Specific financial responsibilities are delegated within the organisation, and all employees must act with due regard to financial stewardship and achievement of value for money (as relevant) in the discharge of their wider duties.



## Finance Directors

- The Finance Directors will ensure that Governing Body members and all CCG staff are aware of the financial strategy, and that the direction and guidance in said strategy is followed by the CCG.
- The Finance Directors will ensure that where the organisation enters into financial commitments or makes financial decisions, that they do so with due regard to their financial impact and represent the optimal value for money from CCG resources.
- The Finance Directors are responsible for:
  - a) Establishing and implementing the CCG's financial policies, and for co-ordinating any action necessary to update these policies;
  - b) Maintaining an effective system of internal financial control, including ensuring that detailed financial procedures and systems incorporate the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
  - c) The design, implementation and supervision of systems of internal financial control;
  - d) Ensuring that sufficient records are maintained to demonstrate and explain the CCG's transactions, in order to disclose, with reasonable accuracy, the financial position of the CCG at any time;
  - e) The provision of financial advice to other members of the Governing Body and employees; and
  - f) The preparation and maintenance of such accounts, certificates, estimates, records and reports as the CCG may require for the purpose of carrying out its statutory duties.

## All employees ( Directors – Staff Members)

- All employees should act with due regard to financial stewardship and achievement of value for money (as relevant) in the discharge of their wider duties.
- All employees must abide by the delegations set within Annex 1, commensurate with the grade and responsibility of the role; they must follow the Standing Financial Instructions set out within this document, and associated financial policies and guidance, proactively highlighting where gaps arise.
- All employees who hold financial responsibility, must produce and retain financial records where applicable. Financial authority may be delegated in a manner and form that satisfies the Chief Finance Officer;
- All individuals must ensure they have the requisite skillset to perform their duties effectively; they are responsible for avoiding loss and protecting the security of CCG property.
- Any contractor, or employee of a contractor, who is empowered by the CCG to commit the CCG to expenditure or who is authorised to obtain income shall also be covered by these instructions.

## 2. Allocation and control of funds

The Chief Finance Officer is responsible for the development of a financial plan that enables the CCG to deliver all required activities within its resource limits. Financial plans will be prepared, with associated budgets in advance of the financial year, and submitted to the Governing Body for approval.

### Preparation and approval of financial plans

CCGs are required by statutory provisions not to exceed their Resource Limit. The Chief Finance Officer must develop and support a business plan that enables the CCG to deliver its activities within resource limits.

The Chief Finance Officer will commission and submit to the Governing Body a business plan that takes into account financial targets and forecast limits of available resource. The business plan will consist of:

- A statement of the significant assumptions on which the plan is based; and
- Details of major changes in workload, delivery of service or resources required to achieve the plan.

The Finance Directors are responsible for identifying and implementing cost improvement and income generation initiatives within their boroughs in accordance with the requirements of the business plan and a balanced budget.

### Allocation of Funds

The Chief Finance Officer will periodically review the basis and strategic assumptions used by the CCG for properly distributing allocations, and ensure that these are reasonable and realistic in order to secure the CCG's entitlement to funds.

Prior to the start of each financial year, the Chief Finance Officer will submit to the CCG Governing Body for approval a report showing the total allocations received and their proposed distribution within the CCG, including any sums to be held in reserve. The CFO will provide regular updates on significant changes to the initial allocation and the uses of such funds.

It is the responsibility of the Finance Directors to challenge the robust allocation of resources internally to budget holders and individual service areas.

The funded establishment may not be varied without the approval of the Accountable Officer.

No employee may be assigned a budget without approval from the relevant Finance Director. All budget holders must provide information as required by the Chief Finance Officer to enable budgets to be compiled.

### Preparation and approval of budgets

Prior to the start of the financial year the Chief Finance Officer will prepare and submit budgets for approval by the Governing Body. Such budgets will be:



# 3. Budget delegation and control

The Chief Finance Officer and Accountable Officer will delegate financial authority to nominated and approved members of staff within the CCG to enable management of the finances by individuals closest to operations.

During the course of normal business finance professionals must ensure that CCG resources are managed effectively. In order to ensure that the officers closest to operations are able to put public money to good use, the Chief Finance Officer, together with the Accountable Officer, will delegate the management of a budget to permit the performance of a defined range of activities. The delegated budget holders must not exceed the delegated budgetary total or virement limits.

- **Budget delegation** must be documented in the annual delegated budget holder letter, and contain a clear definition of the following:
- The Chief Finance Officer will devise and maintain systems of **budgetary control**. These will include:



The Chief Finance Officer is required to ensure that their team, and budget holders, have the required level of professional training necessary to effectively manage public finances.

## Additional budget holder responsibilities

- All budget holders will sign up to their allocated budgets at the commencement of each financial year;
- Monitoring and tracking actual expenditure against approved budget in order to ensure that approved funds are not exceeded without the prior approval of the Chief Finance Officer.
- The amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of virement;
- Any likely overspending or reduction of income which cannot be met by virement must not be incurred without the prior consent of the Chief Finance Officer;
- Virement of budgets, other than those provided for within the available resources and workforce establishment as approved by the Governing Body, must be evidenced through email and or meeting minutes by both the transferring and receiving budget holders;
- Any budgeted funds not required for their designated purpose(s) revert to the control of the Chief Finance Officer, subject to any authorised use of virement; and
- Non-recurring budgets may not be used to finance recurring expenditure without authorisation in writing by the Chief Finance Officer.



# 4. Responsibilities - Managing income & expenditure

Individuals with delegated responsibility for managing CCG income and expenditure must ensure that they abide by the financial policies and procedures that govern them.

## Accountable Officer

The Accountable Officer is responsible for ensuring that the CCG exercises its functions effectively, efficiently and economically thus ensuring improvement in the quality of services and the health of the local population, whilst maintaining value for money. The Accountable Officer will work closely with the Chief Finance Officer to ensure that arrangements are in place to underpin strong financial governance and to provide assurance to the Chair and members of the Governing Body. This includes:

- Robust financial procedures and controls;
- Effective financial management and financial planning arrangements; and
- Comprehensive financial systems operated by well managed, adequately resourced and suitably trained staff.

The Accountable Officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

## Chief Finance Officer

The Chief Finance Officer will:

- Prepare procedural instructions or guidance on the obtaining of goods, works and services;
- Ensure that adequate segregation of duties are in place to support all processes where applicable.
- Be responsible for the prompt payment/invoicing of all properly authorised accounts and claims. Invoicing and payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with guidance issued by the Department of Health.
- Be responsible for designing and maintaining a robust system of verification, recording and payment of all amounts payable;
- Be responsible for ensuring that payments for goods and services are only made once the goods and services are received;
- Approve the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- Provide adequate facilities and systems for employees whose duties include collecting and holding cash, including the provision of safes or lockable cash boxes, the procedures for keys, and for coin operated machines; and
- Prescribe systems and procedures for handling cash and negotiable securities on behalf of the CCG.

## All employees (Directors - Staff Members)

Managers and officers must ensure that they comply fully with the financial policies, guidance and limits specified by the Chief Finance Officer, and that:

- No requisition or order is placed for any item or items for which there is no budget provision;
- All goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and petty cash purchases;
- Verbal orders must only be issued in exceptional circumstances and must be confirmed by an official order and clearly marked "Confirmation Order";
- Orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- Goods are not taken on trial or loan where that could commit the CCG to a future uncompetitive purchases;
- Changes to the list (to include removals) of members/employees and officers authorised to certify invoices are notified to the Chief Finance Officer or the relevant Finance Director;
- Purchases from petty cash are restricted in value and by type of purchase, and are recorded in accordance with instructions issued by the relevant Finance Director;
- Consultancy advice is obtained in accordance with guidance issued by the Department of Health;
- The requisitioner, in choosing the item to be supplied (or the service to be performed), shall always obtain the best value for money for the CCG and adhere to the CCG's procurement rules where relevant.

# 5. Revenue expenditure: Non-pay

Stakeholders who are responsible for managing expenditure within the CCG must ensure that they abide by the rules that govern this, and accept a respective level of responsibility for ensuring the public purse is not over committed and that value for money is achieved from purchased goods and services.



**Entering contracts:** The Governing Body may only enter into contracts on behalf of the CCG within the statutory powers delegated to it by the Secretary of State. The Accountable Officer shall nominate an officer(s) who shall oversee and manage each contract on behalf of the CCG. Quotations and limits are detailed in Annex 1. The Accountable Officer shall be responsible for ensuring that best value for money can be demonstrated for all services provided. The CCG may also determine from time to time that services should be market tested by competitive tendering.



**Expenditure approval:** Revenue expenditure for all organisations within the scope of the SFIs is subject to the CCG's approval processes. This is in addition to the annual budget allocation agreed by Finance and the delegated budget holder responsibilities as previously detailed in section 4.



**Expenditure below £181,302:** For procurement of expendables and ad-hoc expenditure of below £181,302, the Chief Finance Officer shall ensure that adequate guidance is available to delegated budget holders, requisitioning staff and procurement teams. It is important that this guidance is followed and that approvers and authorisers of expenditure are limited, and a register of authorised employees is maintained and regularly reviewed in line with role descriptions.



**Expenditure above £181,302:** For expenditure above £181,302, this should be subject to a competitive tendering process. See section 8 below, Competitive tendering.



**External approval:** Mandatory efficiency controls stipulate that certain categories of expenditure need approval by external bodies prior to making any commitment, such as NHS England and/or Cabinet Office. Expenditure falling into these categories, which are detailed in the Procurement Policy, must also adhere to the internal spend controls that are in operation detailed in Annex 1.

## Responsibilities

For all revenue expenditure, budget holders and officers with delegated authority must ensure that they:

- Have approval to commit CCG resources before undertaking procurement. Approval should be provided by an individual with the appropriate authority, as set out in Annex 1;
- Seek quotes / tenders for the procurement of goods, services or works in a legally compliant manner as set out in the Procurement Policy that ensures the best value for the CCG;
- Utilise the mandated suppliers and contracts, defined by the Procurement Team, to ensure best value;
- Ensure that a signed contract, which has been approved in accordance with the nominated and authorised officer, is in place prior to the expenditure being incurred;
- Adhere to the rule of aggregation, as detailed in the CCG's Procurement Policy, when identifying the total value of the contract. Budget holders must not split purchase orders and contracts to avoid procurement thresholds. Suspected disaggregation will be investigated and may lead to disciplinary action and suspected fraud will be referred to the Local Counter Fraud Specialist to investigate; and
- Set the length of the proposed contract following a rigorous assessment of service need and value for money. Arbitrarily setting the length of a contract to avoid control processes will be subject to disciplinary action.

# 6. Revenue expenditure: Payment to staff

The Chief Finance Officer must ensure that there are adequate arrangements in place to process payroll, pay expenses and award contracts of employment during the course of normal business.

## Payroll responsibilities

### Chief Finance Officer

Responsible for issuing instructions regarding: verification of data; timetable of payroll processing; maintaining / securely storing accurate subsidiary records (superannuation, social security); payroll checks; methods of payment and payment recall; pay advances; payment reconciliations; and the segregation of payroll duties. The CFO must also ensure that payroll deductions are paid to the appropriate bodies.

### Nominated Manager

Delegated responsibility for: completing time records; submitting time records in line with agreed timetables; and submitting termination forms upon employee resignation, termination or retirement.

### HR

HR must ensure that the CCG's employment policies are compliant with legislation.

## Appointment of Staff

- The Chief Finance Officer shall oversee the Workforce Approvals Process on the Accountable Officer's behalf, for the engagement and/or employment of staff, agency staff or temporary staff. No member of the CCG may engage, re-engage or re-grade employee, hire agency staff or amend their remuneration without the approval of the Chief Finance Officer.
- The Governing Body shall delegate responsibility to the Accountable Officer for ensuring that all employees are issued with a Contract of Employment in a form approved by the Governing Body. This must comply with employment legislation and for dealing with variations to, or termination of, contracts of employment.

## Expenses

- All travel and accommodation expenses relating to employees on official business should be recorded on the Workforce System.
- The Workforce System shall be used for any employee claiming expenses, and must be recovered within 3 months of incurring the expenditure. It is the responsibility of the delegated budget holder to check and authorise any expense claimed in line with the CCG's expense policy. All expenses are processed through Payroll and should never be processed through Accounts Payable.

## Pay Awards

- The CCG will establish a Remuneration Committee in accordance with the provisions of the Constitution.
- Governing Body pay (including for the Accountable Officer and Chief Finance Officer) shall be agreed by the Remuneration Committee. This committee shall also be responsible for setting the Very Senior Managers ('VSM') pay policy which includes the range of pay for VSMS. The salaries for VSMS shall be approved by the Accountable Officer from within the VSM pay policy.
- The Remuneration Committee may make decisions on other pay awards for Governing Body members within the authority set out in its Terms of Reference or as otherwise delegated to it.
- The CCG will pay allowances to the Chair and non-officer members of the Governing Body in accordance with instructions issued by the Department of Health and Social Care.

## Advances to Staff

- All employee advances should be approved by the appropriate budget holder in line with Annex 1, budget delegation letters and due process followed. Only in exceptional circumstances should advances be made.

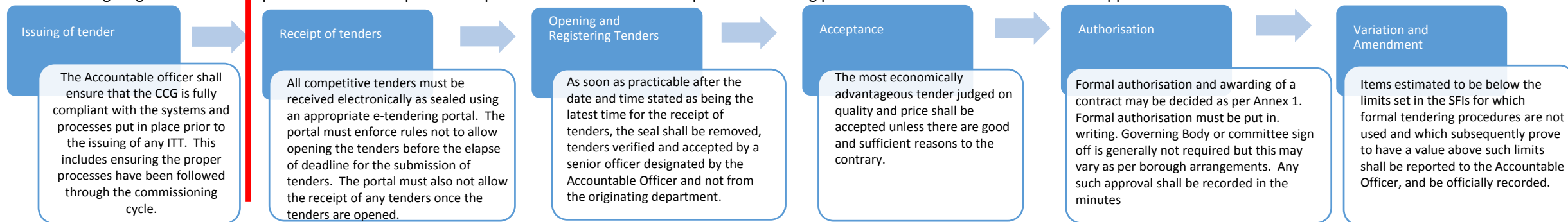
# 7. Competitive tendering

Competitive tenders must be invited for contracts in excess of £181,302, unless specific circumstances prevail.

The Accountable Officer shall ensure that competitive tenders are invited for contracts in excess of £181,302, including for:

- The supply of goods, materials and manufactured articles;
- The rendering of services including all forms of management consultancy services (other than specialised services sought from or provided by the Department for Health); and
- The design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens).

The following diagram outlines the process for the receipt and acceptance of tenders via the competitive tendering process once Business Cases have been approved:



## Waivers

Formal tendering procedures may be waived in the following circumstances:

- Where the Accountable Officer, Chief Finance Officer and COO (acting together) decide that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering and the circumstances are detailed in the tender waiver form;
- Where the requirement is covered by an existing contract and/or where national agreements or frameworks are in place;
- Where a consortium arrangement is in place and a lead organisation has been appointed to carry out tendering activity on behalf of the consortium members;
- Where specialist expertise is required and is available from only one source;
- Where there is a clear benefit to be gained from maintaining continuity with an earlier project;
- When the task is essential to complete the project, and arises as a consequence of a recently completed assignment and engaging different consultants for the new task would be inappropriate;
- For the provision of legal advice and services
- Where allowed and provided for in the Capital Investment Manual.

The waiving of competitive tendering procedures should not be used with the objective of avoiding competition, solely for administrative convenience, or be subject to awarding further work to a provider originally appointed through a competitive procedure. Where it is decided that competitive tendering should be waived, the fact of the waiver and the reasons for must be documented and recorded in the register of waivers and reported to the following meeting of the Audit Committee; waivers should be approved by the Chief Finance Officer and COO together. Competitive Tendering cannot be waived for building and engineering construction works and maintenance (other than in accordance with **Concode**) without NHS England approval.

## Admissibility

If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive, then no contract shall be awarded without the approval of the Accountable Officer.

Where only one tender is sought and/or received, the Accountable Officer and Chief Finance Officer shall, as far practicable, ensure that the price to be paid is fair and reasonable and will ensure value for money for the CCG.

Incomplete tenders and amended tenders should be dealt with in the same way as late tenders. Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Accountable Officer or a nominated representative decides that there are exceptional circumstances.

## Use of Approved Suppliers

The CCG and the Executive Management Team shall ensure that the firms/individuals invited to tender are among those on approved lists. A manager nominated by the Accountable Officer shall on behalf of the CCG maintain lists of approved firms from who tenders and quotations may be invited. These shall be kept under frequent review.

# 8. Commissioning and NHS service level agreements

The CCG has responsibility for commissioning services on behalf of the resident population, and must ensure that Service Level Agreements for the delivery of these services both meet expected quality and access standards, and are based on cost-effective service delivery.

## The role of the Accountable Officer

The Accountable Officer is responsible for ensuring the CCG enters into appropriate Service Level Agreements (SLAs) for the provision of NHS services.

All SLAs should aim to implement the agreed priorities contained within the business plan. They should:

- a) Meet the standards of service quality and access expected;
- b) Fit the relevant national service framework or NHS Constitutional standards (if applicable);
- c) Enable the provision of reliable information on cost, quality, and volume of services;
- d) Be based upon delivery of cost-effective services; and
- e) Be based on integrated care pathways where possible .

The Accountable Officer will ensure that regular reports are provided to the Governing Body detailing actual and forecast expenditure and activity for each SLA or contract.

Where the CCG makes arrangement for the provision of services by non-NHS providers it is the Accountable Officer who is responsible for ensuring that the agreements put in place have due regard to the quality and cost-effectiveness of services provided.

## The role of the Chief Finance Officer

A system of financial monitoring must be maintained by the Chief Finance Officer, with support from the respective budget holders, to ensure the effective accounting and tracking of expenditure under the SLA. This should provide a suitable audit trail for all payments made under the agreements, but maintain patient confidentiality. Financial monitoring should also support the Chief Finance Officer and wider CCG officers to understand performance against contracts, and deviations to plan requiring corrective action where necessary.

In conjunction with the Finance Directors, for NHS Service Level Agreements where the CCG is an associate to the contract the Chief Finance officer is accountable for ensuring that the contract is in line with general planning assumptions.

The Chief Finance Officer must account for Out of Area Treatments and Non Contract Activity in accordance with national guidelines.

## Involving partners and jointly managing risk

A good SLA will result from dialogue with clinicians, users, carers, public health professionals and managers. This will require each CCG to work with all partner agencies involved in both the delivery and the commissioning of the service as required.

The SLA will apportion responsibility for handling a particular risk to the party or parties in the best position to influence the event and financial arrangements should reflect this. In this way the CCG can jointly manage risk with all interested parties.



# 9. Income

The Chief Finance Officer is responsible for ensuring that adequate arrangements are in place to promptly recover income due to the CCG.



## Income arrangements

The Chief Finance Officer is responsible for identifying, collecting and recording all amounts due to the CCG promptly and in full. The Chief Finance Officer should also take responsibility for ensuring that adequate systems are in place to track and receive payment for debts promptly and diligently. This includes ensuring that:

- a) Adequate records exist to enable claims to be made and pursued in full;
- b) Routines are in place to prevent unauthorised deletions and amendments to claims;
- c) Credit management systems are established to manage and pursue amounts outstanding;
- d) Adequate controls exist to prevent diversion of funds and other frauds; and
- e) There is clear responsibility for making decisions about pressing claims more firmly, and for deciding on any abatement or abandonment of claims which may be merited.

From time to time the CCG may find it makes sense to carry out unplanned financial transactions. In each case it is important to deal with the issue in the public interest, with due regard for probity and value for money. Arrangements for agreeing and reporting any write-offs in relation to third parties (Non NHS) are the responsibility of the Chief Finance Officer. Audit trails for such write offs are required to be available reporting upon both internally and externally are required.



## Debt Recovery

- CCG debt recovery adheres to the NHS Shared Business Services' SBS Debt Management Policy Document. NHS Shared Business Services have established procedures for accurate raising of all invoices, which are monitored for their collection within due dates.
- The Chief Finance Officer should implement control procedures for the prevention of overpayments, as well as their detection and immediate recovery action.
- Income not received should be dealt with in accordance with losses procedures in Annex 4.10 of Managing Public Money.



## Fees and Charges

- The CCG shall follow the Department of Health's advice in the Costing Manual in setting prices for NHS service agreements. The Chief Finance Officer is responsible for approving and regularly reviewing the level of all fees and charges, other than those determined by the Department of Health or by statute.
- Independent professional advice on matters of valuation shall be taken as necessary.
- All employees must inform the Chief Finance Officer promptly of money due arising from transactions which they initiate or deal with.



## Income Generation and Sponsorship Arrangements

- Authorisation of income generation activities and sponsorship arrangements in accordance with appropriate policy guidance require approval from Accountable Officer and Governing Body.

# 10. Losses and special payments

Losses and special payments are items that the organisations would not have contemplated when it agreed funds. They are therefore subject to special control procedures compared to the generality of payments, and special notation in the accounts.

## Losses

Managing Public Money defines losses as including, but not limited to:

- Cash losses (physical loss of cash and its equivalents, e.g. credit cards, electronic transfers);
- Bookkeeping losses;
- Exchange rate fluctuations;
- Losses of pay, allowances and superannuation benefits paid to employees (including overpayments due to miscalculation, misinterpretation or missing information; unauthorised issue; and other causes);
- Losses arising from overpayments to suppliers;
- Losses from failure to make adequate charges;
- Losses of accountable stores (through fraud, theft, arson, other deliberate act or other cause);
- Fruitless payments and constructive losses (where cost of repair is greater than the current value of the item); and,
- Claims waived or abandoned (including bad debts).

## Special payments

Managing Public Money defines special payments as;

- Extra-contractual payments: payments which, though not legally due under contract, appear to place an obligation on a public sector organisation which the courts might uphold. Typically, these arise from the organisation's action or inaction in relation to a contract;
- Extra-statutory and extra-regulatory payments which are within the broad intention of statute or regulation, respectively, but go beyond a strict interpretation of its terms;
- Compensation payments which are made to provide redress for personal injuries and damage to property etc. They include other payments to those in the public service outside statutory schemes or outside contracts;
- Special severance payments which are paid to employees, contractors and others outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract; and
- Ex gratia payments which go beyond statutory cover, legal liability, or administrative rules, including: payments made to meet hardship caused by official failure or delay; out of court settlements to avoid legal action on grounds of official inadequacy; and, payments to contractors outside a binding contract, e.g. on grounds of hardship.

## Losses and Special payments responsibilities

- The Chief Financial Officer must prepare procedural instructions (to include delegated authorities in Annex 1) on the recording of and accounting for losses and special payments.
- The Chief Finance Officer shall be authorised to take any necessary steps to safeguard the CCG's interests in bankruptcies and company liquidations. For any loss, the Chief Finance Officer should consider whether any insurance claim can be made.
- The Chief Finance Officer shall ensure that the function maintains a Losses and Special Payments Register in which write-off action is recorded. No special payments exceeding delegated limits shall be made without the prior approval of the NHS England.
- Losses and Special payments registers will take account of the parliamentary disclosure requirement to report on losses and special payments over £300,000.
- All losses and special payments must be reported to the Audit Committee at every meeting.
- Any employee or officer discovering or suspecting a loss of any kind must inform an officer charged with responsibility for responding to concerns involving loss.
- Where a criminal offence is suspected, the Chief Finance Officer must immediately inform the police and the Local Counter Fraud Specialist in accordance with Secretary of State for Health's Directions.
- Income not received should be dealt with in accordance with losses procedures in Annex 4.10 of Managing Public Money.

# 11. Capital expenditure and investments

Committing CCG resources to capital expenditure can alter the organisation's financial statements and budgetary position for many years, it is therefore important that adequate approvals and processes are in place to ensure that resource is not committed to the detriment of the organisation.

Capital commitments typically cover land, buildings, equipment and IT, including:

- a) Authority to spend capital or make a capital grant;
- b) Authority to enter into a leasing arrangement;
- c) Authority to enter into a legally enforceable commissioning commitment to:
  - support the revenue implications of a third party investing capital, or entering into a lease commitment; and/or
  - any other confirmation of commissioning commitment if the context involves any departure or derogation from standard national policies.

Advice should be sought from the relevant Finance Director, including if there is doubt that a particular proposal is a capital commitment

The approval of an overall capital programme does not constitute automatic approval for expenditure on any scheme included within that programme.

The CCG shall comply as far as is practicable with the requirements of the Department of Health "**Capital Investment Manual**" and "**Health Building Code**" in respect of capital investment and estate and property transactions.

The selection of a contractor/finance company must be on the basis of competitive tendering or quotations. The Accountable Officer is responsible for the management of all stages of capital schemes and must ensure:

- a) There is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon plans;
- b) Schemes are delivered on time and to cost; and
- c) The capital investment is not undertaken without the availability of resources to finance all revenue consequences, including capital charges.

## Capital Investment

The Chief Finance Officer is responsible for:

- Ensuring that there is an adequate appraisal and investment committee approval process in place and in line with HM.Treasury Green book guidance for determining capital expenditure priorities and the effect of each proposal upon business plans;
- Ensuring that there are processes in place for the management of all stages of capital schemes, that will ensure that schemes are delivered on time and to cost;
- Ensuring that capital investment and approval of such investment by the Governing Body is not authorised without evidence of availability of resources to finance all revenue consequences;
- Ensuring there are processes in place to ensure that a business case is produced setting out:
  - An option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs; and
  - Confirmation that a designated officer has examined and confirmed the appropriateness of the costs and revenue consequences detailed in the business case.
- The involvement of appropriate personnel and external agencies;
- Appropriate project management and control arrangements;
- Ensuring there are processes in place to issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes. These procedures should fully take into account the delegated limits for capital schemes issued by the Department of Health.
- Processes in place to ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within "Concode" and the prevailing Procurement regulations and routes relating to EU procurement regulations.

## Private Finance

The CCG should normally market-test for PFI (Private Finance Initiative funding) when considering a capital procurement. When the Governing Body proposes, or is required, to use finance provided by the private sector the Accountable Officer shall demonstrate that:

- The use of private finance represents value for money and genuinely transfers risk to the private sector.
- Where the sum exceeds delegated limits, a business case must be referred to the Department of Health for approval or treated as per current guidelines.
- The proposal must be specifically agreed by the Governing Body.



# 12. Assets

When procuring assets, the CCG is required to maintain an asset register, ensure adequate systems are in place to maintain and store these assets as well as effective and timely disposal. Every officer has a responsibility to exercise a duty of care over the assets and it is the responsibility of officers in all disciplines to apply appropriate routine security practices.

## Asset Registers

- The Accountable Officer is responsible for the maintenance of registers of assets, taking account of the advice of the Chief Finance Officer concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.
- Additions to the fixed asset register must be clearly identified to an appropriate budget. The Chief Finance Officer shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers, to make reference to lease agreements, architect certificates, supplier invoices and other documentary evidence.
- The Capital Accounting Manual will provide guidance on: the index value of each asset, depreciation methods, depreciation rate, the calculation of the capital charges to be paid and the capitalisation of staff time. All discrepancies revealed by verification of physical assets to fixed asset register or any breach of agreed security practices shall be notified to the Chief Finance Officer.
- It is the responsibility of Governing Body members to apply appropriate routine security practices in relation to CCG property. Where practical, assets should be marked as CCG property.
- It is the responsibility of the budget holder to ensure that any assets are accurately added, maintained and removed from the register.

## Store and Receipt of Assets

- Stores should be kept to a minimum, subjected to annual stock take and valued at the lower of cost and net realisable value – to include the annual impairment review or upgrades. While the Accountable Officer is ultimately responsible operational oversight of this is the responsibility of the COO.
- The responsibility for security arrangements shall be clearly defined in writing. The Chief Finance Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores and losses. Any evidence of significant overstocking and of any negligence or malpractice must be reported to the Chief Finance Officer.

## Disposal and condemnation of Assets

- The Chief Finance Officer must prepare procedures for the disposal of assets and condemnations, and ensure that these are notified to managers. When a CCG asset is disposed of, the authorised manager will determine and advise the Chief Finance Officer of the estimated market value of the item.
- Any damage to the CCG premises and equipment, or any loss of equipment, stores or supplies must be reported in line with the CCG'S procedures;
- Designated managers shall be responsible for a system approved by the Chief Finance Officer for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles.
- All unserviceable articles condemned or otherwise disposed of must be recorded to indicate method of disposal. All entries shall be confirmed by the countersignature of a second authorised employee (in accordance with Annex 1). The authorised employee shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Chief Finance Officer.
- Competitive tendering or quotation procedures may not apply to disposal services, if indicated by the CCG's Chief Finance Officer.

# 13. Retention of records and annual reporting

The CCG shall ensure that it retains its records, prepares annual accounts and an annual report on its affairs as part of normal business.



## Retention of Records

A record can be defined as information created, received and maintained as evidence and information by an organisation, in pursuance of legal obligations or in the transaction of business.

The Accountable Officer shall be responsible for maintaining archives for all records required to be retained in accordance with NHS Records Management Code of Practice for Health and Social Care (or subsequent successor guidance). The records held in archives shall be capable of retrieval by authorised persons.

Information held for longer than is necessary carries additional risk and cost. Records and information should only be retained for legitimate business use. Under GDPR and the DPA 2018, personal data processed by a CCG must not be retained for longer than is necessary for its lawful purpose.



## Annual Report

The CCG will publish an annual report in accordance with NHS England guidance and to be signed by the accountable officer to include;

- Performance report
- Accountability report, which should include;
  - Corporate governance report
  - Remuneration and staff report.



## Annual Accounts

The Chief Finance Officer is responsible for preparing financial returns which are fair, balanced and understandable in accordance with the accounting policies and guidance given by the Department of Health and HM Treasury, CCG accounting policies, generally accepted accounting practice, and international accounting standards.

The full statutory accounts must be signed by a nominated qualified accountant, approved by the Governing Body and the balance sheet signed off by the accountable officer.

Under the Local Audit and Accountability Act 2014, Clinical commissioning groups (CCGs) must select and appoint their own auditors and directly manage their contracts for the audits for the financial year starting on 1 April 2017.

The CCG's audited annual accounts will be presented to a public meeting and made available to the public.

In addition the Chief Finance Officer must prepare and submit annual financial reports certified in accordance with current guidelines and submit financial returns to the Department of Health for each financial year in accordance with the timetable.

### Monitoring returns

The Chief Finance Officer is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation in a timely manner and in a level of detail prescribed and sufficient enough for the monitoring organisation to perform its duties effectively.

# 14. Audit

The Governing Body shall ensure that adequate audit arrangements are in place to safeguard public resources and ensure that those accountable are delivering value for money.

## Role of the Chief Finance Officer

- The Chief Finance Officer is responsible for the internal control environment, establishing an effective Internal Audit function, reporting crime to the police, and for ensuring an annual Internal Audit report is prepared for presentation to the Audit Committee.
- The Chief Finance Officer is entitled without necessarily giving prior notice to require and receive access to all records, documents, correspondence, land, property, premises or individuals of the CCG at all reasonable times.
- The Chief Finance officer is responsible for acquiring explanations concerning any matter under investigation.
- Supporting External Audit and ensuring documentation and input is provided as required.

## External Audit

- Clinical commissioning groups must select and appoint their own auditors
- The Audit Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the External Auditor, then this should be raised with the External Auditor if the issue cannot be resolved.

## Internal Audit

- Internal Audit is an independent and objective appraisal service which provides an objective opinion to management on the degree to which risk management, control and governance exists within the organisation.
- Internal Audit supports the achievement of the organisation's agreed objectives as well as providing an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- The Head of Internal Audit will provide the Audit Committee with a risk-based plan of internal audit work based upon management's Assurance Framework that will enable the auditors to collect sufficient evidence to give an opinion on the adequacy and effective operation of the organisation. They will provide regular updates against plan and will report any suspected irregularity to the Chief Finance Officer.



## Role of Audit Committee

- An independent Audit Committee is a central means by which the Governing Body ensures effective internal control arrangements are in place and provides a form of independent check upon the executive arm of the Governing Body.
- The Governing Body shall formally establish an Audit Committee, with clearly defined terms of reference.
- The minutes of the Audit Committee meetings shall be formally recorded by the Secretary and submitted to the Governing Body as requested.
- The Chair of the Committee shall draw to the attention of the Governing Body any issues that require disclosure to the full Governing Body, or require executive action.
- The Committee will report to the Governing Body annually on its work (Annual Governance Statement), specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embedding of risk management in the organisation, the integration of governance and its view on the annual accounts.
- The Chair of the Committee should refer ultra vires transactions, improper acts, or any other important matters to the Governing Body as appropriate.

## Fraud and Bribery

- The Accountable Officer and Chief Finance Officer shall monitor and ensure compliance with directions issued by the Secretary of State for Health on fraud and corruption.
- In addition, they should ensure that the CCG has a comprehensive policy for managing fraud and bribery.
- The CCG shall nominate a suitable person(s) to carry out the duties of the Local Counter Fraud Specialist (LCFS).
- See section 16 for further detail on the duty to report and how to report suspected economic criminal behaviour

## Security Management

- The Accountable Officer will monitor and ensure compliance with directions issued by the Secretary of State for Health on NHS security management.
- The CCG shall nominate a suitable person(s) to carry out the duties of the Local Security Management Specialist as specified by the Secretary of State for Health guidance on NHS Security Management.
- The Accountable Officer has overall responsibility for controlling and coordinating security; however, key tasks are delegated to the Security Management Director and the appointed Local Security Management Specialist.

# 15. Fraud, bribery and corruption

The Chief Finance Officer is responsible for overseeing and providing strategic management and support for all counter fraud, bribery and corruption work within the CCG.

## Responsibilities

- All counter fraud, bribery and corruption services are provided under arrangements proposed by the Chief Finance Officer and approved by the Audit Committee, on behalf of the Governing Body.
- Only the Chief Finance Officer may commission the procurement of counter fraud, bribery and corruption services (including services akin to counter fraud, bribery and corruption services, e.g. post payment verification), having sought the approval of the CCG's Audit Committee.
- The Chief Finance Officer will delegate the day-to-day oversight of the counter fraud function. The Lead Local Counter Fraud Specialist will manage the counter fraud, bribery and corruption services for the CCG including working with other staff from the outsourced service provider.
- The Lead Local Counter Fraud Specialist will ensure a written report is provided to each meeting of the Audit Committee on counter fraud, bribery and corruption work within the CCG.
- The Lead Local Counter Fraud Specialist will produce an annual assessment (self review tool) of the effectiveness of counter fraud, bribery and corruption arrangements in line with the NHS Counter Fraud Authority's standards for commissioners. The outcome of these assessments will be reported to the Audit Committee, including details of action plans to address areas of weakness or non-compliance.
- It is the responsibility of the Audit Committee to approve policies and strategies relating to fraud and whistle blowing arrangements and to receive reports on any detected frauds.

## Your Duty to report

- It will be the duty of any officer having evidence of, or reason to suspect, financial or other irregularities or impropriety in relation to these instructions, not involving evidence or suspicion of fraud, bribery or corruption, to report these suspicions to the Chief Finance Officer or the LCFS. Further information can be found in the Anti Fraud and Bribery Policy.

## Gifts and Hospitality

- Gifts and Hospitality shall be dealt with in accordance with the Conflicts of Interest Policy and NHS England statutory guidance for managing conflicts of interest.

**Under no circumstances should any officer commence an investigation into suspected or alleged crime, as this may compromise any further investigation.**

# 16. Banking arrangements

The CCG should have adequate and secure banking arrangements in place. Public sector organisations should run their cash management processes to provide good value for the Exchequer as a whole. This means using the Government Banking Service, limiting use of commercial banking, and providing accurate forecasts of cashflows. Any use of non-standard techniques should be kept within defined bounds and controlled carefully

## Bank Accounts

The Governing Body shall approve the banking arrangements for the CCG. The Chief Finance Officer is responsible for managing the CCG's banking arrangements and for advising the Governing Body on the provision of banking services and operation of accounts. In line with **Cash Management in the NHS** the CCG should minimise the use of commercial bank accounts and consider using Government Banking Service (GBS) accounts for all banking services.

The Chief Finance Officer is responsible for:

- a) Bank and Government banking service accounts;
- b) Establishing separate bank accounts for the CCG's non-exchequer funds;
- c) Ensuring payments made from bank or OPG accounts do not exceed the amount credited to the account except where arrangements have been made;
- d) Reporting to the Governing Body all arrangements made with the CCG's bankers for accounts to be overdrawn; and
- e) Monitoring compliance with Department of Health guidance on the level of cleared funds.

## Banking Procedures

The Chief Finance Officer will prepare detailed instructions on the operation of bank accounts which must include the conditions under which each bank account is to be operated and those authorised to sign cheques or other orders drawn on the CCG's accounts.

The Chief Finance Officer must advise the CCG's bankers in writing of the conditions under which each account will be operated.

## Review

The CCG does not have non-exchequer banking. NHS England has confirmed compliance with the use of Government Banking Services and maintain and manage this on behalf of CCGs.

# 17. Risk management

The Accountable Officer shall ensure that the CCG has adequate risk management arrangements which will be overseen by the Audit Committee.

## Risk Procedures

The Accountable Officer shall ensure that the CCG has adequate risk management procedures in place, which includes:

- A process for identifying and quantifying risks and potential liabilities;
- Engendering among all levels of staff a positive attitude towards the control of risk;
- Management processes to ensure all significant risks and potential liabilities are addressed including effective systems of internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
- Contingency plans to offset the impact of adverse events;
- Audit arrangements,
- A clear indication of which risks shall be insured; and
- Arrangements to review the risk management procedures.

## Insurance

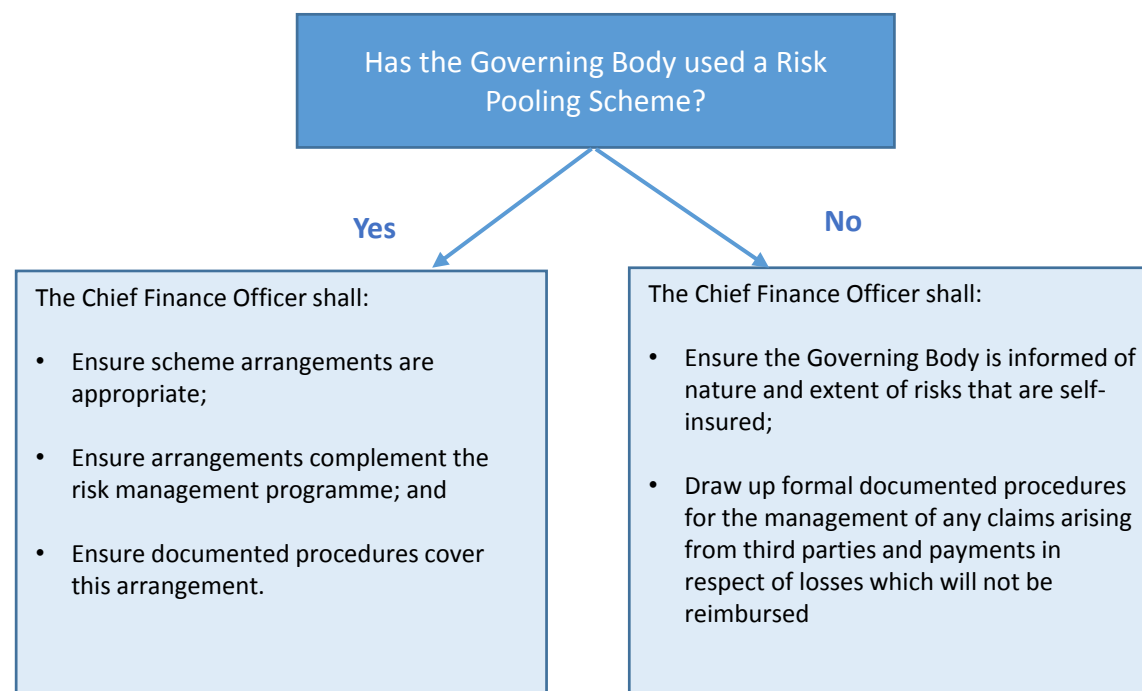
The Governing Body shall decide if the CCG will insure through the risk pooling schemes administered by the NHS Litigation Authority or self-insure for some or all of the risks covered by the risk pooling schemes. **There is a general prohibition on entering into insurance arrangements with commercial insurers except for:**

- Insuring motor vehicles owned by the CCG including insuring third party liability arising from their use.
- Where the CCG is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into.
- Where income generation activities take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the CCG for a NHS purpose the activity may be covered in the risk pool.

Confirmation of coverage in the risk pool must be obtained from NHS Litigation Authority. In any case of doubt concerning a CCG's powers to enter into commercial insurance arrangements the Finance Director should consult the Department of Health.

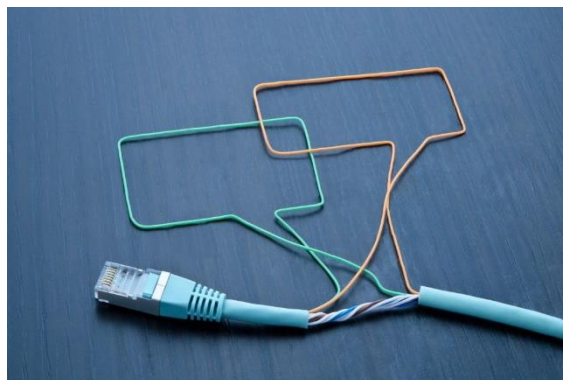
Whether the CCG has used a Risk pooling scheme or not, the Chief Finance Officer holds specific responsibilities.

### Risk Pooling Decision Tree



# 18. Information and communication technology

IT plays a vital role in helping the CCG deliver on its commitments to the public. The vision and drive to use IT is to support through information and technology the delivery of the triple aim: better health for populations, better care for patients and lower costs allowing the NHS to do more within available resources.



- In order to ensure compatibility and compliance with the CCG's ICT strategy, no corporate ICT hardware, software or facility should be procured without the authorisation of the Accountable Officer. The Accountable Officer will ensure that new corporate ICT services, systems, and amendments to current corporate ICT services and systems are developed in a controlled manner and thoroughly tested prior to implementation.
- The Accountable Officer will ensure that adequate controls exist for all corporate ICT services and systems deployed, to support the business requirements of the organisation.
- The Accountable Officer will ensure that adequate controls exist for all ICT services and systems deployed, to support the business requirements of the CCG.
- The Accountable Officer will ensure that new CSU ICT services, systems, and amendments to current CSU ICT services and systems are developed in a controlled manner and thoroughly tested prior to implementation.
- The Accountable Officer will satisfy their self that all digital services procured will have appropriate:
  - Interoperability standards;
  - Reporting and outcomes linked to the services purchased;
  - Information governance and security.

## Finance Systems

Any system, software or hardware used to implement financial control and governance must have an adequate level of security surrounding their use, to include segregation of roles.

- The Chief Finance Officer will ensure that adequate controls exist, such that all finance computer operations are separated from development, maintenance and amendment.
- The Chief Finance Officer will ensure that an adequate audit trail exists through all computerised finance systems.
- The Chief Finance Officer will satisfy their self that access to finance systems is strictly controlled and delegated authorities within system approved limits are appropriately assigned.
- The Chief Finance Officer will ensure that appropriate financial limits are allocated to users for journal postings to finance systems.
- The Chief Finance Officer will satisfy their self that new financial systems, and amendments to current financial systems, are developed in a controlled manner and thoroughly tested prior to implementation.
- All [employees and contractors] must agree to, and sign copies of, the CCG's IT code of conduct before accessing any of the CCG's ICT systems.

# Annex 1: Delegated Financial Limits