

# Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group Governing Body Meeting

**Date:** Tuesday 3<sup>rd</sup> April 2018

**Time:** 1.30pm

**Location:** Vassall Centre, Gill Avenue, Downend, BS16 2QQ

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## **Agenda item: 11.4**

### **Report title: Detailed Financial Policies**

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**Mike Vaughton, Director of Programme Finance**

**Report Sponsor:** Sarah Truelove, Chief Finance Officer

#### **1. Purpose**

The purpose of this paper is to

- Request the Governing Body adopt the Detailed Financial Policies as reviewed and recommended by the Audit, Governance and Risk committee in common
- Advise the GB of those BNSSG policies that will be rolled over from the CCGs and reviewed during 2018

#### **2. Recommendation**

The Governing Body is recommended to:

- Note the review undertaken by the finance team in the preparation of BNSSG CCG detailed financial policies
- Note the process of compliance and approval with the CCGs scheme of delegation
- Agree the recommendation of the Audit, Governance and Risk committee to adopt the detailed financial policies for BNSSG with amendments following the committees review
- Note the policies rolled forward to be reviewed in 2018

### **3. Background**

The CCG constitution includes the prime financial policies which are part of the control environment for managing the financial affairs and contribute to good corporate governance, internal control and managing risks. These policies identify the financial responsibilities that apply to everyone working for the CCG. Prime financial policies are used in conjunction with the scheme of reservation and delegation for the preparation, recommendation and approval of financial policies and decision making.

Prime financial policies are supported by detailed financial policies which mandate the financial responsibilities and procedures adopted by the CCG and are designed to ensure the financial transactions are carried out in accordance with the law, generally accepted accounting practices, Government policy and to regulate the conduct of members and officers on all financial matters, the revised policies are attached at appendix1.

The Chief Finance Officer is responsible for preparing the detailed financial policies and approval is reserved for the Governing Body. These arrangements are established in the CCG Constitution.

### **4. Discussion of issues**

The finance team undertook a review of former BNSSG CCG detailed financial policies during 2017/18 in order to prepare a set of policies for the newly merged CCG. The audit committees of the CCGs had the opportunity to consider and comment on early drafts and a final paper was considered at the March 2018 meeting of the Audit, Governance and Risk Committee in common. The committee made five comments which were noted, three which were requests for clarification and two that have been incorporated into the final policies relating to:

- Inclusion of reference to the auditor panel sub-committee of the Audit, Governance and Risk committee which oversees the appointment and communication with external auditors

- Amendment of the reference to contractor compliance with legislation and statutory guidance

At this date there are a number of BNSSG policies, including counter fraud, managing conflicts of interest, gifts and hospitality and the risk management framework that have been brought forward from the CCGs, these will be reviewed and considered by the Corporate Policy Group in 2018 and approval sought as appropriate.

## **5. Financial/resource implications**

There are no financial/resources issues

## **6. Legal implications**

The policies are drafted in line with legislative requirements

## **7. Risk implications**

The risks of not operating under detailed financial policies are that:

- Officers are not clearly instructed by delegated limits to commit to contracts and approve expenditure.
- Financial control may be compromised if the policies are not up to date and comprehensive to cover all financial aspects of the CCG and officer's accountabilities.

## **8. Implications for health inequalities**

There are no identified implications for health inequalities

## **9. Implications for equalities (Black and Other Minority Ethnic/Disability/Age Issues)**

There are no identified implications for equalities

## **10. Consultation and Communication including Public Involvement**

Not required

## **10. Appendices**

Appendix 1 – final Detailed Financial Policies



**Bristol, North Somerset  
and South Gloucestershire**  
Clinical Commissioning Group

# **BNSSG CLINICAL COMMISSIONING GROUPS**

## **DETAILED FINANCIAL POLICIES**

DRAFT

***Please complete the table below:***

<b>Policy ref no:</b>	
<b>Authors (inc job title)</b>	Chris Flook, Deputy Chief Finance Officer
<b>Date Approved</b>	
<b>Approved by</b>	
<b>Date of next review</b>	<i>September 2018</i>
<b>How is policy to be disseminated</b>	

**Check list for Governing Body/approving committee**

Has an Equality Impact Assessment been completed?	<i>N/A</i>
Has legal advice been sought?	<i>N/A</i>
Have training issues been addressed?	<i>N/A</i>
Are there financial issues and have they been addressed?	<i>Yes</i>
How will implementation be monitored	<i>Yes through the Joint Strategic Finance Committee and Audit Committee</i>
How will the policy be shared with: <ul style="list-style-type: none"> <li>• Staff?</li> <li>• Individuals?</li> <li>• Public?</li> </ul>	<i>Revised Detailed Finance Policies to be shared with all staff and accessible through the organisations website.</i>
Are there linked policies and procedures?	<i>Constitution (Prime Financial Policies) Scheme of Delegation and Reservation</i>

**Version Control**

Version	Date	Consultation
1	12.07.2017 28.09.2017	SG Finance Committee Bristol Audit Committee
2	09.01.2018	BNSSG GB In Common

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## 1. INTRODUCTION

### 1.1 General

- 1.1.1 These Detailed Financial Policies (DFPs) are issued in support of the Prime Financial Policies contained in the CCG Constitution which requires that the CCG shall agree Detailed Financial Policies for the regulation of the conduct of its members and officers in relation to all financial matters with which they are concerned. They shall have effect as if incorporated in the CCG Constitution.
- 1.1.2 These *Detailed Financial Policies* detail the financial responsibilities, policies and procedures adopted by the CCG. They are designed to ensure that the CCG's financial transactions are carried out in accordance with the law, generally accepted accounting practices and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Schedule of Decisions Reserved to the Governing Body and the Scheme of Reservation and Delegation adopted by the CCG.
- 1.1.3 These *Detailed Financial Policies* identify the financial responsibilities which apply to everyone working for the CCG, including staff on temporary or honorary contracts, staff from member practices acting on behalf of the CCG, and any external organisations acting on behalf of the CCG, such as a Commissioning Support Unit. They should be read in conjunction with the Primary Financial Policies in the Constitution and other linked policies (such as detailed departmental and financial procedure notes). All financial procedures must be approved by the Chief Finance Officer.  
The application of the Detailed Financial Policies to the CCG's staff, patients and suppliers may require Equality Impact Assessments be undertaken in line with the CCG's Equality and Diversity policy and Procurement Policy.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the *Detailed Financial Policies* then the advice of the Chief Finance Officer or the Deputy Chief Finance Officer must be sought before acting. The user of these *Detailed Financial Policies* should also be familiar with and comply with the provisions of the CCG's Constitution.
- 1.1.5 **The failure to comply with *Detailed Financial Policies* and the CCG Constitution can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.**
- 1.1.6 If for any reason these *Detailed Financial Policies* are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Audit Committee for referring action or ratification. All members of the Governing Body and staff have a duty to disclose any non-compliance with these *Detailed Financial Policies* to the Chief Finance Officer as soon as possible.

## **1.2 Responsibilities and Delegation**

### **1.2.1 The CCG Governing Body**

The Governing Body exercises financial supervision and control by:

- (a) formulating the financial strategy in line with the CCG's equalities duties;
- (b) requiring the submission and approval of budgets within approved allocations/overall income;
- (c) defining and approving essential features in respect of important 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 the Scheme of Delegation document.

1.2.2 The CCG Constitution has resolved that certain powers and decisions may only be exercised by the Governing Body in formal session. These are set out in the Constitution and Scheme of Reservation and Delegation. Other powers have been delegated to the established CCG committees.

### **1.2.3 The Chief Executive Officer and Chief Finance Officer**

The Chief Executive Officer and Chief Finance Officer will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.

Within the *Detailed Financial Policies*, it is acknowledged that the Chief Executive Officer is ultimately accountable to the Governing Body and to the Secretary of State for ensuring that the CCG meets its obligation to perform its functions within the available financial resources.

The Chief Executive Officer has overall executive responsibility for the CCG's activities; is responsible to the Chair and the Governing Body for ensuring that its financial obligations and targets are met and has overall responsibility for the CCG's system of internal control.

1.2.4 It is a duty of the *Chief Executive Officer* to ensure that Members of the Governing Body and employees and all new appointees are notified of, and put in a position to understand, their responsibilities within these Instructions.

### **1.2.5 The Chief Finance Officer**

The Chief Finance Officer is responsible for:

- (a) implementing the CCG's financial policies and for co-ordinating any corrective action necessary to further these policies;
- (b) maintaining an effective system of internal financial control including ensuring that Detailed Financial Policies and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- (c) ensuring that sufficient records are maintained to show and explain the CCG's transactions, in order to disclose, with reasonable accuracy, the financial position of the CCG at any time;

and, without prejudice to any other functions of the CCG, and employees of the CCG, the duties of the Chief Finance Officer include:

- (d) the provision of financial advice to other members of the Governing Body and employees;
- (e) the design, implementation and supervision of systems of internal financial control; 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.
- (g) liaise with, make arrangements for and monitor effective financial control on behalf of the CCG by financial service providers.

### **1.2.6 Governing Body Members and Employees**

All members of the Governing Body and employees, severally and collectively, are responsible for:

- (a) the security of the property of the CCG;
- (b) avoiding loss;
- (c) exercising economy and efficiency in the use of resources; and
- (d) conforming with the requirements of CCG Constitution and Standing Orders, *Detailed Financial Policies*, Financial Procedures, the Scheme of Delegation and other related policies.

### **1.2.7 Contractors and their Employees**

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 be covered by these instructions. It is the responsibility of the Chief Executive Officer to ensure that such persons are made aware of this.

- 1.2.8 For all members of the Governing Body and any employees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Governing Body and employees discharge their duties must be to the satisfaction of the Chief Finance Officer.

## **2. AUDIT**

### **2.1 Audit Committee**

- 2.1.1 An independent Audit Committee is a central means by which a Governing Body ensures effective internal control arrangements are in place. In addition, the Audit Committee provides a form of independent check upon the executive arm of the Governing Body. In accordance with CCG Constitution the Governing Body shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook to perform the following tasks:

- (a) ensuring there is an effective internal audit function established by management, that meets mandatory NHS Internal Audit Standards and provides appropriate independent assurance to the Audit Committee, Chief Executive Officer and Governing Body;

- (b) reviewing the work and findings of the external auditor appointed by the CCG and considering the implications of and management's responses to their work;
- (c) reviewing the findings of other significant assurance functions, both internal and external to the organisation, and considering the implications for the governance of the organisation;
- (d) ensuring that the systems for financial reporting to the Governing Body, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the Governing Body;
- (e) reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgments;
- (f) reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the organisation's activities (both clinical and non-clinical), that supports the achievement of the organisation's objectives;
- (g) monitoring compliance with CCG Constitution, *Detailed Financial Policies* and Prime Financial Policies;
- (h) reviewing schedules of losses and compensations and making recommendations to the Governing Body;
- (i) reviewing schedules of assets and liabilities;
- (j) reviewing the annual report and financial statements prior to submission to the Governing Body focusing particularly on:
  - the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
  - changes in, and compliance with, accounting policies and practices;
  - unadjusted mis-statements in the financial statements;
  - major judgmental areas;
  - significant adjustments resulting from audit.
- (k) reviewing the annual financial statements and recommend their approval to the Governing Body;
- (l) reviewing the external auditors' report on the financial statements and the annual management letter;
- (m) conducting a review of the CCG's major accounting policies;
- (n) reviewing any incident of fraud or corruption or possible breach of ethical standards or legal or statutory requirements that could have a significant impact on the CCG's published financial accounts or reputation;
- (o) reviewing any objectives and effectiveness of the internal audit services including its working relationship with external auditors;
- (p) reviewing major findings from internal and external audit reports and ensure appropriate action is taken;
- (q) reviewing 'value for money' audits reporting on the effectiveness and efficiency of the selected departments or activities;
- (r) reviewing the mechanisms and levels of authority (e.g. CCG Constitution, *Detailed Financial Policies*, Delegated limits) and make recommendations to the CCG Governing Body;

- (s) reviewing the scope of both internal and external audit including the agreement on the number of audits per year for approval by the CCG Governing Body;
- (t) investigating any matter within its terms of reference, having the right of access to any information relating to the particular matter under investigation;
- (u) reviewing waivers to CCG Constitution;
- (v) reviewing hospitality and sponsorship registers;
- (w) reviewing the information prepared to support the Annual Governance Statement prepared on behalf of the Governing Body and advising the Governing Body accordingly
- (x) establish an auditor panel as a sub group of the audit committee to ensure the contract arrangements, including the procurement and selection, with the external auditors is appropriate

2.1.2 The minutes of the Audit Committee meetings shall be formally recorded by the CCG Corporate Secretary and submitted to the Governing Body. 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 in support of the Annual Governance Statement, specifically commenting on the fitness for purpose of the Assurance Framework, the completeness and embeddedness of risk management in the organisation and the integration of governance arrangements.

2.1.3 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wishes to raise, the Chairman of the Audit Committee should raise the matter at a full meeting of the Governing Body. Exceptionally, the matter may need to be referred to the Department of Health.

## **2.2 Chief Finance Officer**

2.2.1 The Chief Finance Officer is responsible for:

- (a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function;
- (b) ensuring that the Internal Audit function meets the NHS mandatory audit standards and provides sufficient independent and objective assurance to the Audit Committee and the Chief Executive Officer;
- (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption in line with the Counter Fraud Policy;
- (d) ensuring that an annual Internal Audit report is prepared for the consideration of the Audit Committee and the Governing Body. The report must cover:
  - (i) a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health including for example compliance with control criteria and standards;

- (ii) major internal financial control weaknesses discovered;
- (iii) progress on the implementation of Internal Audit recommendations;
- (iv) progress against plan over the previous year;
- (v) a strategic audit plan covering the coming three years;
- (vi) a detailed plan for the coming year.

2.2.2 The Chief Finance Officer or designated internal or external auditor is entitled without necessarily giving prior notice to require and receive:

- (a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- (b) access at all reasonable times to any land, premises or members of the Governing Body and or employee of the CCG;
- (c) the production of cash or cash equivalents, stores or other property of the CCG under a member of the Governing Body and or an employee's control; and
- (d) explanations concerning any matter under investigation.

## **2.3 Role of Internal Audit**

2.3.1 Internal Audit is an independent and objective appraisal service within an organisation which provides:

- (a) an independent and objective opinion to the Chief Executive Officer, the Governing Body, and the Audit Committee on the degree to which risk management, control and governance, support the achievement of the organisation's agreed objectives;
- (b) an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.

2.3.2 Internal Audit will review, appraise and report upon policies, procedures and operations in place to:

- (a) establish and monitor the achievement of the organisation's objectives;
- (b) identify, assess and manage the risks to achieving the organisation's objectives;
- (c) ensure the economical, effective and efficient use of resources;
- (d) ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations;
- (e) safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption;
- (f) ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.

2.3.3 The Head of Internal Audit will provide to the Audit Committee:

- (a) a risk-based plan of internal audit work, agreed with management and approved by the Audit Committee, based upon the 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;

- (b) regular updates on the progress against plan;
  - (c) reports of management's progress on the implementation of action agreed as a result of internal audit findings;
  - (d) an annual opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This opinion is used by the Governing Body to inform the Annual Governance Statement and by NHS England as part of its performance management role;
  - (e) a report supporting CCG assurances to the Care Quality Commission on compliance with national standards;
  - (f) additional reports as requested by the Audit Committee;
  - (g) assurance on compliance with data protection regulations.
- 2.3.4 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity in the exercise of any function of a pecuniary nature, the Chief Finance Officer must be notified immediately.
- 2.3.5 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chairman and Chief Executive Officer of the CCG.
- 2.3.6 The Head of Internal Audit reports to the Audit Committee and is managed by the Chief Finance Officer. The reporting system for Internal Audit shall be agreed between the Chief Finance Officer, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with the guidance on reporting contained in the NHS Internal Audit Standards. The reporting system shall be reviewed at least every three years.
- 2.3.7 The appointment and termination of the Head of Internal Audit and/or the Internal Audit Service must be approved by the Audit Committee.
- 2.3.8 The Head of Internal Audit will co-ordinate Internal Audit Plans and activities with line managers, external audit and other review agencies to ensure effective audit coverage is achieved and duplication of effort is minimised.
- 2.3.9 Internal Audit have the right to access all records, assets, personnel and premises of the CCG in the pursuit of information necessary to fulfil its responsibilities. In any instances of conflict this will be referred for resolution to the Chief Finance Officer, Chief Executive Officer or Chair of Audit Committee as appropriate.
- 2.3.10 If the Head of Internal Audit, Chief Executive Officer, Chief Finance Officer or the Audit Committee consider that the level of Internal Audit resources or the terms of reference in any way limit the scope of Internal Audit, or prejudice the ability of Internal Audit to deliver a service consistent with the definition of internal auditing, they should advise the Governing Body accordingly.
- 2.3.11 Internal Audit must be sufficiently independent of the activities which it audits to enable auditors to perform their duties in a manner, which facilitates impartial and effective professional judgments and recommendations. Internal Audit will have no Executive responsibilities.



- 2.3.12 Internal Auditors will have an impartial, unbiased attitude, characterised by integrity and an objective approach to work, and should avoid conflicts of interest. Internal Auditors must declare any conflicts of interest to the Head of Internal Audit. Any conflicts of interest encountered by the Head of Internal Audit must be declared to the Chief Finance Officer.
- 2.3.13 The Chief Finance Officer is responsible for ensuring the Director of Internal Audit is of sufficient status to facilitate the effective discussion and negotiations of the results of Internal Audit work with senior management.
- 2.3.14 Appointment at all levels of the Internal Audit team will endeavour to fulfil the four main principles of the code of Ethics for Internal Auditor's Audit i.e. Integrity, Objectivity, Competency (i.e. professional qualifications, skills and experience) and Confidentiality.
- 2.3.15 Within the parameters of the contract for the Internal Audit Service, the Head of Internal Audit is responsible for ensuring the team is adequately staffed and that there is access to the full range of knowledge, skills, qualifications and experience to deliver the Internal Audit Plan in line with the NHS Internal Audit Standards. The team will undertake regular assessments of professional competence through an on-going appraisal and development programme (i.e. Personal Development Plans and Continuing Professional Development) with training provided where necessary.
- 2.3.16 Internal Audit primarily provides an independent and objective opinion to the Chief Executive Officer, the Governing Body and the Audit Committee on the degree to which risk management, control and governance support the achievement of the organisation's agreed objectives.
- 2.3.17 The Head of Internal Audit is responsible for developing and maintaining an Internal Audit Strategy for providing the Chief Executive Officer, economically and efficiently, with objective evaluation of, and opinions on, the effectiveness of the organisation's risk management, control and governance arrangements.
- 2.3.18 The Head of Internal Audit's opinion is a key element of the framework of assurance the Chief Executive Officer needs to inform the completion of the Annual Governance Statement. The delivery of this strategy will be realised through the delivery of considered and approved annual plans which will systematically review and evaluate risk management, control and governance.
- 2.3.19 Internal Audit's planning will embrace risk management, control and governance processes of the organisation including all its operations, resources, services and responsibilities for other bodies.
- 2.3.20 Internal Audit also provides an independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance. The service applies the professional skills of Internal Audit through a systematic and disciplined evaluation of the policies, procedures and operations that management put in place to ensure the achievement of the organisation's objectives, and through recommendations for improvement. Such consultancy work contributes to the opinion, which Internal Audit provides on risk management, control and governance.

## **2.4 External Audit**

- 2.4.1 The External Auditor is appointed and paid by the CCG. 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 and referred on to the CCG Audit Committee if the issue cannot be resolved.
- 2.4.2 The work of the External Auditor is conducted in accordance with the National Audit Office's Code of Audit Practice, International Standards on Auditing (UK) and other guidance issued by the National Audit Office. The Annual Audit Letter is prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Public Sector Audit Appointments Limited and the annual work programme is nationally prescribed and locally determined.
- 2.4.3 The External Auditor will provide an opinion on the CCG's annual financial statements, its Annual Governance Statement and Annual Report. It will make an assessment of the CCG's arrangements for securing economy, efficiency and effectiveness in its use of resources. The External Auditor is also required to give a Regularity Opinion on whether expenditure has been incurred 'as intended by Parliament'.

## **2.5 Fraud and Corruption**

- 2.5.1 In line with their responsibilities, the CCG Chief Executive Officer and Chief Finance Officer shall monitor and ensure compliance with Directions issued by the Secretary of State for Health on fraud and corruption.
- 2.5.2 The CCG shall nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS) as specified by the NHS Counter Fraud and Corruption Manual, and guidance.
- 2.5.3 The LCFS shall report to the CCG Chief Finance Officer and shall work with staff in the NHS Protect in accordance with the NHS Counter Fraud and Corruption Manual.
- 2.5.4 The LCFS will provide a written report, at least annually, on counter fraud work within the CCG.

## **2.6 Security Management**

- 2.6.1 In line with their responsibilities, the CCG Chief Executive Officer will monitor and ensure compliance with Directions issued by the Secretary of State for Health on NHS security management.
- 2.6.2 The CCG shall nominate a suitable person to carry out the duties of the Local Security Management Specialist (LSMS) as specified by the Secretary of State for Health guidance on NHS Security Management.
- 2.6.3 The CCG shall nominate the Chief Finance Officer to oversee and contract for NHS Security Management Services, who will report to the Governing Body.

2.6.4 The Chief Executive Officer has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD), or equivalent, and the appointed Local Security Management Specialist (LSMS).

### **3. FINANCE COMMITTEE**

3.1.1 The Finance Committee is accountable to the Governing Body. The Governing Body shall approve and keep under review the terms of reference for the Finance Committee, including information on the membership of the Finance Committee. The chair of the Finance Committee will be a Lay Member.

3.1.2 The Finance Committee shall support the Governing Body by:

- (a) providing objective scrutiny of the Annual Financial Plans, investment policy and major investment/disinvestment decisions;
- (b) reviewing monthly financial performance, and identifying key issues and risks requiring discussion or decision by the Governing Body.

3.1.3 The Governing Body has delegated authority to the Finance Committee as described in the Reservation and Delegation Scheme:

1. Strategy and Planning

- Recommend Annual Financial Plans and medium term financial plans to the Governing Body.

2. Regulation and Control

- Prepare Detailed Financial Policies that underpin the Group's prime financial policies.
- Review financial management performance in detail prior to submission to the Governing Body.

### **4. RESOURCE LIMIT CONTROL**

4.1.1 The CCG is required by statutory provisions not to exceed its Resource Limits. The Chief Executive Officer has overall executive responsibility for the CCG's activities and is responsible to the CCG for ensuring that it stays within its Resource Limit.

4.1.2 The definition of use of resources is set out in RAB Directions on use of resources (available on the Department of Health group accounting manual website).

4.1.3 Any sums received on behalf of the Secretary of State excluding charges arising under Part II of the 1977 NHS Act are treated as sums received by the CCG.

4.1.4 The Chief Finance Officer will:

- (a) provide monthly reports in the form required by the Secretary of State;
- (b) ensure money drawn from the Department of Health against the financing requirement arising from the Resource Limit is required for approved

expenditure only, and is drawn down only at the time of need, following best practice as set out in 'Cash Management in the NHS';

- (c) be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable the CCG to fulfil its statutory responsibility not to exceed its Annual Revenue and Capital Resource Limits.

## **5. ALLOCATIONS, ANNUAL OPERATING PLAN, BUDGETS, CONTROL, MONITORING AND BUDGET HOLDER RESPONSIBILITIES**

### **5.1 Allocations**

5.1.1 The Chief Finance Officer of the CCG will:

- (a) periodically review the basis and assumptions used by NHS England for distributing allocations and ensure that these are reasonable and realistic and secure the CCG's entitlement to funds;
- (b) prior to the start of each financial year submit to the CCG Governing Body for approval a report showing the total allocations received and their proposed distribution including any sums to be held in reserve; and
- (c) regularly update the CCG Governing Body on significant changes to the initial allocation and the uses of such funds.

### **5.2 Preparation and Approval of Annual Operating Plan, Financial Strategy and Budgets**

5.2.1 The Chief Executive Officer will compile and submit to the Governing Body an Annual Operating Plan and Financial Strategy which take into account financial targets and forecast limits of available resources. The plan will contain:

- (a) a statement of the significant assumptions on which the plan is based;
- (b) details of major changes in workload, delivery of services or resources required to achieve the plan.

5.2.2 Prior to the start of the financial year the Chief Finance Officer will, on behalf of the Chief Executive Officer, prepare and submit budgets for approval by the Governing Body. Such budgets will:

- (a) be in accordance with the aims and objectives set out in the plan;
- (b) accord with workload and *staffing plans*;
- (c) be produced following discussion with appropriate budget holders;
- (d) be prepared within the limits of available funds (resource limits);
- (e) identify potential risks.

5.2.3 The Chief Finance Officer shall monitor financial performance against budget and plan, periodically review them, and report to the Governing Body.

5.2.4 All budget holders must provide information as required by the Chief Finance Officer to enable budgets to be compiled.

5.2.5 The Chief Finance Officer has a responsibility to ensure that adequate training is delivered on an on-going basis to budget holders to help them manage successfully.

### **5.3 Budgetary Delegation**

5.3.1 The Chief Executive Officer may delegate the management of a budget to permit the performance of a defined range of activities. This delegation must be in writing and be accompanied by a clear definition of:

- (a) the amount of the budget;
- (b) the purpose(s) of each budget heading;
- (c) individual and group responsibilities;
- (d) authority to exercise virement;
- (e) achievement of planned levels of service;
- (f) the provision of regular reports.

5.3.2 The Chief Executive Officer and delegated budget holders must not exceed the budgetary total or virement limits set by the Governing Body.

5.3.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive Officer, subject to any authorised use of virement.

5.3.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Chief Executive Officer, as advised by the Chief Finance Officer.

### **5.4 Budgetary Control and Reporting**

5.4.1 The Chief Finance Officer will devise and maintain systems of budgetary control. These will include:

- (a) monthly financial reports to the Governing Body in a form approved by the Governing Body containing:
  - (i) income and expenditure monitoring showing forecast year-end position;
  - (ii) balance sheet and cashflow statement;
  - (iii) capital project spend and projected outturn against plan;
  - (iv) explanations of any material variances from financial, workload and manpower budgets;
  - (v) details of any corrective action where necessary and the Chief Executive Officer's and/or Chief Finance Officer's view of whether such actions are sufficient to correct the situation.
- (b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
- (c) investigation and reporting of variances from budgets;
- (d) monitoring of management action to correct variances;
- (e) arrangements for the authorisation of budget transfers.

### **5.5 Budget Holder Responsibilities**

5.5.1 Each Budget Holder is responsible for ensuring that:

- (a) they sign off their budget at the start of the year and provide accurate forecasts of out-turn on a monthly basis during the course of the year;
- (b) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Governing Body and to provide full variance analysis from budgeted plan and corrective actions;
- (b) 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;
- (c) no permanent employees are appointed without the approval of the Chief Executive Officer other than those provided for within the available resources and manpower establishment as approved by the Governing Body;
- (d) they participate in finance training to develop the skills and knowledge necessary to discharge their financial management duties;
- (e) they use the CCG's finance systems as required;
- (f) where matters of financial control risk are identified, they are communicated to the Finance Team as a matter of urgency;
- (g) they are accountable for their budgets and financial performance, even where contracts are negotiated on behalf of the CCG by another institution;
- (h) they take responsibility for ensuring that new members of staff are paid the correct salary and for making sure that final payments to and from employees are correct;
- (i) ensuring that the prices paid for goods are correct, represent value for money, that procedures are followed to prevent fraud and that all invoices are appropriately authorised and that the goods and services received are correct;
- (j) they are available to work with the auditors and respond to questions or recommendations.

5.5.2 The Executive Team is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Annual Operating Plan and a balanced budget.

## **5.6 Virement**

5.6.1 Virements cover all budget transfers carried out in the financial year apart from those enacting the Annual Operating Plan.

5.6.2 Delegated limits for virement are:

- (a) NHS England for the whole CCG unlimited value: this includes all allocation changes consequent budget changes and any change required to meet Integrated Single Financial Environment (ISFE) reporting requirements;
- (b) Governing Body for the whole CCG unlimited value: this includes Annual Operating Plan and any business cases/proposals agreed by the Governing Body;
- (c) Chief Executive Officer and Chief Financial Officer for the whole CCG to a value over £500K and below £1 million: includes any committee that approves expenditure where the Chief Executive Officer or Chief Financial Officer or their appointed nominee is present;

- (d) Chief Financial Officer for the whole CCG to a value below £500K includes any committee that approves expenditure where the Chief Financial Officer or their appointed nominee is present;
- (e) Director for their directorate to a value of up to £250K;
- (f) Assistant Director for their directorate to a value of up to £25K;
- (g) Budget Holder for their service up to a value of £10K.

5.6.3 Approval in line with the delegated limits will be evidenced through email from appropriate budget holder or meeting minutes. Evidence of NHS England directed changes will be in the form of allocation reconciliation, email directing the change or guidance published by NHS England.

5.6.4 All budget journals will be signed by the Chief Financial Officers nominated deputy.

5.6.5 Finance will make the following technical adjustments as they become necessary:

- (a) Contract value adjustments
- (b) Corrections
- (c) Phasing
- (d) Reallocation of unused budgets back to reserves

## **5.7 Reserves**

5.7.1 Reserves cover all expenditure budgets not currently allocated to a budget holder and are held centrally.

## **5.8 Capital Expenditure**

5.8.1 The general rules applying to delegation and reporting shall also apply to capital expenditure.

## **5.9 Monitoring Returns**

5.9.1 The Chief Executive Officer is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

## **6. ANNUAL ACCOUNTS AND REPORTS**

6.1 The Chief Finance Officer, on behalf of the CCG, will:

- (a) prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the CCG's accounting policies, and generally accepted accounting practice;
- (b) prepare and submit annual financial reports to the Department of Health certified in accordance with current guidelines;
- (c) submit financial returns to the Department of Health for each financial year in accordance with the timetable prescribed by the Department of Health.

6.2 The CCG's annual accounts must be audited by an auditor appointed by the CCG. The CCG's audited annual accounts must be presented to a public meeting and made available to the public.

- 6.3 The CCG will publish an annual report, in accordance with guidelines on local accountability, and present it at a public meeting. The document will comply with the Department of Health's Manual for Accounts.

## **7 BANKING ARRANGEMENTS**

### **7.1 General**

- 7.1.1 The Chief Finance Officer is responsible for managing the CCG's banking arrangements and for advising the CCG Governing Body on the provision of banking services and operation of accounts. This advice will take into account guidance/ directions issued from time to time by the Department of Health. In line with 'Cash Management in the NHS' CCGs should minimise the use of commercial bank accounts and consider using Government Banking Services for all banking services.

- 7.1.2 The Governing Body shall approve the banking arrangements.

### **7.2 Bank Accounts**

- 7.2.1 The Chief Finance Officer is responsible:

- (a) that bank accounts are operated under the Government Banking Service arrangements;
- (b) for establishing separate bank accounts for the CCG's non-exchequer funds;
- (c) for ensuring payments made from bank accounts do not exceed the amount credited to the account except where arrangements have been made;
- (d) for reporting to the Governing Body all arrangements made with the CCG's bankers for accounts to be overdrawn;
- (e) for monitoring compliance with the Department of Health guidance on the level of cleared funds.

### **7.3 Banking Procedures**

- 7.3.1 The Chief Finance Officer will prepare detailed instructions on the operation of bank accounts which must include:

- (a) the conditions under which each bank account is to be operated;
- (b) those authorised to sign cheques or other orders drawn on the CCG's accounts.

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

## **8. INCOME, FEES, CHARGES, SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS**

### **8.1 Income Systems**

- 8.1.1 The Chief Finance Officer is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due.



8.1.2 The Chief Finance Officer is also responsible for the prompt banking of all monies received.

## **8.2 Fees and Charges**

8.2.1 The CCG shall follow the Department of Health's advice in the Costing Manual in setting prices for NHS service agreements.

8.2.2 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.

8.2.3 All employees must inform the Chief Finance Officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

## **8.3 Debt Recovery**

8.3.1 The Chief Finance Officer is responsible for the appropriate recovery action on all outstanding debts.

8.3.2 Income not received should be dealt with in accordance with losses procedures.

8.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

## **8.4 Security of Cash, Cheques and Other Negotiable Instruments**

8.4.1 The Chief Finance Officer is responsible for:

- (a) approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable;
- (b) ordering and securely controlling any such stationery;
- (c) the provision of 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;
- (d) prescribing systems and procedures for handling cash and negotiable securities on behalf of the CCG.

8.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.

8.4.3 All cheques, postal orders, cash etc., shall be banked intact. Disbursements shall not be made from cash received, except under arrangements approved by the Chief Finance Officer.

8.4.4 The holders of safe keys shall not accept unofficial funds for depositing in their safes unless such deposits are in special sealed envelopes or locked containers. It shall be made clear to the depositors that the CCG is not to be held liable for any loss, and written indemnities must be obtained from the organisation or individuals absolving the CCG from responsibility for any loss.

## **9. TENDERING AND CONTRACTING PROCEDURE**

### **9.1 Duty to Comply**

Duty to comply with CCG Constitution, Detailed Financial Policies, Equalities legislation and Public Participation and Involvement responsibilities and directives by the Council of the European Union and UK rules on public procurement.

The procedure for making all contracts by or on behalf of the CCG shall comply with the CCG Constitution and Detailed Financial Policies (except where Standing Order No. 3.4 Suspension of Standing Orders is applied) and the CCG Procurement Policy.

Equality Impact Assessments will be undertaken at various points in any procurement. Usually, this will happen at or before the commencement of any procurement and certainly before the final recommendation on the preferred provider is made by the Governing Body.

There will also be compliance with the 2010 Act, the Patient and Public Involvement duties, as described in Section 14Z2 of the 2012 Health and Social Care Act and the NHS Constitution.

### **9.2 EU Directives Governing Public Procurement**

- (a) Directives by the Council of the European Union promulgated by the Department of Health prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in the CCG Constitution and *Detailed Financial Policies*.
- (b) The CCG will consider obtaining expert support as appropriate to ensure compliance when engaging in tendering procedures.

### **9.3 E Tendering**

The CCG should use electronic tendering (e-tendering) wherever appropriate. When the e-tendering function is used documents will be completed online and uploaded into and stored in a secure electronic mailbox until the latest time for the receipt of tenders. An audit log will record the date and time that tender documents are received.

Tender documents submitted electronically will be opened by two procurement officers. The details of the two procurement officers and the date and time of the opening of electronic tenders will be recorded as part of the audit trail. All other provisions will remain unchanged where the e-tendering system is used.

### **9.4 Capital Investment Manual and Other Department of Health Guidance**

The CCG shall comply as far as is practicable with the requirements of the NHS England Business Case Approval Process: Capital Investment, Property, Equipment and ICT guidance in respect of capital investment and estate and property transactions.

## 9.5 Procurement of NHS Services Involving the Application of the CCG Procurement Policy Contestability Framework

Decisions regarding whether NHS Services should be contested or not under the CCG Procurement Policy contestability framework will be determined as follows (contract life cycle inc VAT):

Director up to £50K  
Chief Executive Officer and Chief Finance Officer up to £1m  
CCG Governing Body over £1m

## 9.6 Authorisation of Tenders and Competitive Quotations

Providing all the conditions and circumstances set out in these *Detailed Financial Policies* have been fully complied with formal authorisation of tenders and competitive quotations may be given by the following staff to the total value of (contract life cycle inc VAT):

Designated Budget Holders up to £50K  
Directors up to £500K  
Chief Finance Officer and Chief Executive Officer up to £1m  
CCG Governing Body over £1m

## 9.7 Formal Competitive Tendering

### 9.7.1 General Applicability

The CCG shall ensure that competitive tenders are invited 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 of Health);
- the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens); for disposals.

### 9.7.2 Health Care Services

Where the CCG elects to invite tenders for the supply of healthcare services the CCG Constitution and these *Detailed Financial Policies* shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with *Detailed Financial Policies* No. 10 and No. 11.

### 9.7.3 Exceptions and instances where formal tendering need not be applied

Formal tendering procedures **need not be applied** where:

- (a) the estimated expenditure or income does not, or is not reasonably expected to, exceed £50K (contract life cycle); or
- (b) where the supply is proposed under special arrangements negotiated by the Department of Health in which event the said special arrangements must be complied with;

- (c) regarding disposals as set out in *Detailed Financial Policies* No. 16;

Formal tendering procedures **may be waived** in the following circumstances:

- (d) in very exceptional circumstances where the Chief Executive Officer decides that formal tendering procedures would not be practicable or the estimated expenditure or income would not warrant formal tendering procedures, and the circumstances are detailed in an appropriate CCG record;
- (e) where the requirement is covered by an existing contract;
- (f) where the Cabinet Office agreements are in place and have been approved by the Governing Body;
- (g) 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;
- (h) where the timescale genuinely precludes competitive tendering, but failure to plan the work properly would not be regarded as a justification for a single tender;
- (i) where specialist expertise is required and is available from only one source;
- (j) 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;
- (k) there is a clear benefit to be gained from maintaining continuity with an earlier project. However in such cases the benefits of such continuity must outweigh any potential financial advantage to be gained by competitive tendering;
- (l) for the provision of legal advice and services providing that any legal firm or partnership commissioned by the CCG is regulated by the Law Society for England and Wales for the conduct of their business (or by the Bar Council for England and Wales in relation to the obtaining of Counsel's opinion) and are generally recognised as having sufficient expertise in the area of work for which they are commissioned.  
The Chief Finance Officer will ensure that any fees paid are reasonable and within commonly accepted rates for the costing of such work.
- (m) where allowed and provided for in the Capital Investment Manual;
- (n) the contract is being procured through the NHS LIFT facilities and the CCG's representative on the Strategic Partnering Governing Body is satisfied that the contractual procedures adequately protect the CCG's interest.

The waiving of competitive tendering procedures should not be used to avoid competition or for administrative convenience or to award further work to a consultant originally appointed through a competitive procedure.

Where it is decided that competitive tendering is not applicable and should be waived, the fact of the waiver and the reasons should be documented and recorded in an appropriate CCG record and reported to the Audit Committee at each meeting.

#### 9.7.4. Fair and Adequate Competition

Where the exceptions set out in DFP No. 9 apply, the CCG shall ensure that invitations to tender are sent to a sufficient number of firms/individuals to provide fair and adequate competition as appropriate, and in no case less than three firms/individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

#### 9.7.5 List of Approved Firms

The CCG shall ensure that the firms/individuals invited to tender (and where appropriate, quote) are among those on approved lists. Where in the opinion of the Chief Finance Officer it is desirable to seek tenders from firms not on the approved lists, the reason shall be recorded in writing to the Chief Executive Officer (see DFP 9.8.8 List of Approved Firms).

#### 9.7.6 Items which subsequently breach thresholds after original approval

Items estimated to be below the limits set in this *Detailed Financial Policy* for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Chief Executive Officer, and be recorded in an appropriate CCG record.

### 9.8 Contracting/Tendering Procedure

#### 9.8.1 Invitation to tender

- (i) Where e-tendering is not used, all invitations to tender shall state the date and time as being the latest time for the receipt of tenders.
- (ii) All invitations to tender shall state that no tender will be accepted unless:
  - submitted in a plain sealed package or envelope bearing a pre-printed label supplied by the CCG (or the word "tender" followed by the subject to which it related) and by the latest date and time for the receipt of such tender addressed to the Chief executive Officer or nominated Manager;
  - that tender envelopes/ packages shall not bear any names or marks indicating the sender. The use of courier/postal services must not identify the sender on the envelope or on any receipt so required by the deliverer;
  - where an e-tendering software package is used the supplier's response will be completed on-line and uploaded into a secure electronic mailbox until the opening time.
- (iii) Every tender for goods, materials, services or disposals shall embody such elements of the NHS Standard Contract Conditions as are applicable;
- (iii) Every tender must have given, or give a written undertaking, not to engage in collusive tendering or other restrictive practices.

#### 9.8.2 Receipt and Safe Custody of Tenders

The Chief Executive Officer or his/her nominated representative will be responsible for the receipt, endorsement and safe custody of tenders received until the time appointed for their opening.

The date and time of receipt of each tender shall be endorsed on the tender envelope/package.

An audit log within the e-tendering system will record the date and time the offer documents are received.

### 9.8.3 Opening tenders and Register of tenders

Where e-tendering is not used:

- (i) As soon as practicable after the date and time stated as being the latest time for the receipt of tenders, they shall be opened by two senior officers/managers designated by the Chief Executive Officer and not from the originating department.
- (ii) A member of the CCG Governing Body will be required to be one of the two approved persons present for the opening of tenders estimated above £500K (contract life cycle). The rules relating to the opening of tenders will need to be read in conjunction with any delegated authority set out in the CCG's Scheme of Delegation.
- (iii) The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.
- (iv) The involvement of Finance staff in the preparation of a tender proposal will not preclude the Chief Finance Officer or any approved Senior Manager from the Finance Directorate from serving as one of the two senior managers to open tenders.
- (v) Executive Team will be authorised to open tenders regardless of whether they are from the originating department provided that the other authorised person opening the tenders with them is not from the originating department.
- (vi) The CCG's Company Secretary or equivalent role will count as a Director for the purposes of opening tenders.
- (vii) Every tender received shall be marked with the date of opening and initialled by those present at the opening. Where an electronic tendering package is used the details of the persons opening the documents will be recorded in the audit trail together with the date and time of the document opening.
- (viii) A register shall be maintained by the Chief Executive Officer, or a person authorised by them, to show for each set of competitive tender invitations dispatched:
  - the name of all firms or individuals invited;
  - the names of firms or individuals from which tenders have been received;
  - the date the tenders were received and opened;
  - the persons present at the opening;
  - the price shown on each tender;
  - a note where price alterations have been made on the tender and suitably initialled.

Each entry to this register shall be signed by those present. A note shall be made in the register if any one tender price has had so many alterations that it cannot be easily read or understood.

- (ix) Incomplete tenders, i.e. those from which information necessary for the adjudication of the tender is missing, and amended tenders i.e., those amended by the tenderer upon his/her own initiative either orally or in writing after the due time for receipt, but prior to the opening of other tenders, should be dealt with in the same way as late tenders (DFP No. 9.8.5 below).

#### **9.8.4 Admissibility**

- i) If for any reason the designated officers are of the opinion that the tenders received are not strictly competitive (for example, because their numbers are insufficient or any are amended, incomplete or qualified) no contract shall be awarded without the approval of the Chief Executive Officer.
- (ii) Where only one tender is sought and/or received, the Chief Executive 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.

#### **9.8.5 Late Tenders**

- (i) Tenders received after the due time and date, but prior to the opening of the other tenders, may be considered only if the Chief Executive Officer or his/her nominated officer decides that there are exceptional circumstances i.e. dispatched in good time but delayed through no fault of the tenderer.
- (ii) Only in the most exceptional circumstances will a tender be considered which is received after the opening of the other tenders and only then if the tenders that have been duly opened have not left the custody of the Chief Executive Officer or his/her nominated officer or if the process of evaluation and adjudication has not started.
- (iii) While decisions as to the admissibility of late, incomplete or amended tenders are under consideration, the tender documents shall be kept strictly confidential, recorded, and held in safe custody by the Chief Executive Officer or his/her nominated officer.
- (iv) Accepted late tenders will be reported to the Governing Body.

#### **9.8.6 Acceptance of Formal Tenders**

- (i) Any discussions with a tenderer which are deemed necessary to clarify technical aspects of his/her tender before the award of a contract will not disqualify the tender.
- (ii) The lowest tender, if payment is to be made by the CCG, or the highest, if payment is to be received by the CCG, shall be accepted unless there are good and sufficient reasons to the contrary. Such reasons shall be set out in either the contract file, or other appropriate record.

It is accepted that for professional services such as management consultancy, the lowest price does not always represent the best value for money. Other factors affecting the success of a project include:

- (a) experience and qualifications of team members;
- (b) understanding of client's needs;

- (c) feasibility and credibility of proposed approach;
- (d) ability to complete the project on time.

Where other factors are taken into account in selecting a tenderer, these must be clearly recorded and documented in the contract file, and the reason(s) for not accepting the lowest tender clearly stated.

- (iii) No tender shall be accepted which will commit expenditure in excess of that which has been allocated by the CCG and which is not in accordance with these Instructions except with the authorisation of the Chief Executive Officer.
- (v) The use of these procedures must demonstrate that the award of the contract was:
  - (a) not in excess of the going market rate / price current at the time the contract was awarded;
  - (b) that best value for money was achieved.
- (vi) All Tenders should be treated as confidential and should be retained for inspection.

#### **9.8.7 Tender Reports to the CCG Governing Body**

Reports to the CCG Governing Body will be made on an exceptional circumstance basis only.

#### **9.8.8 List of Approved Firms (see DFP No. 9.7.5)**

##### **(a) Responsibility for Maintaining List**

A manager nominated by the Chief Executive 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. The lists shall include all firms who have applied for permission to tender and as to whose technical and financial competence the CCG is satisfied. All suppliers must be made aware of the CCG's terms and conditions of contract.

##### **(b) Financial Standing and Technical Competence of Contractors**

The Chief Finance Officer may make or institute any enquiries he/she deems appropriate concerning the financial standing and financial suitability of approved contractors. The Director with lead responsibility for clinical governance will similarly make such enquiries as is felt appropriate to be satisfied as to their technical / medical competence.

##### **(c) Contractor Compliance with Relevant Legislation**

- (i) Suppliers included on the approved list of tenderers must comply with the all legislation and statutory guidance any amending and/or related legislation.
- (ii) Firms shall conform at least with the requirements of the Health and Safety at Work Act and any amending and/or other related



legislation concerned with the health, safety and welfare of workers and other persons, and to any relevant British Standard Code of Practice issued by the British Standard Institution. Firms must provide to the appropriate manager a copy of its safety policy and evidence of the safety of plant and equipment, when requested.

#### **9.8.9 Exceptions to using approved contractors**

If in the opinion of the Chief Executive Officer and the Chief Finance Officer or the Director with lead responsibility for clinical governance it is impractical to use a potential contractor from the list of approved firms/individuals (for example where specialist services or skills are required and there are insufficient suitable potential contractors on the list), or where a list for whatever reason has not been prepared, the Chief Executive Officer should ensure that appropriate checks are carried out as to the technical and financial capability of those firms that are invited to tender or quote.

An appropriate record in the contract file should be made of the reasons for inviting a tender or quote other than from an approved list.

### **9.9 Quotations: Competitive and Non-Competitive**

#### **9.9.1 General Position on Quotations**

Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed £5K but not exceed £50K over the life time of the contract.

#### **9.9.2 Competitive Quotations**

- (i) Quotations should be obtained from at least 3 firms/individuals based on specifications or terms of reference prepared by, or on behalf of, the CCG;
- (ii) Quotations should be in writing unless the Chief Executive Officer or his nominated officer determines that it is impractical to do so in which case quotations may be obtained by telephone. Confirmation of telephone quotations should be obtained as soon as possible and the reasons why the telephone quotation was obtained should be set out in a permanent record.
- (iii) All quotations should be treated as confidential and should be retained for inspection.
- (iv) The Chief Executive Officer or their nominated officer should evaluate the quotation and select the quote which gives the best value for money. If this is not the lowest quotation if payment is to be made by the CCG, or the highest if payment is to be received by the CCG, then the choice made and the reasons why should be recorded in a permanent record.

#### **9.9.3 Non-Competitive Quotations**

Non-competitive quotations in writing may be obtained in the following circumstances:

- (i) the supply of proprietary or other goods of a special character and the rendering of services of a special character, for which it is not, in the opinion of the Responsible Officer, possible or desirable to obtain competitive quotations;
- (ii) the supply of goods or manufactured articles of any kind which are required quickly and are not obtainable under existing contracts;
- (iii) miscellaneous services, supplies and disposals;
- (iv) where the goods or services are for building and engineering maintenance the responsible works manager must certify that the first two conditions of this DFP (i.e.: (i) and (ii) of this DFP) apply.

#### 9.9.4 Quotations to be within Financial Limits

No quotation shall be accepted which will commit expenditure in excess of that which has been allocated by the CCG and which is not in accordance with Detailed Financial Policies except with the authorisation of either the Chief Executive Officer or Chief Finance Officer.

#### 9.10 Authorisation of Contracts

Contract award for NHS services within the CCG Procurement Policy (contract life cycle inc VAT):

- Designated budget holders up to £50K
- Directors up to £500K
- Chief Executive Officer and Chief Finance Officer up to £1 m
- CCG Governing Body over £1 m

Providing all the conditions and circumstances set out in these *Detailed Financial Policies* have been fully complied with formal authorisation and awarding of a contract may be decided by the following staff within +/- 10 percent of the authorised tender value as follows (contract life cycle inc VAT):

- Designated Budget Holders up to £50K
- Directors up to £500K
- Chief Executive Officer and Chief Finance Officer up to £1m
- CCG Governing Body over £1m

All tenders that will, or are forecast to, exceed the budget of that tender or the designated budget holder shall be escalated to the next level up. Where the actual contract value is greater than +/- 10 percent of the authorised tender value authorisation limits are as follows (contract life cycle inc VAT):

- Designated Budget Holders up to £50K
- Directors up to £500K
- Chief Executive Officer and Chief Finance Officer up to £1m
- CCG Governing Body over £1m

Two signatures are required for contracts. These are:

- Two designated budget holders up to £50K
- Two Directors up to £500K

Contracts over £500K (contract life cycle inc VAT) must be signed by the Chief Executive Officer and the Chief Finance Officer or their nominated deputies.

Formal authorisation must be put in writing. In the case of authorisation by the CCG Governing Body this shall be recorded in their minutes.

Where such expenditure may be treated as revenue but may be capitalised then approval of the Audit Chair is required.

### **9.11 Instances Where Formal Competitive Tendering or Competitive Quotation is Not Required**

Where a competitive tendering or a competitive quotation is below the limits set out in these Detailed Financial Policies, the CCG should adopt one of the following alternatives:

- (a) the CCG shall use the NHS Supply Chain, Cabinet Office contracts or frameworks for procurement of all goods and services unless the Chief Executive Officer or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.
- (b) if the CCG does not use the NHS Supply Chain, Cabinet Office contracts or frameworks for procurement - where tenders or quotations are not required, because expenditure is below £500, the CCG shall procure goods and services in accordance with procurement procedures approved by the Chief Finance Officer.

### **9.12 Private Finance for capital procurement (see overlap with DFP No. 23)**

The CCG should have due regard to current HM Treasury and Department of Health guidance in relation to the requirement to test for Private Finance Initiative funding when considering capital procurement. When it is proposed to use finance which is to be provided other than through allocations, the following procedures will apply:

- (a) the Chief Financial Officer shall demonstrate that the use of private finance represents value for money and genuinely transfers risk to the private sector;
- (b) where the sum involved exceeds delegated limits, the business case must be referred to the Department of Health or in line with the delegation from them; and,
- (c) the proposal must be specifically agreed by the Governing Body of the CCG.

### **9.13 Compliance Requirements for all 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 and shall comply with:

- (a) the CCG's Constitution and *Detailed Financial Policies*;
- (b) EU Directives and other statutory provisions;

- (c) such of the NHS Standard Contract Conditions as are applicable;
- (d) Care Quality Commission guidance;
- (e) contracts with Foundation Trusts must be in a form compliant with appropriate NHS guidance;
- (f) where appropriate contracts shall be in or embody the same terms and conditions of contract as was the basis on which tenders or quotations were invited;
- (g) in all contracts made by the CCG, the Governing Body shall endeavour to obtain best value for money by use of all systems in place. The Chief Executive Officer shall nominate an officer who shall oversee and manage each contract on behalf of the CCG.

#### **9.14 Personnel and Agency or Temporary Staff Contracts**

The Chief Executive Officer shall ensure compliance with instructions issued by Department of Health and NHS England.

The Chief Executive Officer shall nominate officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts. Where the role is as a Governing Body Member or senior official, these must be in line with the 2012 HMT Review of Tax Arrangements for Public Sector Appointees, the HMT guidance “Managing Public Money” and instructions from the Department of Health for the reimbursement of Governing Body members and senior officials.

#### **9.15 Healthcare Services Agreements (see overlap with DFP No. 10)**

Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with current legislation and guidance and administered by the CCG. Service agreements are not contracts in law and are not enforceable by the courts. However, a contract with a Foundation Trust, being a PBC, is a legal document and is enforceable in law.

The Chief Executive Officer shall nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Governing Body.

#### **9.16 Disposals (See overlap with DFP No. 17)**

Competitive Tendering or Quotation procedures shall not apply to the disposal of:

- (a) any matter in respect of which a fair price can be obtained only by negotiation or sale by auction as determined (or pre-determined in a reserve) by the Chief Executive Officer or their nominated officer;
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the supplies policy of the CCG;
- (c) items to be disposed of with an estimated sale value of less than £1K, this figure to be reviewed on a periodic basis;
- (d) items arising from works of construction, demolition or site clearance, which should be dealt with in accordance with the relevant contract;
- (e) land or buildings concerning which Department of Health guidance has been issued but subject to compliance with such guidance.

## **9.17 In-house Services**

9.17.1 The Chief Executive Officer shall be responsible for ensuring that best value for money can be demonstrated for all services provided on an in-house basis. The CCG may also determine from time to time that in-house services should be market tested by competitive tendering.

9.17.2 In all cases where the Governing Body determines that in-house services should be subject to competitive tendering the following groups shall be set up:

- (a) specification group, comprising the Chief Executive Officer or nominated officer/s and specialist;
- (b) in-house tender group, comprising a nominee of the Chief Executive Officer and technical support;
- (c) evaluation team, comprising normally a specialist officer, a supplies officer and a Chief Finance Officer representative. For services having a likely annual expenditure exceeding £500K over the life time of the contract, a non-officer member should be a member of the evaluation team.

9.17.3 All groups should work independently of each other and individual officers may be a member of more than one group but no member of the in-house tender group may participate in the evaluation of tenders.

9.17.4 The evaluation team shall make recommendations to the Governing Body.

## **9.18 Applicability of DFPs on Tendering and Contracting to funds held in Trust (see overlap with DFP No. 19)**

These Instructions shall not only apply to expenditure from Exchequer funds but also to works, services and goods purchased from the CCG's trust funds and private resources.

## **10 NHS SERVICE AGREEMENTS FOR PROVISION OF SERVICES (SEE OVERLAP WITH DFP NO. 9.17)**

### **10.1 Service Level Agreements (SLAs)**

10.1.1 The Chief Executive Officer is responsible for ensuring the CCG enters into suitable Service Level Agreements (SLA) with service commissioners for the provision of NHS services.

All SLAs should aim to implement the agreed priorities contained within the Annual Operating Plan and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Chief Executive Officer should take into account:

- the standards of service quality expected;
- the relevant national service framework (if any);
- the provision of timely, reliable and comprehensive information on cost and volume of services to national or locally-agreed data definitions;
- the NHS National Performance Assessment Framework;
- that SLAs build, where appropriate, on existing Joint Investment Plans;

- that SLAs are based on integrated care pathways.

## **10.2 Involving Partners and Jointly Managing Risk**

A good SLA will result from a dialogue of clinicians, users, carers, public health professionals and managers. It will reflect knowledge of local needs and inequalities. This will require the Chief Executive Officer to ensure that the CCG works with all partner agencies involved in both the delivery and the commissioning of the service 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.

Due consideration in all provider/purchaser arrangements must be observed as the NHS moves toward a 'Patient-led NHS'.

## **10.3 Reports to Governing Body on SLAs**

The Chief Executive Officer will ensure that regular reports are provided to the Governing Body detailing actual and forecast expenditure against the SLA. This will include information on costing arrangements, which increasingly should be based upon Healthcare Resource Groups (HRGs). Where HRGs are unavailable for specific services, all parties should agree a common currency for across the range of SLAs.

## **11. COMMISSIONING**

### **11.1 Role of the CCG in Commissioning Secondary Services**

11.1.1 The CCG is required to work in with all partners as relevant, including NHS England, local NHS Trusts, CCGs, Foundation Trusts, the local authorities, users, carers, the voluntary sector, private and the third sectors to develop an Annual Operating Plan.

### **11.2 Role of the Chief Executive Officer**

11.2.1 The Chief Executive Officer has responsibility for ensuring secondary services are commissioned in accordance with the priorities agreed in the Annual Operating Plan. This will involve ensuring SLAs are put in place with the relevant providers, based upon integrated care pathways.

11.2.2 SLAs will be the key means of delivering the objectives of the Annual Operating Plan and therefore they need to have a wider scope. The CCG Chief Executive Officer will need to ensure that all SLAs:

- meet the standards of service quality expected;
- fit the relevant national service framework (if any);
- provide timely, reliable and comprehensive information on cost and volume of services to national or locally-agreed data definitions;
- fit the NHS National Performance Assessment Framework;
- build where appropriate on existing Joint Investment Plans;
- are based upon cost-effective services;
- are based on integrated care pathways.

11.2.3 The Chief Executive Officer will need to ensure that regular reports are provided to the Governing Body detailing actual and forecast expenditure and activity for each SLA.

11.2.4 Where the CCG makes arrangements for the provision of services by non-NHS providers, it is the Chief Executive Officer's responsibility to ensure that the agreements put in place have due regard to the quality and cost-effectiveness of services provided. Before making any agreement with non-NHS providers, the CCG should explore fully the scope to make maximum cost-effective use of NHS facilities.

### **11.3 Role of Chief Finance Officer**

11.3.1 A system of financial monitoring must be maintained by the Chief Finance Officer to ensure the effective accounting of expenditure under the SLA. This should provide a suitable audit trail for all payments made under the agreements, but maintains patient confidentiality.

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

## **12. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE CCG GOVERNING BODY AND EMPLOYEES**

### **12.1 Remuneration and Terms of Service (see overlap with SO No. 5)**

12.1.1 In accordance with CCG Constitution the Governing Body shall establish a Remuneration and Terms of Service Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting. (See NHS guidance contained in the Higgs report).

12.1.2 The Committee will operate within the scheme of delegation agreed and agreed terms of reference:

- (a) advise the Governing Body about appropriate remuneration and terms of service for the Chief Executive Officer, other officer members and clinical leads employed by the CCG including:
  - (i) all aspects of salary (including any performance-related elements/bonuses);
  - (ii) provisions for other benefits, including pensions and cars;
  - (iii) arrangements for termination of employment and other contractual terms;
- (b) make such recommendations to the Governing Body on the remuneration and terms of service of officer members of the Governing Body and members (and other senior employees) to ensure they are fairly rewarded for their individual contribution to the CCG - having proper regard to the CCG's circumstances and performance and to the provisions of any national arrangements for such members and staff where appropriate;

- (c) monitor and evaluate the performance of individual officer members and clinical members of the Governing Body;
- (d) advise on and oversee appropriate contractual arrangements for such staff including the proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate.

12.1.3 The Committee shall report in writing to the Governing Body the basis for its recommendations. The Governing Body shall use the report as the basis for their decisions, but remain accountable for taking decisions on the remuneration and terms of service of officer members. Minutes of the Governing Body's meetings should record such decisions.

12.1.4 The Governing Body will consider and need to approve proposals presented by the Chief Executive Officer for the setting of remuneration and conditions of service for those employees and officers not covered by the Committee.

12.1.5 The CCG will pay allowances to the Chairman and non-officer members of the Governing Body in accordance with instructions issued by the Secretary of State for Health.

## **12.2 Funded Establishment**

12.2.1 The staffing plans incorporated within the annual budget will form the funded establishment.

12.2.2 The funded establishment of any department may not be varied without the approval of the Chief Executive Officer.

## **12.3 Staff Appointments**

12.3.1 No officer or Member of the CCG Governing Body or employee may engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration:

- (a) unless authorised to do so by the Chief Executive Officer; and
- (b) within the limit of their approved budget and funded establishment.

12.3.2 The Governing Body will approve procedures presented by the Chief Executive Officer for the determination of commencing pay rates, condition of service, etc. for employees.

## **12.4 Processing Payroll**

12.4.1 The Chief Finance Officer is responsible for:

- (a) specifying timetables for submission of properly authorised time records and other notifications;
- (b) agreeing with HR policies for the final determination of pay;
- (c) making payment on agreed dates;
- (d) agreeing methods of payment;

12.4.2 The Chief Finance Officer will issue instructions regarding:



- (a) verification and documentation of data;
- (b) the timetable for receipt and preparation of payroll data and the payment of employees and allowances;
- (c) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
- (d) security and confidentiality of payroll information;
- (e) checks to be applied to completed payroll before and after payment;
- (f) authority to release payroll data under the provisions of the Data Protection Act;
- (g) methods of payment available to various categories of employee and officers;
- (h) procedures for payment by cheque, bank credit, or cash to employees and officers;
- (i) procedures for the recall of cheques and bank credits;
- (j) pay advances and their recovery;
- (k) maintenance of regular and independent reconciliation of pay control accounts;
- (l) separation of duties of preparing records and handling cash;
- (m) a system to ensure the recovery from those leaving the employment of the CCG of sums of money and property due by them to the CCG.

12.4.3 Appropriately nominated managers have delegated responsibility for:

- (a) submitting time records, and other notifications in accordance with agreed timetables;
- (b) completing time records and other notifications in accordance with the Chief Finance Officer's instructions and in the form prescribed by the Chief Finance Officer;
- (c) submitting termination forms in the prescribed format immediately upon knowing the effective date of an employees or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil obligations in circumstances that suggest they have left without notice, the Chief Finance Officer must be informed immediately.

12.4.4 Regardless of the arrangements for providing the payroll service, the Chief Finance Officer shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit review procedures and that suitable arrangement are made for the collection of payroll deductions and payment of these to appropriate bodies.

## **12.5 Contracts of Employment**

12.5.1 The Governing Body shall delegate responsibility to an officer for:

- (a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Governing Body and which complies with employment legislation; and
- (b) dealing with variations to, or termination of, contracts of employment.

## **13. NON-PAY EXPENDITURE**

### **13.1 Delegation of Authority**

13.1.1 The Governing Body will approve the level of non-pay expenditure on an annual basis and the Chief Executive Officer will determine the level of delegation to budget managers.

13.1.2 The Chief Executive Officer will set out:

- (a) the list of managers who are authorised to place requisitions for the supply of goods and services;
- (b) the maximum level of each requisition and the system for authorisation above that level.

13.1.3 The Chief Executive Officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services in accordance with NHS England guidance.

### **13.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services (see overlap with DFP No. 9)**

#### **13.2.1 Requisitioning**

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. In so doing, the advice of the CCG's adviser on supply shall be sought. Where this advice is not acceptable to the requisitioner, the Chief Finance Officer (and/or the Chief Executive Officer) shall be consulted.

#### **13.2.2 System of Payment and Payment Verification**

The Chief Finance Officer shall be responsible for the prompt payment of accounts and claims. Payment of contract invoices shall be in accordance with contract terms, or otherwise, in accordance with national guidance.

The Operational Scheme of Reservation and Delegation sets out levels of delegated authority for payment authorisation in the following instances:

- a) Budget already approved by the Governing Body e.g. payments to NHS bodies arising from agreement of NHS Contracts.
- b) Payments to NHS bodies where there is no contract in place.

#### **13.2.3 The Chief Finance Officer will:**

- (a) advise the Governing Body regarding the setting of thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in CCG Constitution and *Detailed Financial Policies* and regularly reviewed;
- (b) prepare procedural instructions or guidance within the Scheme of Delegation on the obtaining of goods, works and services incorporating the thresholds;

- (c) be responsible for the prompt payment of all properly authorised accounts and claims;
- (d) be responsible for designing and maintaining a system of verification, recording and payment of all amounts payable. The system shall provide for:
  - (i) a list of Governing Body and employees (including specimens of their signatures) authorised to certify invoices;
  - (ii) certification that:
    - goods have been duly received, examined and are in accordance with specification and the prices are correct;
    - work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
    - in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, the rates of labour are in accordance with the appropriate rates, the materials have been checked as regards quantity, quality, and price and the charges for the use of vehicles, plant and machinery have been examined;
    - where appropriate, the expenditure is in accordance with regulations and all necessary authorisations have been obtained;
    - the account is arithmetically correct;
    - the account is in order for payment.
  - (iii) a timetable and system for submission to the Chief Finance Officer of accounts for payment; provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment;
  - (v) instructions to employees regarding the handling and payment of accounts within the Finance Department.
- (f) be responsible for ensuring that payment for goods and services is only made once the goods and services are received. The only exceptions are set out in DFP No. 13.2.4 below.

#### 13.2.4 Prepayments

Prepayments are only permitted where exceptional circumstances apply. In such instances:

- (a) prepayments are only permitted where the financial advantages outweigh the disadvantages. Prepayments will constitute payments made in advance for periods greater than one month.
- (b) the appropriate officer member of the CCG must provide, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the CCG if the supplier is at some time during the course of the prepayment agreement unable to meet its commitments;
- (c) the Chief Finance Officer will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into

- account the EU public procurement rules where the contract is above a stipulated financial threshold);
- (d) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Chief Executive Officer if problems are encountered.

### 13.2.5 Official orders

Official orders must be made via the Oracle I-Procurement Purchase to Pay system. Where paper-based ordering systems are retained, they must:

- (a) be consecutively numbered;
- (b) be in a form approved by the Chief Finance Officer;
- (c) state the CCG's terms and conditions of trade;
- (d) only be issued to, and used by, those duly authorised by the Chief Executive Officer.

### 13.2.6 Duties of Managers and Officers

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

- (a) all contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Chief Finance Officer in advance of any commitment being made;
- (b) contracts above specified thresholds are advertised and awarded in accordance with EU rules on public procurement;
- (c) where consultancy advice is being obtained, the procurement of such advice must be in accordance with guidance issued by the Department of Health;
- (d) no order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to the Chief Executive Officer or employees, other than:
  - (i) isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
  - (ii) conventional hospitality, such as lunches in the course of working visits;

**(This provision needs to be read in conjunction with Section 8 of the CCG Constitution and the principles outlined in the national guidance contained in HSG 93(5) "Standards of Business Conduct for NHS Staff"; the Code of Conduct for NHS Managers 2002); and the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry; the Bribery Act 2010.)**

- (e) no requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Chief Finance Officer on behalf of the Chief Executive Officer;
- (f) all goods, services, or works are ordered via the Oracle I-Procurement Purchase to Pay system or on an official order except works and services

executed in accordance with a contract and purchases from petty cash or cash equivalent;

- (g) verbal orders must only be issued very exceptionally - by an employee designated by the Chief Executive Officer and only in cases of emergency or urgent necessity. These must be confirmed by an official order and clearly marked "Confirmation Order";
- (h) orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- (i) goods are not taken on trial or loan in circumstances that could commit the CCG to a future uncompetitive purchase;
- (j) changes to the list of members/employees and officers authorised to certify invoices are notified to the Chief Finance Officer;
- (k) purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Chief Finance Officer;
- (l) petty cash records are maintained in a form as determined by the Chief Finance Officer.

### **13.3 Joint Finance Arrangements with Local Authorities and Voluntary Bodies**

13.3.1 Payments to local authorities and voluntary organisations made under the powers of section 75 or 256, as appropriate, of the NHS Act 2006 as amended **shall** comply with procedures laid down by the Chief Finance Officer which shall be in accordance with that Act.

## **14. FINANCIAL FRAMEWORK**

14.1.1 The Chief Finance Officer should ensure that members of the Governing Body are aware of the Financial Framework. The Chief Finance Officer should also ensure that the CCG follows the guidance where applicable.

The Financial Framework also contains directions to NHS England regarding resource and capital allocation and funding to CCGs.

## **15. CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

### **15.1 Capital Investment**

15.1.1 The Chief Finance Officer:

- (a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon plans;
- (b) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost;
- (c) shall ensure that the capital investment is not undertaken without confirmation of purchaser(s) support and the availability of resources to finance all revenue consequences, including capital charges.

15.1.2 For every capital expenditure proposal the Chief Finance Officer shall ensure:

- (a) that a business case (in line with the guidance contained within the *Capital Investment Manual*) is produced setting out:

- (i) an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
- (ii) appropriate project management and control arrangements.

(b) that the Chief Finance Officer has certified professionally to the costs and revenue consequences detailed in the business case and involved appropriate CCG personnel and external agencies in the process.

15.1.3 For capital schemes where the contracts stipulate stage payments, the Chief Finance Officer will issue procedures for their management, incorporating the recommendations of Estatecode.

The Chief Finance Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

15.1.4 The approval of a capital programme shall not constitute approval for expenditure on any scheme.

All schemes with a capital value up to £500K will require sign off by the Chief Finance Officer.

All schemes with a capital value between £500K and £5 m (contract life cycle inc VAT) will require sign off by the Chief Executive Officer and the Chief Finance Officer.

All schemes with a capital value of greater than £5 m will require sign off by the Governing Body.

All LIFT schemes and non-LIFT schemes with a capital value of greater than £5m (contract life cycle inc VAT) will be brought back to the CCG Governing Body for approval.

The Chief Finance Officer will issue a scheme of delegation for capital investment management in accordance with Estatecode guidance and the CCG's Constitution.

15.1.5 The Chief Finance Officer shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes and these procedures shall fully take into account the delegated limits for capital schemes included in Annex C of HSC (1999) 246.

## **15.2 Asset Registers**

15.2.1 The Chief Executive 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.

15.2.2 The CCG shall maintain an asset register recording fixed assets. The minimum data set to be held within these registers shall be as specified in the *Capital Accounting Manual* as issued by the Department of Health.

15.2.3 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:

- (a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
- (b) stores, requisitions and wages records for own materials and labour including appropriate overheads;
- (c) lease agreements in respect of assets held under a finance lease and capitalised.

15.2.4 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices (where appropriate).

15.2.5 The Chief Finance Officer shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.

The value of each asset shall be indexed to current values in accordance with methods specified in the *Capital Accounting Manual* issued by the Department of Health.

15.2.6 The value of each asset shall be depreciated using methods and rates as specified in the *Capital Accounting Manual* issued by the Department of Health.

15.2.7 The Chief Finance Officer of the CCG shall calculate and pay capital charges as specified in the *Capital Accounting Manual* issued by the Department of Health.

### **15.3 Security of Assets**

15.3.1 The overall control of fixed assets is the responsibility of the Chief Executive Officer.

15.3.2 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Chief Finance Officer. This procedure shall make provision for:

- (a) recording managerial responsibility for each asset;
- (b) identification of additions and disposals;
- (c) identification of all repairs and maintenance expenses;
- (d) physical security of assets;
- (e) periodic verification of the existence of, condition of, and title to, assets recorded;
- (f) identification and reporting of all costs associated with the retention of an asset;
- (g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.

15.3.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Chief Finance Officer.

- 15.3.4 Whilst each employee and officer has a responsibility for the security of property of the CCG, it is the responsibility of the Governing Body and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Governing Body. Any breach of agreed security practices must be reported in accordance with agreed procedures.
- 15.3.5 Any damage to the CCG's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported by Governing Body and employees in accordance with the procedure for reporting losses.
- 15.3.6 Where practical, assets should be marked as CCG property.

## **16. STORES AND RECEIPT OF GOODS**

### **16.1 General Position**

- 16.1.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- (a) kept to a minimum;
  - (b) subjected to annual stock take;
  - (c) valued at the lower of cost and net realisable value.

### **16.2 Control of Stores, Stocktaking, condemnations and disposal**

- 16.2.1 Subject to the responsibility of the Chief Finance Officer for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Executive Officer. The day-to-day responsibility may be delegated by him/her to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Chief Finance Officer. The control of any Pharmaceutical stocks shall be the responsibility of a designated Pharmaceutical Officer; the control of any fuel oil and coal of a designated estates manager.
- 16.2.2 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/Pharmaceutical Officer. Wherever practicable, stocks should be marked as health service property.
- 16.2.3 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.
- 16.2.4 Stocktaking arrangements shall be agreed with the Chief Finance Officer and there shall be a physical check covering all items in store at least once a year.
- 16.2.5 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Finance Officer.
- 16.2.6 The designated Manager 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. The designated Officer shall report to the Chief Finance Officer any evidence of significant overstocking and of any negligence or malpractice (see also overlap with DFP No. 16 Disposals and Condemnations, Losses and Special Payments). Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

### **16.3 Goods supplied by NHS Supply Chain**

16.3.1 For goods supplied via the NHS Supply Chain central warehouses, the Chief Executive Officer shall identify those authorised to requisition and accept goods from the store. The authorised person shall check receipt against the delivery note before forwarding this to the Chief Finance Officer who shall satisfy himself that the goods have been received before accepting the recharge.

## **17. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS**

### **17.1 Disposals and Condemnations**

#### **17.1.1 Procedures**

The Chief Finance Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.

17.1.2 When it is decided to dispose of a CCG asset, the Head of Department or authorised deputy will determine and advise the Chief Finance Officer of the estimated market value of the item, taking account of professional advice where appropriate.

17.1.3 All unserviceable articles shall be:

- (a) condemned or otherwise disposed of by an employee authorised for that purpose by the Chief Finance Officer;
- (b) recorded by the Condemning Officer in a form approved by the Chief Finance Officer which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Chief Finance Officer.

17.1.4 The Condemning Officer 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 who will take the appropriate action.

17.1.5 All property or land disposals will require approval by the Governing Body.

### **17.2 Losses and Special Payments**

#### **17.2.1 Procedures**

The Chief Finance Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments. The CCG must act according to the guidance and the delegated limits in relation to losses and special payments, including severance payments, set out in FDL (98) 02 appended to this document.

The Chief Executive Officer and the Chief Finance Officer may approve losses and special payments up to £50K.

The Audit Committee chair or the CCG chair may approve losses and special payments over and above £50K but within delegated limits, set out in FDL (98) 02 appended to this document.

17.2.2 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their Head of Department, who must immediately inform the Chief Executive Officer and the Chief Finance Officer or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Chief Finance Officer and/or Chief Executive Officer. Where a criminal offence is suspected, the Chief Finance Officer must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Chief Finance Officer must inform the relevant LCFS and Operational Fraud Team (OFT) in accordance with Secretary of State for Health's Directions.

#### 17.2.3 **Suspected fraud**

The Chief Finance Officer must notify the NHS CFS and the External Auditor of all frauds.

17.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Chief Finance Officer must immediately notify:

- (a) the Governing Body, and
- (b) the External Auditor.

17.2.5 Within limits delegated to it by the Department of Health, the Governing Body shall approve the writing-off of losses.

17.2.6 The Chief Finance Officer shall be authorised to take any necessary steps to safeguard the CCG's interests in bankruptcies and company liquidations.

17.2.7 For any loss, the Chief Finance Officer should consider whether any insurance claim can be made.

17.2.8 The Chief Finance Officer shall maintain a Losses and Special Payments Register in which write-off action is recorded.

17.2.9 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health.

17.2.10 All losses and special payments must be reported to the Audit Committee at every meeting.

#### 17.2.11 **Recovery of fraud losses**

17.2.12 Initially, recovery of any losses arising from fraudulent activity are followed up by Shared Business Services (SBS) using their recovery policy. Recoveries would be reported to the Local Counter Fraud Specialist (LCFS) to be recorded on the

national NHS Protect investigation management system and included in the LCFS annual report to Audit Committee.

## **18. INFORMATION TECHNOLOGY**

### **18.1 Responsibilities and Duties of the Chief Finance Officer**

18.1.1 The Chief Finance Officer is responsible for the accuracy and security of the computerised financial data of the CCG whether this is 'in house' or hosted in an outsourced arrangement, and shall:

- (a) devise and implement any necessary procedures to ensure reasonable protection of the CCG's data, programs and computer hardware for which the Chief Finance Officer is responsible from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 1998;
- (b) ensure that reasonable controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of the data, as well as the efficient and effective operation of the system;
- (c) ensure that adequate controls exist such that the computer operation is separated from development, maintenance and amendment;
- (d) ensure that an adequate management (audit) trail exists through the computerised system and that such computer audit reviews as the Chief Finance Officer may consider necessary are being carried out.

18.1.2 The Chief Finance Officer shall ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

18.1.3 The Corporate Secretary or equivalent role shall publish and maintain a Freedom of Information (FOI) Publication Scheme, or adopt a model Publication Scheme approved by the Information Commissioner. A Publication Scheme is a complete guide to the information routinely published by a public authority. It describes the classes or types of information about the CCG that are made publicly available.

### **18.2 Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application**

18.2.1 In the case of computer systems which are proposed General Applications (i.e. normally those applications which the majority of CCGs in the Region wish to sponsor jointly) all responsible directors and employees will send to the Chief Finance Officer:

- (a) details of the outline design of the system;
- (b) in the case of packages acquired either from a commercial organisation, from the NHS, or from another public sector organisation, the operational requirement.

### **18.3 Contracts for computer services with other health bodies or outside agencies**

The Chief Finance Officer shall ensure that contracts for computer services for financial applications with another health organisation or any other agency shall clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. The contract should also ensure rights of access for audit purposes. Where another health organisation or any other agency provides a computer service for financial applications, the Chief Finance Officer shall periodically seek assurances that adequate controls are in operation.

### **18.4 Requirements for Computer Systems which have an Impact on Corporate Financial Systems**

Where computer systems have an impact on corporate financial systems the Chief Finance Officer shall need to be satisfied that:

- (a) systems acquisition, development and maintenance are in line with corporate policies such as an Information Technology Strategy;
- (b) data produced for use with financial systems is adequate, accurate, complete and timely, and that a management (audit) trail exists;
- (c) only relevant staff have access to such data;
- (d) such computer audit reviews as are considered necessary are being carried out.

## **19 FUNDS HELD ON TRUST**

### **19.1 Corporate Trustee**

- (a) Standing Orders outline the CCGs responsibilities as a corporate trustee for the management of funds it holds on trust that defines the need for compliance with Charities Commission latest guidance and best practice.
- (b) The discharge of the CCG's corporate trustee responsibilities are distinct from its responsibilities for exchequer funds and may not necessarily be discharged in the same manner, but there must still be adherence to the overriding general principles of financial regularity, prudence and propriety. Trustee responsibilities cover both charitable and non-charitable purposes.

The Chief Finance Officer shall ensure that each trust fund which the CCG is responsible for managing is managed appropriately with regard to its purpose and to its requirements.

### **19.2 Accountability to Charity Commission and Secretary of State for Health**

- (a) The trustee responsibilities must be discharged separately and full recognition given to the PCT's dual accountabilities to the Charity Commission for charitable funds held on trust and to the Secretary of State for all funds held on trust.
- (b) The Schedule of Matters Reserved to the Governing Body and the Scheme of Delegation make clear where decisions regarding the exercise of discretion regarding the disposal and use of the funds are to be taken and

by whom. All CCG Governing Body and CCG officers must take account of that guidance before taking action.

### **19.3 Applicability of Standing Financial Instructions to Funds Held on Trust**

1. In so far as it is possible to do so, most of the sections of these Detailed Financial Policies will apply to the management of funds held on trust.
2. The over-riding principle is that the integrity of each Trust must be maintained and statutory and Trust obligations met. Materiality must be assessed separately from Exchequer activities and funds.

## **20. ACCEPTANCE OF GIFTS BY STAFF AND LINK TO CODE OF BUSINESS CONDUCT (SEE OVERLAP WITH CCG CONSTITUTION SECTION 8 AND DFP NO. 13.2.6 (D))**

The Chief Finance Officer shall ensure that all staff are made aware of the CCG policy on acceptance of gifts and other benefits in kind by staff which will be in line with the Bribery Act 2010. This policy follows the guidance contained in the NHS England Policy for Managing Conflicts of Interest 2017; the Code of Conduct for NHS Managers 2002; and the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry and is also deemed to be an integral part of these CCG Constitution and *Detailed Financial Policies*.

## **21. PAYMENTS TO INDEPENDENT CONTRACTORS**

### **21.1 Role of the CCG**

The CCG will approve additions to, and deletions from, approved lists of contractors, taking into account the health needs of the local population, and the access to existing services. All applications and resignations received shall be dealt with equitably, within any time limits laid down in the contractors NHS terms and conditions of service. Where the role is as a Governing Body Member or senior official, these must be in line with the 2012 HMT Review of Tax Arrangements for Public Sector Appointees, the HMT guidance “Managing Public Money” and instructions from the Department of Health for the reimbursement of Governing Body members and senior officials.

### **21.2 Duties of the Chief Executive Officer**

The Chief Executive Officer shall:

- (a) ensure that lists of all contractors, for which the CCG is responsible, are maintained in an up to date condition;
- (b) ensure that systems are in place to deal with applications, resignations, inspection of premises, etc., within the appropriate contractor's terms and conditions of service.

### **21.3 Duties of the Chief Finance Officer**

The Chief Finance Officer shall:

- (a) ensure that contractors who are included on CCG's approved lists receive payments and that there is no evidence of inequality in payment value or method;
- (b) maintain a system of payments such that all valid contractors' claims are paid promptly and correctly, and are supported by the appropriate documentation and signatures;
- (c) ensure that regular independent verification of claims is undertaken, to confirm that:
  - (i) rules have been correctly and consistently applied;
  - (ii) overpayments are detected (or preferably prevented) and recovery initiated;
  - (iii) suspicions of possible fraud are identified and subsequently dealt with in line with the Secretary of State for Health's Directions on the management of fraud and corruption.
- (d) ensure that arrangements are in place to identify contractors receiving exceptionally high, low or no payments, and highlight these for further investigation; and
- (e) ensure that a prompt response is made to any query raised by either the Prescription Pricing Division or the Dental Practice Division of the NHS Business Services Authority, regarding claims from contractors submitted directly to them.

## **22. RETENTION OF RECORDS**

- 22.1 The Chief Executive Officer shall be responsible for maintaining archives for all records required to be retained in accordance with NHS Code of Practice - Records Management 2006.
- 22.2 The records held in archives shall be capable of retrieval by authorised persons.
- 22.3 Records held in accordance with NHS Code of Practice - Records Management 2006, shall only be destroyed at the express instigation of the Chief Executive Officer. Detail shall be maintained of records so destroyed.

## **23. RISK MANAGEMENT AND INSURANCE**

### **23.1 Programme of Risk Management**

The Chief Executive Officer shall ensure that the CCG has a programme of risk management, in accordance with current Department of Health assurance framework requirements, which must be approved and monitored by the Governing Body.

The programme of risk management shall include:

- a) a process for identifying and quantifying risks and potential liabilities;
- b) engendering among all levels of staff a positive attitude towards the control of risk;
- c) 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;

- d) contingency plans to offset the impact of adverse events;
- e) audit arrangements including; internal audit, clinical audit, health and safety review;
- f) a clear indication of which risks shall be insured;
- g) arrangements to review the risk management programme.

The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of internal control within the Annual Report and Accounts as required by current Department of Health guidance.

## **23.2 Insurance: Risk Pooling Schemes Administered by NHSLA**

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. If the Governing Body decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employers/third party liability) covered by the scheme this decision shall be reviewed annually.

## **23.3 Insurance Arrangements with Commercial Insurers**

23.3.1 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, **three exceptions** when CCGs may enter into insurance arrangements with commercial insurers. The exceptions are:

- (1) for insuring motor vehicles owned by the CCG including insuring third party liability arising from their use;
- (2) 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;
- (3) 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 the 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.

## **23.4 Arrangements to be Followed by the Governing Body in Agreeing Insurance Cover**

- (1) Where the Governing Body decides to use the risk pooling schemes administered by the NHS Litigation Authority the Chief Finance Officer shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Chief Finance Officer shall ensure that documented procedures cover these arrangements.
- (2) Where the Governing Body decides not to use the risk pooling schemes administered by the NHS Litigation Authority for one or other of the risks covered by the schemes, the Chief Finance Officer shall ensure that the Governing Body is informed of the nature and extent of the risks that are self-insured as a result of this decision. The Chief Finance Officer will draw

up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed.

- (3) All the risk pooling schemes require Scheme members to make some contribution to the settlement of claims (the 'deductible'). The Director Finance should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

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