

NHS WEST LEICESTERSHIRE CLINICAL COMMISSIONING GROUP

CORPORATE GOVERNANCE FRAMEWORK: DETAILED FINANCIAL POLICIES

UPDATED NOVEMBER 2017

1. INTRODUCTION

- 1.1 The Detailed Financial Policies set out in this document, along with the Prime Financial Policies outlined in Appendix E to the Constitution of West Leicestershire CCG shall have effect as if incorporated in the Constitution.
- 1.2 The Accountable Officer at West Leicestershire CCG is the Managing Director. The roles and responsibilities that are outlined in this document as applicable to the Accountable Officer also apply to those with delegated authority as given in the operational scheme of delegation.
- 1.3 The Detailed Financial Policies and Operational Scheme of Delegation are part of the CCG's control environment for managing the organisation's financial affairs. They contribute to good corporate governance, internal control, and risk management. They enable sound administration, lessen the risk of irregularities, and support the commissioning and delivery of effective, efficient and economical services. They also help the Accountable Officer and the Chief Finance Officer to effectively perform their responsibilities. They should be used in conjunction with the Scheme of Reservation and Delegation found at Appendix D of West Leicestershire CCG's Constitution.
- 1.4 These DFPs read in conjunction with the Prime Financial Policies and the Standing Orders and over-arching Scheme of Reservation and Delegation are aimed at supporting the Accountable Officer, Chief Finance Officer or any other authorised officer, member or person working on behalf of the group in discharging their responsibilities on a day to day basis.
- 1.5 Should any difficulties arise regarding the interpretation or application of any of the Prime Financial Policies, then the advice of the Chief Finance Officer must be sought before acting. The user of these DFPs should also be familiar with and comply with the provisions of West Leicestershire CCG's Constitution, Standing Orders, Scheme of Reservation and Delegation, and Prime Financial Policies.
- 1.6 Failure to comply with the Detailed Financial Policies may in certain circumstances be regarded as a disciplinary matter which could result in dismissal.
- 1.7 If for any reason these Detailed Financial Policies are not complied with, full details of the non-compliance, and the justification for the actions taken, must be reported to the next formal meeting of the Governing Body's Audit Committee so that ratification of the non-compliance, or appropriate action to be taken, can be decided upon. In addition, all members and employees of the CCG have a duty to disclose in advance, or at the earliest opportunity if this is not possible, to the Chief Finance Officer any non-compliance.

2. INTERNAL CONTROL

- 2.1 Overall responsibility for the CCG's systems of internal control lies with Governing Body. Responsibility for ensuring that there are arrangements to review, evaluate and report on the effectiveness of the internal controls, including the establishment of an effective Internal Audit function, lies with the Chief Finance Officer.
- 2.2 The CCG will establish the Audit Committee to follow practice – for example, by following the NHS Audit Committee Handbook. The detailed responsibilities of the Audit Committee with regard to the monitoring and applications of internal control are laid out in the Committee's Terms of Reference.

- 2.3 Where the Audit Committee considers that there is evidence of ultra vires transactions or improper acts, or if there are other important matters that the Committee wishes to raise, the Chairman of the Committee will raise the matter at a full meeting of the Governing Body. In exceptional cases, the matter may need to be referred to the Department of Health.
- 2.4 The Chief Finance Officer is responsible for the following:
- a) Reviewing all financial policies annually and referring updates for approval by the Governing Body.
 - b) Producing an annual Internal Audit Report, for consideration by the Audit Committee and the Governing Body, which will contain details of all major internal control weaknesses and breaches of financial policies identified by the Internal Audit function and the actions being taken to mitigate the risk associated with these occurrences.
 - c) Ensuring that a written system is in place for checking, reviewing and reporting all breaches of financial policies.
 - d) Ensuring that the procedure in place for checking the adequacy and effectiveness of the control environment forms part of overall financial monitoring and is part of the Budget Management Guidance document.

3. AUDIT

3.1 Audit Committee

- 3.1.1 The duties and responsibilities of the CCG's Audit Committee are laid out in paragraph 6.6.3a of the Constitution and in the Audit Committee's Terms of Reference, which has been approved by the CCG's Governing Body.

3.2 Internal Audit

- 3.2.1 The system in place for appointing the internal audit provider is set out in the detailed procedure. This system, the responsibility for which lies with the Chief Finance Officer, will ensure the CCG has a professional and technically competent internal audit function.
- 3.2.2 The detailed procedure by which the internal audit provider alerts and escalates unresolved management issues, fraud and serious irregularity, is outlined in the Service Level Agreement with that provider, which also includes the system in place by which the CCG can monitor the performance of the provider.

3.3 External Audit

- 3.3.1 The external auditor is appointed by the Audit Commission and paid for by the CCG.
- 3.3.2 It is the duty of the Audit Committee to ensure that the external auditor provides a cost-effective service. Any problems arising with this service will be discussed and resolved with the provider, and referred to the Audit Committee if resolution is not immediately possible.

4. FRAUD AND CORRUPTION

- 4.1 In line with their responsibilities, the CCG's Managing Director and Chief Finance Officer shall monitor and ensure compliance with the directions issued by the Secretary of State for Health on fraud and corruption.
- 4.2 The CCG is required to nominate a suitable person to carry out the duties of the Local Counter Fraud Specialist (LCFS), as specified by the NHS Counter Fraud & Corruption Manual.
- 4.3 The LCFS shall report to the Chief Finance Officer and shall work with NHS Protect to ensure the CCG discharges its responsibilities regarding fraud and corruption.
- 4.4 The LCFS will provide a written report at least annually on the counter fraud work carried out within the CCG. This report will be reviewed and approved by the Audit Committee and the Governing Body.

5. EXPENDITURE CONTROL

- 5.1 The responsibility of the CCG for ensuring it does not exceed the resources provided by the NHS Commissioning Board is outlined in the Prime Financial Policies (Appendix E to the Constitution).
- 5.2 Detailed procedures by which this responsibility is applied are laid out in the CCG's Budgetary Control Manual, which will:
 - a) Outline the procedures which will ensure that the CCG complies with Codes of Practice and Guidance issued by the Department of Health and the NHS Commissioning Board.
 - b) Outline the procedures which will ensure that the CCG exercises its functions effectively, efficiently and economically and in a way that provides good value for money.
 - c) Outline a control framework to ensure that only approved expenditure is drawn down at the time of need and to illustrate an adequate system of monitoring the CCG's financial performance.
 - d) Illustrate the procedure for ensuring that expenditure limits that are not automatically controlled by the ledger system are monitored and controlled.

6. ALLOTMENTS

- 6.1 The responsibility for checking the basis of the allotments issued by the NHS Commissioning Board and for preparing an annual Financial Plan for the application of the resources allotted lies with the Chief Finance Officer. The details of the CFO's duties are laid out in the Prime Financial Policies (Appendix E to the Constitution), and include the submission of an Annual Budget to the Governing Body for approval.
- 6.2 The Budgetary Control Manual will outline the detail process for periodic reporting of the use of allotments received.

7. COMMISSIONING STRATEGY, BUDGETS, BUDGETARY CONTROL AND MONITORING

7.1 Commissioning Strategy

7.1.1 The CCG's Commissioning Strategy, submitted to the Governing Body before the start of the financial year, takes into account financial targets and forecast limits of available resources, and contains a statement of all significant assumptions upon which the Strategy is based and gives details of the major changes in workload and delivery of services or resources required to achieve the Strategy.

7.2 Budgets

7.2.1 It is the responsibility of the Chief Finance Officer, prior to the start of the financial year, to prepare and submit budgets for approval by the Governing Body. These budgets will:

- a) be in accordance with the aims and objectives set out in the Commissioning Strategy;
- b) be in accord with workload and manpower plans;
- c) be produced following discussions with appropriate budget holders;
- d) be prepared within the limits of available funds; and
- e) identify potential risks.

7.2.2 The Chief Finance Officer shall then monitor the CCG's financial performance in the subsequent financial year against the budget and periodically report to the Governing Body, providing explanations for significant variances.

7.2.3 The Chief Finance Officer is allowed to delegate the management of individual budgets; the procedures covering this delegation and management are laid out in the Budgetary Control Manual and in the Operational Scheme of Delegation.

7.3 Budgetary Control

7.3.1 The Chief Finance Officer will devise and maintain systems of budgetary control, which will include the following:

- a) Monthly financial reports to the Governing Body in a form approved by that body.
- b) The issue of timely, accurate and comprehensible advice and financial reports to each budget holder.
- c) The investigation and reporting of variances from financial, workload and manpower budgets.
- d) The monitoring of management action to correct variances.
- e) Arrangements for the authorization of budget transfers.

7.4 Monitoring

7.4.1 The Managing Director is responsible for ensuring that the appropriate monitoring forms and returns are submitted to the requisite monitoring organisations in accordance with statutory and locally agreed timetables.

8. ANNUAL ACCOUNTS AND REPORTS

8.1 The Chief Finance Officer is responsible for the following:

- a) Preparing a timetable for the production of the CCG's Annual Report and Accounts, and agreeing it with the external auditors.
- b) Preparing the Accounts according to the agreed timetable which comply with statutory requirements, international financial reporting standards and Department of Health guidance.
- c) Submitting the draft and final Accounts and Annual Report to the Department of Health in accordance with issued deadlines.
- d) Arranging for the audit of the Accounts by a suitably qualified auditor. [previously: by an auditor appointed by the Audit Commission]
- e) Presenting the audited Accounts to a public meeting and making the Accounts available to the public.
- f) Publishing the Annual Report and presenting it to a public meeting.

9. INFORMATION TECHNOLOGY

- 9.1 Responsibility for the accuracy and security of the computerised financial data of the CCG lies with the Chief Finance Officer. Details of the specific duties of the CFO are laid out in paragraph 9 of the Prime Financial Policies of the CCG (Appendix E to the Constitution).
- 9.2 The detailed procedures agreed in the SLA between the CCG and the provider of IT services will ensure that the CFO's responsibilities are fulfilled.
- 9.3 The Chief Finance Officer will ensure that audits of computer systems are undertaken as identified by risk assessments of the internal control systems referred to in section 3 above.
- 9.4 Where external contractors are engaged to make amendments to the IT system, the Chief Finance Officer will ensure that adequate controls are in place via SLAs or contracts.

10. ACCOUNTING SYSTEMS

- 10.1 The Chief Finance Officer will ensure that any arrangements with other Health Authorities for the provision of accounting services are underpinned by a robust SLA outlining the monitoring process.
- 10.2 The detailed responsibilities of the Chief Finance Officer in relation to the CCG's accounting system are set out in Appendix E to the Constitution (section 10).

11. BANK ACCOUNTS

11.1 Bank and GBS Accounts

11.1.1 The Chief Finance Officer is responsible for managing the CCG's banking arrangements and for advising the Governing Body on the provision of banking services and operation of accounts. This advice will take into account guidance and directions issued from time to time by The Department of Health and NHS Commissioning Board and best practice.

11.1.2 In particular, the CFO is responsible for:

- a) Establishing separate bank accounts for the CCG's non-exchequer funds.
- b) Ensuring that payments made from bank accounts do not exceed available credits, or reporting to the Governing Body arrangements that have been made with the CCG's bankers for accounts to be overdrawn.
- c) Monitoring compliance with Department of Health guidance on the acceptable level of cleared funds.

11.1.3 In line with NHS policies, CCGs are required to minimize the use of commercial bank accounts and to consider using Government Banking Services (GBS) accounts for all banking services.

11.2 Banking Procedures

11.2.1 As stated in Appendix E to the Constitution (section 11), the Chief Finance Officer is responsible for preparing detailed procedures on the operation of bank accounts. These procedures must include the following:

- a) The conditions under which each account is to be operated. These must be advised in writing to the CCG's bankers.
- b) The persons authorized to sign cheques or other orders drawn on the CCG's accounts.

11.3 Tendering and Review

11.3.1 The Chief Finance Officer will review the CCG's banking arrangements at regular intervals to ensure they represent best practice and value for money.

11.3.2 Where GBS accounts have not been used, competitive tenders should be sought at least every 5 years, and the results of the tendering exercise reported to the Governing Body.

12. INCOME, FEES AND CHARGES AND SECURITY OF CASH, CHEQUES AND OTHER NEGOTIABLE INSTRUMENTS

12.1 Income Systems

12.1.1 The CCG will operate a secure system of collecting all monies due by implementing a Treasury Management Policy, which will include the following:

- a) A system for designing, maintaining and ensuring compliance with the proper recording, invoicing, collection, recovery, accounting and coding of all monies due.
- b) The prompt banking of all monies received.
- c) An appraisal process for making secure grants and loans.

12.2 Fees and Charges

12.2.1 The CCG will follow the Department of Health's advice in the "Costing" Manual when setting prices for NHS service agreements.

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

12.3 Debt Recovery

12.3.1 The Chief Finance Officer is responsible for the appropriate recovery action on all outstanding debts. Income not received should be dealt with in accordance with the CCG's Losses and Special Payments Policy.

12.4 Security of Cash, Cheques and Other Negotiable Instruments

12.4.1 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, and ordering and securely controlling any stationery associated with these transactions.
- b) Providing adequate facilities and systems for employees whose duties include the management of these items.

12.4.2 The holders of safe keys shall not accept unofficial funds for depositing in their safes.

13. TENDERING AND CONTRACTING PROCEDURE

13.1 Compliance with Standing Orders and Legislation

13.1.1 As outlined in the Appendix E to the Constitution (section 13), the CCG's procedures for making contracts shall comply with the Standing Orders (Appendix C to the Constitution) and with the Public Contract Regulations 2015 [previously: 2006] (the "Regulations"), the National Health Service (Procurement, Patient Choice and Competition) (No.2) Regulations 2013 and any successor legislation. In addition, these procedures must comply with any EU Directives (the "Directives") relating to EU procurement law having direct effect in England, any other duties derived from the EU Treaty ("Treaty Obligations"), and any duties derived from UK Common Law.

13.2 Guidance

13.2.1 As outlined in Appendix E to the Constitution (section 13), the CCG shall take into account any guidance issued by the Department of Health, the NHS Commissioning

Board, Leicestershire & Rutland Procurement Partnership (LRPP) and Midlands and Lancashire Commissioning Support Unit (MLCSU) [previously: Greater East Midlands Commissioning Support Unit (GEM CSU)] in relation to the conduct of procurement practice and the commissioning of healthcare services.

13.3 OGC Gateway Review

13.3.1 The CCG should consider the applicability of the Government Gateway review process [previously: the Office of Government Commerce (OGC) Gateway review process] in relation to each procurement process undertaken, to provide assurance that the procurement is conducted in accordance with best practice.

13.4 Decision to Tender

13.4.1 The limits applicable for a formal tendering process to be undertaken are laid out in the Financial Scheme of Delegation – Appendix D to the Constitution, Table 2, Section 6. Therefore, the formal tendering process is applicable for all procurement processes with a value of £50,000 or greater; of these, approval will be required by the CCG Competition & Procurement Committee for purchases of healthcare.

13.5 In House Services

13.5.1 The Managing Director is 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.

13.6 Exceptions to the Requirement to Tender

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

- a) The estimated expenditure or income does not, or is reasonably expected not to, exceed £49,999; or
- b) The supply is proposed under special arrangements negotiated by the Department of Health (in which case these special arrangements must be complied with).

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

- a) The Managing Director or Chief Finance Officer decides that formal tendering would not be practicable, the circumstances being recorded in an appropriate CCG record.
- b) The requirement is covered by an existing contract.
- c) A consortium arrangement is in place and the lead organization will tender on behalf of the other members.
- d) Extreme urgency, the circumstances of which were brought about by events unforeseeable by the CCG and not attributable to CCG failure to plan the work properly.
- e) Specialist expertise is required and is available from only one source.

- f) The task in question is essential to complete the project, arises as a consequence of a recently completed assignment, and engaging different consultants for the new task would be inappropriate.
- g) There is a clear benefit to be gained from maintaining continuity with an earlier project which outweighs any potential financial advantage to be gained from competitive tendering.
- h) The provision of legal advice from a firm or partnership regulated by the Law Society for England and Wales which is generally recognized as having sufficient expertise in the area of work for which it is commissioned.
- i) The project is allowed and provided for by the Capital Manual.

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

13.6.4 Items which were estimated to be below the £50,000 tendering limit but subsequently prove (after procurement has taken place from the organisation in question) to have a value above the limit shall be reported to the Managing Director, who will make the decision whether or not to formally tender, and the circumstances recorded in an appropriate CCG record.

13.6.5 Items which were estimated to be below the limit for EU tendering but subsequently prove to have a value above that limit shall be reported to the Managing Director, who will make the decision whether or not to formally tender, or re-tender, and the circumstances recorded in an appropriate CCG record.

13.7 Use of Framework Agreements

13.7.1 The CCG may utilise any available framework agreement to satisfy its requirements, but only if it complies with para. 13.1.1 above in doing so, ensuring that:

- a) The framework agreement was procured on the CCG's behalf.
- b) The framework agreement includes the CCG's requirement within its scope.
- c) Where the framework agreement is a multi-operator agreement, the process for the selection of providers to be awarded call-off contracts under the framework is followed.
- d) The call-off contract entered into with the provider contains the contractual terms set out in the framework agreement.

13.8 Use of Local Contracts and Agreements

The CCG may utilise any available relevant local contracts and agreements to satisfy its requirements, but only if it complies with para. 13.1.1 above in doing so, ensuring that:

- a) The contract or agreement was procured on the CCG's behalf.
- b) The contract or agreement includes the CCG's requirement within its scope.

- c) The call-off contract entered into with the provider contains the contractual terms set out in the contract or agreement.

13.9 Contracting and Tendering Procedure

13.9.1 The CCG's Contracting and Tendering Procedure is laid out in separate documents:

- a) For non-healthcare procurement, the applicable document is the LRPP Contracting & Tendering Procedure.
- b) For healthcare procurement, the applicable document is the Service Level Agreement (SLA) with **ML CSU [previously: GEM CSU]**.

13.9.2 Where a formal tender process is required under para. 13.4.1, then:

- a) where a contract opportunity falls within the Regulations, and a process compliant with the Regulations is required, an OJEU Notice should be utilized; or
- b) where a contract opportunity does not fall within the Regulations, the CCG shall utilize a form of advertising – as a minimum, advertised on www.supply2health.nhs.uk, the procurement portal operated by GEM CSU, that is sufficient to enable potential providers (including providers in other EU member states) to access appropriate information about the contract opportunity so as to be in a position to express an interest; and
- c) in relation to any contract opportunity for healthcare services the CCG shall, as a minimum, advertise on www.supply2health.nhs.uk.

13.10 Authorisation of Business Cases, Tenders and Competitive Quotations

13.10.1 The limits applying to the awarding of contracts, invoice approval and procurement of goods and services are laid out in Table 2 to Appendix D to the Constitution (Scheme of Reservation and Delegation). The financial threshold for EU tendering is in accordance with Schedule 1 of the Public Contracts Regulations **2015 [previously: 2006]**.

13.11 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 will comply with the following:

- a) The CCG's Standing Orders and Prime Financial Policies (Appendices D and E to the Constitution);
- b) EU Directives and other statutory provisions;
- c) Any relevant directions including the Capital Investment Manual and guidance on the procurement and management of consultants;
- d) Such of the NHS standard contract conditions as are applicable;
- e) Contracts with Foundation Trusts must be in a form compliant with the appropriate NHS guidance;

- f) Where appropriate, contracts shall be in or shall 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, and the Managing Director will nominate an officer who will oversee and manage each contract on behalf of the CCG.

13.12 Healthcare Services Agreements

Service agreements with NHS providers for the supply of healthcare services shall be drawn up in accordance with the NHS and Community Care Act 1990 and be administered by West Leicestershire CCG. Service agreements are not contracts in law and are not enforceable by the courts; however, a contract with a Foundation Trust is a legal document and is enforceable in law. The Managing Director will nominate officers to commission service agreements with providers of healthcare in line with a commissioning plan approved by the Governing Body.

13.13 Disposals

The disposals process is being provided by the CCG's outsourced Facilities provider.

13.14 Tendering In-House Services

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

- a) Specification Group, comprising the Managing Director or nominated officer(s) and specialist.
- b) In-House Tender Group, comprising a nominee of the Managing Director and technical support.
- c) Evaluation Team, normally comprising a specialist officer, a supplies officer and the Chief Financial Officer or their representative. For services having a likely annual expenditure exceeding £500,000, a non-officer member should be a member of the Evaluation Team.
- d) All groups should work independently of each other, and individual officers may be members of more than one group, but no member of the In-House Tender Group may participate in the evaluation of tenders.

14. COMMISSIONING

14.1 Role of the Managing Director

14.1.1 The Managing Director, as the Accountable Officer, has responsibility for ensuring that secondary services are commissioned in accordance with the priorities agreed in the Strategic and Operational Plan (SOP). This will involve ensuring SLAs are put in place with the relevant providers, based on integrated care pathways.

14.1.2 These SLAs will be the key means by which the objectives of the SOP are delivered, and therefore will need to have a wider scope. The Managing Director will ensure that all SLAs

- Meet the standards of service quality expected;
- Fit the relevant national service framework;
- Enable the provision of reliable information on cost and volume of services;
- Fit the NHS National Performance Assessment Framework;
- Build on existing Joint Investment Plans where appropriate;
- Are based on cost-effective services; and
- Are based on integrated care pathways.

14.1.3 Where the CCG makes arrangements for the provision of services by Non-NHS providers, the Managing Director has the responsibility, as the Accountable Officer, for ensuring that the agreements put in place have due regard for the quality and cost-effectiveness of the services provided.

14.2 Role of the Chief Finance Officer

14.2.1 As outlined in Appendix E to the Constitution, section 14, it is the responsibility of the Chief Finance Officer to maintain a system of financial monitoring to ensure the effective accounting of expenditure under all SLAs.

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

15. RISK MANAGEMENT AND INSURANCE

15.1 The programme of risk management approved by the Governing Body will include the following:

- a) A process for identifying and quantifying risks and potential liabilities.
- b) Engendering in all levels of staff a positive attitude towards the control of risk.
- c) Management processes to ensure that all significant risks are addressed, including effective systems of internal control, cost effective insurance cover and decisions on an acceptable level of retained risk.
- d) Contingency plans to offset the impact of adverse events.
- e) Audit arrangements – including internal audit, clinical audit and health and safety review.
- f) A clear indication of which risks will be insured.
- g) Arrangements to review the risk management programme.

15.2 The Chief Finance Officer will ensure that the existence, integration and evaluation of these elements will assist in providing a basis so as to make a Statement on the Effectiveness of Internal Control in the Annual Report and Accounts.

15.3 Insurance Cover – NHSLA Pooling Schemes

15.3.1 The Governing Body will 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 these pooling schemes. If the Governing Body decides not to use these schemes, the decision will be reviewed annually.

15.3.2 Where the Governing Body decides to use the NHSLA's risk pooling schemes, the Chief Finance Officer and the Assistant Director, Corporate Affairs [previously: Chief Corporate Affairs Officer] shall ensure that the arrangements entered into are appropriate and complementary to the CCG's Risk Management Programme. They will also ensure that documented procedures are in place to cover these arrangements.

15.3.3 Where the Governing Body decides not to use the NHSLA's risk pooling schemes, the Chief Finance Officer shall ensure the Governing Body is informed of the nature and extent of the risks that are self-insured as a result of the decision.

15.3.4 The Chief Finance Officer will draw up formal procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed. This will include payments below the deductible element to schemes for which the CCG will be required to make a contribution.

15.4 Insurance Cover – Commercial Insurers

15.4.1 There are three exceptions to the general prohibition on entering into insurance arrangements with commercial insurers:

- a) Insuring motor vehicles owned by the CCG, including third party liability arising from their use.
- b) Where the CCG is involved with a consortium in a Private Financial Initiative contract and the other consortium members require that commercial insurance is used.
- c) Where income generation activities take place.

16. PAYROLL

16.1 Remuneration and Terms of Service

16.1.1 As outlined in the CCG's Constitution, the Governing Body shall establish a Remuneration Committee with clearly defined terms of reference. These terms are laid out in para 6.6.3(b) of the Constitution.

16.2 Funded Establishment

16.2.1 The manpower plans incorporated within the CCG's annual budget comprise the funded establishment.

16.2.2 The funded establishment of any department may not be varied without the approval of the Managing Director.

16.3 Staff Appointments

16.3.1 No officer or Member of the Governing Board Committees, or Member of the Governing Body itself, or employee, may engage, re-engage or re-grade employees, either on a permanent or temporary basis, or hire agency staff, or agree to changes to any aspect of remuneration, unless authorised to do so by the Managing Director (or delegated executive members of the Governing Body) and

unless the action is within the limit of their approved budget and funded establishment.

16.4 Processing Payroll

16.4.1 The Chief Finance Officer will ensure that there is in place an adequate SLA or contract with the payroll provider which complies with all internal control and audit requirements and which is regularly reviewed to ensure value for money and transparency. Regardless of the arrangements in place with the provider, the CFO will also ensure that suitable arrangements are in place for the collection of payroll deductions and the payment of these to the correct bodies.

16.5 Contracts of Employment

16.5.1 The Governing Body of the CCG 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.
- b) Dealing with variations to, or termination of, contracts of employment.

17. NON-PAY EXPENDITURE

17.1 Delegation of Authority

17.1.1 The Managing Director, as accountable officer, will determine the level of delegation to the CCG's budget managers.

17.1.2 The Scheme of Reservation and Delegation is set out in Appendix D to the CCG's Constitution. This includes all financial authority limits.

17.2 Requisitioning

17.2.1 The requisitioner of goods or services will always obtain the best value for money for the CCG, utilizing the service provided by LRPP.

17.3 Payment

17.3.1 Payment of contract invoices shall be in accordance with contract terms or, when applicable, with national guidance.

17.3.2 Payment of non-contract invoices shall be in accordance with the terms of the agreement with the supplier of the goods or services.

17.4 Chief Finance Officer's Duties

17.4.1 In addition to the responsibilities outlined in Appendix E (section 17, para. 1.3) to the CCG's Constitution, the Chief Finance Officer is also required to ensure that payment for goods and services is only made once these have been received, with the exception of when prepayments are permitted, as outlined below.

17.5 Prepayments

17.5.1 Prepayments for goods and services are only permitted when the financial advantages outweigh the disadvantages – the measure of this is for the discounted

cash flows NPV (using the National Loans Fund rate plus 2%) to be greater than zero.

17.5.2 If such circumstances are believed to exist, the appropriate officer or manager must provide a written report to the Chief Finance Officer, setting out the circumstances of the purchase and the effect on the CCG if the supplier is at some point during the course of the supply unable to meet his commitments. The CFO will then need to be satisfied with the arrangements in place before approving the terms of the prepayment.

17.5.3 The budget holder in question is responsible for ensuring that all items due under the prepaid contract are delivered as agreed, and must immediately inform the appropriate member of the Governing Body if problems are encountered.

17.6 Purchase Orders

17.6.1 Official purchase orders must

- a) Be numbered consecutively.
- b) Be in a form approved by the Chief Finance Officer.
- c) State the NHS Conditions of Contract.
- d) Only be issued to, and used by, those duly authorized by the Managing Director.

17.7 Duties of Managers and Officers

17.7.1 Managers and officers must ensure that they comply fully with the guidance and limits issued by the Chief Finance Officer.

17.7.2 The Managing Director and Chief Finance Officer shall ensure that the arrangements for the financial control and financial audit of building and engineering contracts and property transactions comply with the relevant guidance in the SLA with NHS Property Services Ltd. The technical audit of these contracts will be the responsibility of the relevant director.

17.8 Joint Finance Arrangements with Local Authorities and Voluntary Bodies

17.8.1 Payments to local authorities and voluntary organizations made under the power of s.256 of the NHS Act 2006 shall comply with procedures laid down by the Chief Finance Officer, which shall be in accordance with that Act or any subsequent Act.

18. CAPITAL INVESTMENT, FIXED ASSET REGISTERS and SECURITY OF ASSETS

18.1 Capital Investment

18.1.1 For every capital expenditure proposal, the Managing Director will ensure compliance with the capital approval and appraisal process and that it is part of the Capital and Asset Management Plan.

18.1.2 For capital schemes where the contracts stipulate staged payments, the Managing Director will issue procedures for their management, and the Chief Finance Officer will issue procedures for the regular reporting of expenditure and commitment against authorized expenditure.

18.1.3 The approval of a capital programme will not constitute approval for expenditure on any specific scheme. The Managing Director will issue to the manager responsible for a scheme the following:

- a) Specific authority to commit expenditure.
- b) Authority to proceed to tender.
- c) Approval to accept a successful tender.

18.1.4 The Chief Finance Officer will issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.

18.2 Private Finance

18.2.1 The CCG should normally test for PFI when considering capital procurement. When proposing to use finance provided other than through its Allocations, the CCG shall apply the following procedures:

- a) The Chief Finance Officer shall demonstrate that the use of private finance represents value for money and transfers significant 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 be in line with any current DH guidelines.
- c) The proposal must be approved by the CCG's Governing Body.

18.3 Asset Registers

18.3.1 West Leicestershire CCG will create and maintain an asset register, recording its fixed assets and containing the minimum data laid down in the Budgetary Control Manual.

18.3.2 Additions to the fixed asset register must be clearly identified to the appropriate budget holder, and be validated by reference to supplier invoices, approved agreements, architects' certificates or other documentary evidence of acquisitions from third parties, plus stores requisitions or wage records in respect of internally acquired assets. Assets held under finance leases should be verified by lease agreements on acquisition.

18.3.3 Disposals or scrapping of capital assets must be removed from the register and each disposal validated by reference to authorization documents and invoices if appropriate.

18.3.4 The Chief Finance Officer will approve procedures for reconciling the balances on the fixed asset accounts in the general ledger with the balances on the fixed asset register.

18.3.5 The value of each asset in the register will be indexed to current values in accordance with methods approved by the Department of Health.

18.3.6 The value of each asset will be depreciated using methods and rates approved by the Department of Health.

18.4 Security of Assets

18.4.1 The Managing Director is responsible for the overall control of fixed assets.

18.4.2 Procedures for the control of fixed assets must be approved by the Chief Finance Officer. These procedures shall include provision for the physical security of assets, and are detailed in the Capital Management Procedures maintained by the CCG.

19. RETENTION OF RECORDS

19.1 The detailed responsibilities of the Managing Director in relation to the CCG's responsibilities for the retention of records are set out in Appendix E to the Constitution (section 19).

19.2 In addition to these, the CCG is required to create a procedure for the arrangement of responses to Freedom of Information requests, as required by the Information Commissioner's Office.

20. TRUST FUNDS AND TRUSTEES

20.1 The CCG's responsibilities regarding the management of property held on trust are set out in Appendix E to the Constitution (section 20).