

APPENDIX E

STANDING FINANCIAL INSTRUCTIONS

The SFIs are based upon national templates and set out the financial responsibilities of the CCG, the Accountable Officer, the Chief Finance Officer, budget holders etc. They also set out procedural requirements e.g. when it's necessary to seek tenders, restrictions around the operation of bank accounts, tendering and contract procedures etc.

1. INTRODUCTION

1.1 General

- 1.1.1 These Standing Financial Instructions (SFIs) have effect as if incorporated in the Standing Orders (SOs) (Appendix C). The SFIs are for the regulation of the conduct of the CCG's members and officers in relation to financial matters. They detail financial responsibilities, policies and procedures and are designed to ensure that the CCG's financial transactions are carried out in accordance with the law, government policy and the principles of good financial management practice. These SFIs apply to the CCG members and officers and all other individuals undertaking business on behalf of the CCG, including all members of committees and sub-committees of the CCG.
- 1.1.2 These Standing Financial Instructions 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 and with Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be used in conjunction with the Scheme of Reservation and Delegation adopted by the CCG.
- 1.1.3 These Standing Financial Instructions identify the financial responsibilities which apply to everyone working for the CCG and its constituent organisations including Trading Units. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial procedure notes. All financial procedures must be approved by the Chief Finance Officer.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions then the advice of the Chief Finance Officer must be sought before acting. The user of these Standing Financial Instructions should also be familiar with and comply with the provisions of the CCG's Standing Orders (Appendix C).
- 1.1.5 **The failure to comply with Standing Financial Instructions and Standing Orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.**
- 1.1.6 **Overriding Standing Financial Instructions** – If for any reason these Standing Financial Instructions are not complied with, full details of the non-compliance and any justification for non-compliance and 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 CCG have a duty to disclose any non-compliance with these Standing Financial Instructions to the Chief Finance Officer as soon as possible.

1.2 Responsibilities and delegation

1.2.1 The Clinical Commissioning Group Board

The Board exercises financial supervision and control by:

- (a) Formulating the financial strategy;
- (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 within the CCG); and
- (d) Defining specific responsibilities placed on members and employees of the CCG Board and the CCG as indicated in the Scheme of Delegation document.

1.2.2 The CCG Board has resolved that certain powers and decisions may only be exercised by the Board in formal session. These are set out in the 'Scheme of Reservation and Delegation' document. All other powers have been delegated to the officers, staff, committees and sub-committees of the CCG as set out in the Scheme.

1.2.4 **The Accountable Officer**

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

Within the Standing Financial Instructions, it is acknowledged that the Accountable Officer is ultimately accountable to the CCG Board, and as Accountable Officer, to the Secretary of State, for ensuring that the CCG Board meets its obligation to perform its functions within the available financial resources. The Accountable Officer has overall executive responsibility for the CCG's activities; is responsible to the CCG Board Chairperson and the CCG Board for ensuring that its financial obligations and targets are met and has overall responsibility for the CCG's system of internal control.

1.2.5 It is a duty of the Accountable Officer to ensure that Members of the CCG Board, the CCG and its employees are notified of, and put in a position to understand their responsibilities within these Instructions.

1.2.6 **The Chief Finance Officer**

The Chief Finance Officer is responsible for:

- (a) implementing the CCG's financial policies and for co-coordinating any corrective action necessary to further these policies;
- (b) maintaining an effective system of internal financial control including ensuring that detailed financial procedures 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 Board and employees of the CCG, the duties of the Chief Finance Officer include:

- (d) the provision of financial advice to other members of the CCG, the CCG Board 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 the CCG's statutory duties.

1.2.7 CCG Board members and Employees

All members of the CCG, the CCG Board and employees, severally and collectively, are responsible, within their functions, for:

- (a) The security of the CCG's property
- (b) Avoiding loss;
- (c) Exercising economy and efficiency in the use of resources; and
- (d) Conforming to the requirements of Standing Orders, Standing Financial Instructions, Financial Procedures and the Scheme of Reservation and Delegation.

1.2.8 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 Accountable Officer to ensure that such persons are made aware of this.

- 1.2.9 For all members of the CCG, the CCG Board and any employees or contractors who carry out a financial function, the form in which financial records are kept and the manner in which members of the CCG 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 Board 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 Board. In accordance with Standing Orders the CCG Board shall formally establish an Audit Committee, with clearly defined terms of reference and following guidance from the NHS Audit Committee Handbook (2014) to perform the following tasks on behalf of both the CCG Board;

- (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, Accountable Officer and CCG Board.
- (b) Reviewing the work and findings of the external auditors appointed by the Audit Commission 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 organisations;
- (d) Review the work of other committees within the organisation, whose work can provide relevant assurance to the Audit Committee's own scope of work (especially the CCG Board's Quality & Governance Committee)
- (e) ensuring that the systems for financial reporting to the CCG Board, including those of budgetary control, are subject to review as to completeness and accuracy of the information provided to the CCG Board;

- (f) Reviewing financial and information systems and monitoring the integrity of the financial statements and reviewing significant financial reporting judgements;
- (g) Reviewing the establishment and maintenance of an effective system of integrated governance, risk management and internal control, across the whole of the CCG's activities (both clinical and non-clinical) that supports the achievement of the CCG's objectives;
- (h) Monitoring compliance with Standing Orders and Standing Financial Instructions;
- (i) Reviewing schedules of losses and compensations and making recommendations to the CCG Board;
- (j) Reviewing schedules of debtors/creditors balances over 6 old months and over £100,000;
- (k) Review the annual financial statements prior to submission to the CCG Board focusing particularly on;
 - (i) the wording in the Annual Governance Statement and other disclosures relevant to the Terms of Reference of the Committee;
 - (ii) changes in, and compliance with, accounting policies, practices and estimation techniques;
 - (iii) unadjusted mis-statements in the financial statements;
 - (iv) significant judgements in the preparation of the financial statements;
 - (v) significant adjustments resulting from the audit
 - (vi) letter of representation
 - (vii) qualitative aspects of financial reporting;
- (l) Reviewing the external auditor's report on the financial statements and the annual management letter;
- (m) Approve amendments to the CCG's major accounting policies;
- (n) Satisfy itself that the CCG has adequate arrangements in place for countering fraud and review the outcome of counter fraud work;
- (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 ensuring appropriate action is taken by the executive team or the CCG Board as appropriate;
- (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. Standing Orders, Standing Financial Instructions, Delegated limits) and make recommendations to the CCG Board;
- (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 Board;
- (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 all waivers to Standing Orders;
- (v) Reviewing hospitality and sponsorship registers;

- (w) Monitoring the integrity of any formal announcements relating to the CCG's financial performance

2.1.2 The minutes of the Audit Committee meetings shall be formally recorded by the committee administrator and submitted to the CCG Board. The Chairman of the Committee shall draw to the attention of the CCG Board any issues that require disclosure to the full Board, or require executive action. The Committee will report to the CCG Board 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 CCG Board. Exceptionally, the matter may need to be referred to NHS England.

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 Accountable Officer;
- (c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption.
- (d) ensuring that annual Internal Audit reports are prepared for the consideration of the Audit Committee [and the CCG Board]. 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 plans over the previous year;
 - (iv) strategic audit plans covering the coming three years;
 - (vi) detailed plans for the coming year.

2.2.2 The Chief Finance Officer or designated internal or external auditors are 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 whether held by the CCG, the CCG Board or its employees;
- (b) access at all reasonable times to any land, premises or members of the CCG Board or employees of the CCG;

- (c) the production of any cash, stores or other property of the CCG assigned to the Board's 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 which provides:

- (1) an independent and objective opinion to the Accountable Officer, the Board, and the Audit Committee on the degree to which risk management, control and governance, support the achievement of the organisation's agreed objectives;
- (2) 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 CCG's objectives;
- (b) identify, assess and manage the risks to achieving the CCG'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 CCG'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) Risk-based plans of internal audit work, agreed with management of the CCG 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 CCG;
- (b) Regular updates on the progress against plans;
- (c) Reports of management's progress on the implementation of action agreed as a result of internal audit findings;
- (d) Annual opinions, based upon and limited to the work performed, on the overall adequacy and effectiveness of the CCG's risk management, control and governance processes (i.e. the organisation's systems of internal control). This opinion is used by the Board to inform the Annual Governance Statement and by NHS England as part of its performance management role;
- (e) Additional reports as requested by the Audit Committee

2.3.4 Whenever any matter arises in the CCG 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 Board Chairperson and the Accountable 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. (Authority to approve the appointment of the Internal Audit and LCFS service is delegated to the Chairman of the Audit Committee and the Chief Finance Officer where the appointment process is part of a joint tender/appointment process undertaken with other NHS organisations.)

2.4 External Audit

The external auditors are currently appointed by the Audit Commission and paid for by the CCG. The Audit Committee must ensure a cost effective service. Should there be a problem, then this should be raised with the external auditors and referred on to the Audit Commission if the issue cannot be resolved.

2.5 Fraud and Corruption

- 2.5.1 In line with their responsibilities, the Accountable Officer and Chief Finance Officer shall monitor and ensure compliance with Directions issued by the Secretary of State for Health on fraud and corruption.
- 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 Chief Finance Officer and shall work with staff in the NHS Counter Fraud Service (NHS CFS) and the Operational Fraud Team (OFT) 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.
- 2.5.5 All staff will be required to comply with their professional codes of conduct and NHS Code of Conduct for Managers as relevant. Any breaches in complying with these codes will be investigated under the CCG's Disciplinary Policy and Procedures.

2.6 Security Management

- 2.6.1 In line with their responsibilities, the Accountable Officer will monitor and ensure compliance with Directions issued by the Secretary of State for Health on NHS Protect.
- 2.6.2 The CCG shall nominate suitable persons to carry out the duties of the Local Security Management Specialist (LSMS) for the CCG as specified by the Secretary of State for Health guidance on NHS Protect.
- 2.6.3 The Accountable Officer has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the Security Management Director (SMD) and the appointed Local Security Management Specialists (LSMS).

3. RESOURCE LIMIT CONTROL

- 3.1.1 The CCG is required by statutory provisions not to exceed its Resource Limits. The Accountable Officer has overall executive responsibility for the CCG's activities and is responsible to the Board for ensuring that the CCG stays within its Resource Limit. In addition, the executive directors are responsible for ensuring that the cost of their delegated responsibilities are within allocated budget. .
- 3.1.2 The definition of use of resources is set out in Directions on use of resources available on the Departmental Finance Manual web-site.
- 3.1.3 Any sums received on behalf of the Secretary of State excluding charges arising under Part II of the 1977 NHS Act is treated as sums received by the CCG.
- 3.1.4 The Chief Finance Officer will:
- (a) provide reports in the form required by the Secretary of State and/or NCB;
 - (b) ensure money drawn from the Department of Health against the financing requirements arising from the Resource Limits is required for approved expenditure only, and is drawn down only at the time of need, follows 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 responsibilities not to exceed their Annual Revenue and Capital Resource Limits.

4. ALLOCATIONS, OPERATING PLANS, BUDGETS, BUDGETARY CONTROL AND MONITORING

4.1 Allocations

4.1.1 The Chief Finance Officer 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 Board 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 Board on significant changes to the initial allocations and the uses of such funds.

4.2 Preparation and Approval of Operating Plan and Budgets

4.2.1 The Accountable Officer working with the executive team will compile and submit to the CCG Board an Operating Plan which takes 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.

4.2.2 Prior to the start of the financial year the Chief Finance Officer will, working with the executive and the CCG Board, on behalf of the Accountable Officer, prepare and submit budgets for approval by the Board. Such budgets will:

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

4.2.3 The Chief Finance Officer shall monitor financial performance against budgets and plans, periodically review them, and report to the Board.

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

4.2.5 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.

4.3 Budgetary Delegation

4.3.1 The Accountable 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.

4.3.2 The Accountable Officer and delegated budget holders must not exceed the budgetary total or virement limits set by the Board.

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

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

4.3.5 On Call Executives

In the event of an Emergency the On Call Director can commit the resources of the CCG as required providing this has been discussed with the Chief Finance Officer or Accountable Officer if it is outside of the individual On Call Director's delegated limits and budgets

4.4 Budgetary Control and Reporting

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

- (a) monthly financial reports to the Board in a form approved by the Board containing:

- (i) income and expenditure to date showing trends and forecast year-end positions;
 - (ii) movements in working capital;
 - (iii) movements in cash and capital;
 - (iv) capital project spend and projected outturn against plans;
 - (v) explanations of any material variances from plans;
 - (vi) details of any corrective action where necessary and the Accountable 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 financial, workload and manpower budgets;
 - (d) monitoring of management action to correct variances;
 - (e) arrangements for the authorisation of budget transfers.

4.4.2 Each Budget Holder is responsible for ensuring that:

- (a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Board;
- (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 Accountable Officer other than those provided for within the available resources and manpower establishment as approved by the Board.
- (d) that realistic forecast outturns are provided to the Finance Team in order to inform the monthly finance reports to the Board and for the NHS England returns.

4.4.3 The Accountable Officer is responsible for identifying and implementing cost improvements and income generation initiatives in accordance with the requirements of the Operating Plan and balanced budgets. The CCG's executives and the Board will, on behalf of the Accounting Officer, formulate and deliver these cost improvements and income generation initiatives.

4.5 Capital Expenditure

4.5.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in SFI 14).

4.6 Monitoring Returns

4.6.1 The Accountable Officer is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

5. ANNUAL ACCOUNTS AND REPORTS

5.1 The Chief Finance Officer, with the assistance of the executive team and the Board, will:

- (a) prepare financial returns in accordance with the accounting policies and guidance given by the Department of Health and the Treasury, the CCG 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.
- 5.2 The annual accounts must be audited by an auditor appointed by the Audit Commission. The audited annual accounts must be presented to a public meeting and made available to the public.
- 5.3 The CCG executive team will work in conjunction with the Board to 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.

6. BANK AND GOVERNMENT BANKING SERVICE ACCOUNTS

6.1 General

- 6.1.1 The Chief Finance Officer is responsible for managing the CCG's banking arrangements and for advising the Board 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' CCG's should minimize the use of commercial bank accounts and consider using Government Banking Service (GBS) accounts for all banking services.
- 6.1.2 The Board shall approve the banking arrangements.

6.2 Bank and GBS Accounts

- 6.2.1 The Chief Finance Officer is responsible for:
- (a) bank accounts and GBS accounts;
 - (b) ensuring payments made from bank or GBS accounts do not exceed the amount credited to the account except where arrangements have been made;
 - (c) reporting to the Board all arrangements made with CCG bankers for accounts to be overdrawn;
 - (d) monitoring compliance with DH guidance on the levels of cleared funds.

6.3 Banking Procedures

- 6.3.1 The Chief Finance Officer will prepare detailed instructions on the operation of bank and GBS accounts which must include:
- (a) the conditions under which each bank and GBS account is to be operated;
 - (b) those authorised to sign cheques or other orders drawn on the CCG accounts.
- 6.3.2 The Chief Finance Officer must advise the CCG's bankers in writing of the conditions under which each account will be operated.

6.4 Tendering and Review

- 6.4.1 The Chief Finance Officer will review the banking arrangements of the CCG at regular intervals to ensure they reflect best practice and will ensure that they represent best value for money by periodically seeking competitive tenders for the CCG's banking business.
- 6.4.2 Competitive tenders should be sought at least every 5 years. This review is not necessary for GBS accounts. The results of the tendering exercise should be reported to the Board.

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

7.1 Income Systems

- 7.1.1 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.
- 7.1.2 The Chief Finance Officer is also responsible for the prompt banking of all monies received.

7.2 Fees and Charges

- 7.2.1 The CCG and its agents shall follow the Department of Health's advice in the "Costing" Manual in setting prices for NHS contracts
- 7.2.2 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.
- 7.2.3 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.

7.3 Debt Recovery

- 7.3.1 The Chief Finance Officer is responsible for the appropriate recovery action on all outstanding debts.
- 7.3.2 Income not received should be dealt with in accordance with losses procedures.
- 7.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

7.4 Security of Cash, Cheques and other Negotiable Instruments

- 7.4.1 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.

- 7.4.2 Official money shall not under any circumstances be used for the encashment of private cheques or IOUs.
- 7.4.3 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.
- 7.4.4 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.

7.5 Money Laundering Policy

The CCG does not accept payment made in cash for any single transaction that exceeds Euro 8,000 or the equivalent thereof.

8. TENDERING AND CONTRACT PROCEDURE

8.1 Duty to comply with Standing Orders and Standing Financial Instructions

The procedure for making all contracts by or on behalf of the CCG shall comply with Standing Orders and these Standing Financial Instructions (except where Standing Order No. 3.9 Suspension of Standing Orders is applied).

8.2 EU Directives Governing Public Procurement

- a) The CCG Board shall comply with the Public Contracts Regulations 2006 and any relevant EU Directives and EU Treaty when awarding all forms of contract.
- b) Directives by the Council of the European Union promulgated by the Department of Health (DH) prescribing procedures for awarding all forms of contracts shall have effect as if incorporated in these Standing Orders and Standing Financial Instructions.
- c) The CCG should consider obtaining support from external agencies for procurements where internal capacity does not exist to ensure compliance when engaging in tendering procedures.

8.3 e-Procurement

The CCG will have in place policies and procedures, which accord with best practice guidance issued from time to time by the Cabinet Office or the Department of Health for the maintenance of all contracts and agreements within a contracts database and for the conduct of all forms of procurement. Detailed information is available in section 7.6.

8.4 Capital Investment Manual and other Department of Health Guidance

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

8.5 Formal Competitive Tendering

8.5.1 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 DH);
- for the design, construction and maintenance of assets that the CCG is permitted to hold;
- asset disposals.

8.5.2 Health Care Services

The CCG will comply with the Principles and Rules of Co-operation and Competition and the Department of Health guidance on procurement of NHS-Funded Services, in addition to relevant EU Directives. Where the decision is taken to competitively tender for the supply of healthcare services these Standing Orders and Standing Financial Instructions shall apply as far as they are applicable to the tendering procedure and need to be read in conjunction with Standing Financial Instruction No. 8 and No. 9.

8.5.3 Exceptions and instances where formal tendering need not be applied

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

- where the estimated expenditure or income derived from the total value of the contract does not, or is not reasonably expected to, exceed £100,000 or the relevant OJEU limit, whichever is lower; or
- where the supply is proposed under special arrangements negotiated by the DH in which event the said special arrangements must be complied with;
- where the supply can be obtained under a framework agreement that has itself been procured in compliance with the duties set out at SFI paragraph 8.2 above, and where the CCG is entitled to access such framework agreement. Participation in newly agreed frameworks should be reported into the CCG Board and incorporated where applicable into contracts issued by the CCG;
- where the CCG would be unable to fulfil its statutory functions because of limitation in the supply market, which do not arise from the failure to plan a procurement properly or where specialist expertise is required and can be demonstrated to be available from only one source, then single tender action may be appropriate. In such circumstances, the approval of the Accountable Officer and the Chief Finance Officer will be required, and the matter should be reported to the Audit Committee;
- for healthcare services where a completed contestability questionnaire provides objective evidence that competition is not the most appropriate way to comply with the Principles and Rules for Co-operation and Competition by ensuring 'Commissioners' should commission services from the providers who are best placed to deliver the needs of their patients and populations.
- regarding disposals as set out in Standing Financial Instructions No. 8.13;

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

- in very exceptional circumstances where the Accountable 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;
- where the requirement is covered by an existing contract and there is an agreed and signed record of a contestability and value for money assessment.;

- (i) 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;
- (j) where the timescale genuinely precludes competitive tendering (failure to plan the work properly would not be regarded as a justification for a single tender);
- (k) where specialist expertise is required and is available from only one source;
- (l) 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;
- (m) 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;
- (n) 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.

- (o) where allowed and provided for under accepted and nationally documented NHS Capital Investment procedures..

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 or contractor 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 next meeting of the Audit Committee who will specifically report the matter to the CCG Board if the Audit Committee considers the issue to be material or contentious.

8.5.4. Fair and Adequate Competition

All Part B clinical services with an estimated contract value over the term of the contract that is in excess of £100,000 shall be advertised on the DH Contracts Finder web portal. Where the scope of the advertising through that portal is increased, then the CCG will apply the new guidance. All Part A (non-clinical) services shall be advertised in accordance with EU regulation. Where the CCG is unable to secure the supply of goods through framework agreements, the opportunity for supply will be advertised in accordance with EU regulation.

Where the exceptions set out in SFI 8.5.3 apply, the CCG shall ensure that invitations to quote are sent to a sufficient number of firms or individuals to provide fair and adequate competition as appropriate, and in no case less than two firms or individuals, having regard to their capacity to supply the goods or materials or to undertake the services or works required.

8.5.5 List of Approved Firms

- (a) For non healthcare services, 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 Accountable Officer and the Audit Committee and details retained in a log maintained by the Chief Finance Officer for audit inspection.

- (b) For healthcare services, the CCG requires equality of treatment, ensuring that all providers and sectors have equal opportunity to complete. A robust pre-qualification process will apply before inviting providers to tender.

8.5.6 Building and Engineering Construction Works

Under the new organisational structures, the CCG will not generally incur building and engineering construction costs – these will be the responsibility of NHS Property Services. The arrangements set out here would therefore only apply in exceptional circumstances.

Competitive Tendering cannot be waived for building and engineering construction works and maintenance (other than in accordance with Concode) without Departmental of Health approval.

Every tender for building or engineering works (except for maintenance work, when Estmancode guidance shall be followed) shall embody or be in the terms of the current edition of one of the Joint Contracts Tribunal Standard Forms of Building Contract or Department of the Environment (GC/Wks) Standard form of contract amended to comply with Concode; or, when the content of the work is primarily engineering, the General Conditions of Contract recommended by the Institution of Mechanical and Electrical Engineers and the Association of Consulting Engineers (Form A), or (in the case of civil engineering work) the General Conditions of Contract recommended by the Institute of Civil Engineers, the Association of Consulting Engineers and the Federation of Civil Engineering Contractors. These documents shall be modified and/or amplified to accord with Department of Health guidance and, in minor respects, to cover special features of individual projects.

8.5.7 Items which subsequently breach thresholds after original approval

Items estimated to be below the limits set in this Standing Financial Instruction for which formal tendering procedures are not used which subsequently prove to have a value above such limits shall be reported to the Accountable Officer and the Audit Committee and be recorded in an appropriate CCG record.

8.6 Contracting/Tendering Procedure

The CCG's preference is to conduct all tenders and complex competitive quotations electronically, using the eCommerce tendering portal. The CCG will ensure that the necessary education and training for the staff and the supply market is reviewed for each tender to be implemented. In necessary circumstances, the CCG will use the manual procedures also set out in this document.

Each tender will have a designated Procurement Lead, who will ensure that the necessary approvals are obtained from the appropriate approving authority across the period of the procurement activity.

All invitations to tender on a formal competitive basis shall state the date and time as being the latest time for the receipt of tenders and that no tender will be considered for acceptance unless submitted through the appropriate process, as instructed within the tender documentation electronically using the eTendering service.

Every tender for goods and services shall embody the adopted NHS contract terms and conditions as appropriate with the contract form required for the specific goods and services.

All clinical specifications used as part of a tender will be approved by the CCG Board or any successor body. For non-clinical tenders, subject matter experts will be used to ensure specification validity where appropriate.

All NHS employees participating in the development and evaluation of an Invitation to Tender will be required to sign:

- (i) a confidentiality agreement
- (ii) a specific declaration of interest

Every tender must require suppliers to give:

- (i) a written undertaking to maintain confidentiality
- (ii) not to engage in collusive tendering or other restrictive practice,
- (iii) a completed declaration under Regulation 23 of the Public Contracts Regulations 2006.

Every tender will contain detailed guidance on the application of the commercial terms for that tender, including responsibility for bidder costs of procurement.

8.6.1 Opening of Tenders submitted through e-procurement arrangements

a) Receipt, Safe Custody and Record of Formal Tenders

i) Electronic Tenders

An auditable date/time stamp of all documentation and actions is automatically created through the e-Commerce portal. This audit trail is available for review in real-time by all officers with appropriate access rights and cannot be edited.

Tenders may not be 'opened' until the pre-defined time and date for opening has passed.

All messaging / communications for any part of the electronic tender process from Expression-of-Interest through to Awarding of Contract is to be done through the e-Commerce portal, this includes communications to and from commissioners and potential suppliers. All communications received externally to the e-Commerce system whether paper or electronic should be put into a format that can be uploaded to the e-Commerce project folder and be clearly marked with context and name of the organisation.

b) Opening Formal Tenders

i) Electronic Tenders

The procurement team engaged by the CCG will be responsible for the setting up of all tenders that will be conducted electronically. They will require a list of all persons involved in the opening of tenders electronically, known as the Opening Panel. The Chief Finance Officer must approve the panel and written (email is acceptable) evidence of this approval must be recorded.

The opening panel will comprise of at least one member of the CCG Clinical Commissioning Committee/CCG Board as appropriate for the tender subject and one other Director or Head of Service not from the originating department. The Project Manager and Procurement Lead will not be eligible to open electronic tenders.

The 'originating' Department will be taken to mean the Department sponsoring or commissioning the tender.

The involvement of Finance Department staff in the preparation of a tender proposal will not preclude the Chief Finance Officer or any approved Senior Manager from the Finance Department from serving as one of the two senior managers to open tenders.

An auditable log of all actions, which may not be edited, is automatically created.

c) E-auctions (Reverse auctions)

Additionally the CCG will use, where appropriate, the e-Commerce facility to conduct e-auctions on its behalf and will determine throughout the year the most appropriate product areas that will achieve the best value by being managed through an e-auction.

The results of the e-auction will be made available in electronic format for scrutiny and ratification using a similar process to that of electronic tenders, and a record will be kept of the full submissions.

8.6.2 Invitation to tender (manual system)

- (i) 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 on behalf of the CCG (or the word "tender" followed by the subject to which it related) and the latest date and time for the receipt of such tender addressed to the Accountable Officer or nominated Manager;
 - 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.
- (iii) Every tender for goods, materials, services or disposals shall embody such of the NHS Standard Contract Conditions as are applicable.
- (iv) Every tender must have given, or give a written undertaking, not to engage in collusive tendering or other restrictive practice and a completed declaration under Regulation 23 of the Public Contract Regulations 2006
- (v) Every tender requested through the manual system should be returned in paper format, together with at least two electronic (CD) copies. The distribution, tracking and storage of paper documents and CDs will be the responsibility of the Lead Procurement Officer.

8.6.3 Receipt and safe custody of tenders

The Accountable 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. The packaging shall be retained for a period of six months following the date of Contract Award, or if the tender is declared void and does not proceed, then six months from that date.

8.6.4 Opening tenders and Register of manual tenders

- (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 Finance Officer and not from the originating department. The Project Manager and Procurement Lead will not be eligible to open tenders.

- (ii) One Executive Director and one member of the CCG Board or Clinical Commissioning Committee or a Head of Service approved by the Accountable Officer or Chief Finance Officer (specifically for that tender opening) and not from the originating department, will be required to be present for the opening of all formal tenders. 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 Directorate 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) All Executive Directors 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) Every tender received shall be marked with the date of opening and initialled by those present at the opening.
- (vii) A register shall be maintained by the Accountable Officer, or a person authorised by him, to show for each set of competitive tender invitations despatched:
 - the name of all firms individuals invited;
 - the names of firms 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 readily read or understood.

- (viii) 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. (Standing Order No. 8.6.6 below).

8.6.5 **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 Accountable Officer.
- (ii) Where only one tender is sought and/or received, the Accountable Officer and the 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.

8.6.6 **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 Accountable Officer or his/her nominated

officer decides that there are exceptional circumstances i.e. despatched 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 Accountable Officer or his/her nominated officer or if the process of evaluation and adjudication has not started.
- (iv) 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 Accountable Officer or his/her nominated officer.
- (iv) Accepted late tenders will be reported to the Board.

8.6.7 **Acceptance of formal tenders (See overlap with SFI No. 8.7)**

- (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 Accountable Officer;
- (iv) 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.
- (v) All Tenders should be treated as confidential and should be retained for inspection.

8.6.8 **Tender reports to the Board**

Reports to the Board will be made on an exceptional circumstance basis only in line with delegated limits.

8.6.9 **List of approved firms (see SFI No. 8.5.5)**

(a) **Responsibility for maintaining list**

For non-healthcare services, a nominated procurement manager shall, on behalf of the CCG, maintain lists of approved firms (or may nominate approved lists held by other NHS partners in procurement) 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) **Building and Engineering Construction Works**

- (i) Invitations to tender shall be made only to firms included on the approved list of tenderers compiled in accordance with this Instruction or on the separate maintenance lists compiled in accordance with Estmancode guidance (Health Notice HN(78)147).
- ii) Firms included on the approved list of tenderers will comply with the Equality Act 2010 and any amending and/or related legislation and shall ensure that when engaging, training, promoting or dismissing employees or in any conditions of employment, they do not discriminate against any person in relation to any of the protected characteristics set-out under such legislation.
- iii) 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.

(c) **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.

8.6.10 **Exceptions to using approved contractors**

If in the opinion of the Accountable Officer and the Chief Finance Officer or the Director/CCG Board member 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 Accountable 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.

8.7 **Quotations: Competitive and non-competitive**

Quotations are required where formal tendering procedures are not adopted and where the intended expenditure or income exceeds, or is reasonably expected to exceed £500 but not exceed £100,000.

The value of the goods and services should be the total contract value not the annual value; e.g. a 2 year contract with an annual value of £35,000 will require Competitive Quotations.

Where the number of years is not specified or open ended (from year to year) a 3 year period should be assumed for the purpose of this calculation.

8.7.1 Verbal quotations

A minimum of two verbal quotations are required for goods/services from £501 to £5,000. The resulting requisition must be accompanied by an appropriately signed record of the quotations received.

8.7.2 Competitive Quotations

- (i) For amounts between £5,001 and £50,000, quotations should be obtained from at least 3 companies or individuals based on specifications or terms of reference prepared by, or on behalf of the CCG.
- (ii) For amounts between £50,001 and £100,000, at least 4 quotations should be obtained using the Competitive Quote procedure with a written specification and a detailed option appraisal.
- (iii) Quotations should be in writing unless the Accountable 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.
- (iv) All quotations should be treated as confidential and should be retained for inspection.
- (v) The Accountable Officer or his 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.
- (vi) The relevant Director or his nominated officer will maintain a full audit trail of the process used to secure the supply, which will include a list of the suppliers contacted, their responses to that request for quotation, the evaluation criteria used and a record of the outcome of that evaluation.

8.7.3 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 Accountable Officer, possible or desirable to obtain competitive quotations;
- (ii) The goods or services can only be supplied by one supplier – ie there is no market for the goods or services;
- (iii) the supply of goods or manufactured articles of any kind which are required quickly and significant disruption to the carrying on of the Board's business would occur in the absence of an exemption being granted; and the goods or services are not obtainable under existing contracts;
- (iv) disproportionate technical difficulties would be caused if no exemption were given;
- (v) other circumstances exist which are genuinely exceptional and merit the granting of an exemption

In all cases where purchases above £500 and below the formal tender limit are being made without complying with the number of competitive written or verbal quotations as set out above, a tender waiver form must be completed, authorised appropriately and reported to the next Audit Committee. The tender waiver form must

state which of the above circumstances has warranted a tender waiver to be requested and failure to properly prepare and plan for a tendering exercise prior to the expiry of an existing contract is not an acceptable business case for exemption.

8.7.4 Quotations to be within Financial Limits

No quotation shall be accepted which will commit expenditure in excess of that which has been allocated to the CCG Executive Committee and the CCG Board's functions and which is not in accordance with Standing Financial Instructions except with the authorisation of either the Accountable Officer or the Chief Finance Officer.

8.8 Authorisation of Tenders and Competitive Quotations

Providing all the conditions and circumstances set out in these Standing Financial Instructions have been fully complied with, formal authorisation and awarding of a contract may be decided by staff in accordance with the delegated powers set out in CCG's Scheme of Reservation. The delegated authority varies according to value of the contract.

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

8.8.1 Signing of Contracts

Formal authorisation must be put in writing. In the case of authorisation by the Board, this shall be recorded in their minutes.

Dependant on the value and nature of contracts, some will require official sealing.. Section 6 of the Standing Orders is dominant and dictates the criteria for the sealing of documents. After compliance with SO6, where a contract does not need sealing, the following approval limits apply if budget provision exists:

- | | | |
|-------|---|--|
| (i) | All contracts up to £50,000 (up to £75,000 for contract exceeding 12 months) | BH - Head of Service to sign (Tier 3) |
| (ii) | All contracts from £50,001 to £100,000 (£75,001 to £150,000 for contract exceeding 12 months) | BH – Director (D) to sign (Tier 2) |
| (iii) | All contracts from £100,001 to £500,000 (£150,001 to £750,000 for contract exceeding 12 months) | Director or AO to sign –Finance & Performance Committee to agree |
| (iv) | All contracts above £500,000 (£750,001 for contracts exceeding 12 months) | CFO or Accountable officer to sign – CCG Board to agree |

All contracts that exceed £1,000,000 need to be sealed, other than NHS or contracts with government bodies including Local Authorities. For this category, the Accountable Officer and the Chief Finance Officer or one of these two officers plus another Director not from the originating department are authorised to sign.

8.9 Instances where formal competitive tendering or competitive quotation is not required

Where competitive tendering or a competitive quotation is not required, the CCG should adopt one of the following alternatives:

- (a) the CCG shall use the approved procurement team for the procurement of all goods and services unless the Accountable Officer or nominated officers deem it inappropriate. The decision to use alternative sources must be documented.
- (b) if the CCG does not use the approved procurement team - 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.
- (c) The approved procurement team, in conjunction with the Chief Finance Officer, will draft and implement detailed policies and procedures to guide staff in the implementation of these SFIs and other best practice guidance. All such policies will need to be considered and approved by the CCG Board.

8.10 Private Finance for capital procurement (see overlap with SFI No. 14)

The CCG should normally market-test for PFI (Private Finance Initiative funding) when considering a capital procurement. When the Board proposes, or is required, to use finance provided by the private sector the following should apply:

- (a) The Accountable 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 exceeds delegated limits, a business case must be referred to the appropriate Department of Health for approval or treated as per current guidelines.
- (c) The proposal must be specifically agreed by the Board.
- (d) The selection of a contractor/finance company must be on the basis of competitive tendering or quotations.

8.11 Compliance requirements for all contracts

The Board 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 Standing Orders and Standing Financial Instructions;
- (b) EU Directives and other statutory provisions;
- (c) Such of the NHS Standard Contract Conditions as are applicable;
- (d) Care Quality Commission standards, criteria and associated quality requirements;
- (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 Board shall endeavour to obtain best value for money by use of all systems in place. The Accountable Officer shall nominate an officer who shall oversee and manage each contract on behalf of the CCG.

8.12 Personnel and Agency or Temporary Staff Contracts

The Accountable Officer shall nominate officers with delegated authority to enter into contracts of employment, regarding staff, agency staff or temporary staff service contracts.

The CCG will use the relevant framework agreements developed on behalf of the NHS unless there are extenuating circumstances. In such instances the advice of the Head of Human Resources will be sought and approval given by the Accountable Officer or the Chief Finance Officer.

8.13 Disposals (See overlap with SFI No. 16)

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 Accountable Officer or his nominated officer;
- (b) obsolete or condemned articles and stores, which may be disposed of in accordance with the CCG's approved policy;
- (c) items to be disposed of with an estimated sale value of less than £5,000, 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 DH guidance has been issued but subject to compliance with such guidance.

8.14 In-house Services

8.14.1 The Accountable 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.

8.14.2 In all cases where the CCG Board determines that in-house services should be subject to competitive tendering the following groups shall be set up:

- (a) Specification group, comprising the Accountable Officer or nominated officer/s and specialist.
- (b) In-house tender group, comprising a nominee of the Accountable Officer and technical support.
- (c) Evaluation team, comprising normally a specialist officer, a procurement officer and senior member of the Finance Department. For services having a likely annual expenditure exceeding £500,000, consideration should be given to a lay member or GP lead being a member of the evaluation team.

8.14.3 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.

8.14.4 The evaluation team shall make recommendations to the Clinical Commissioning Committee or CCG Board as appropriate.

8.14.5 The Accountable Officer shall nominate an officer to oversee and manage the contract on behalf of the CCG.

9. NHS CONTRACTS FOR PROVISION OF SERVICES

9.1 Contracts

9.1.1 The Accountable Officer is responsible for ensuring that the CCG enters into suitable contracts with service providers for the provision of NHS services, in accordance with the guidance from the Department of Health on the use of Standard Contracts, which will be updated from time to time.

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

- the standards of service quality expected;
- the relevant national service framework (if any);
- the provision of reliable information on cost and volume of services;
- that contracts build where appropriate on existing Joint Investment Plans;
- that contracts clearly set out the arrangements and information requirements in the event of termination of contract.

9.2 Involving Partners and jointly managing risk

A good contract 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 Accountable Officer to ensure that the CCG works with all partner agencies involved in both the delivery and the commissioning of the service required. The contract 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 implements 'Equity and Excellence; Liberating the NHS'.

9.3 Reports to Board on Contracts

The Accountable Officer will need to ensure that regular reports are provided to the Board detailing actual and forecast expenditure against the Contracts. 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 contracts.

10. COMMISSIONING

10.1 Role of the CCG in Commissioning Secondary Services

10.1.1 The CCG has responsibility for commissioning secondary services on behalf of the resident population. This will require the CCG to work in partnership with the Area and Regional Teams of NHS England, local NHS Trusts and FTs, local authority, users, carers and the voluntary sector to develop an Operating Plan.

10.2 Role of the Accountable Officer

10.2.1 The Accountable Officer has responsibility for ensuring secondary services are commissioned in accordance with the priorities agreed in the Integrated and Commissioning Plans. This will involve ensuring contracts are put in place with the relevant providers, based upon integrated care pathways.

10.2.2 Contracts will be the key means of delivering the objectives of the Integrated and Commissioning Plans and therefore they need to have a wide scope. The Accountable Officer will need to ensure that all contracts;

- meet the standards of service quality expected;
- fit the requirement of the Care Quality Commission Regulation as relevant to the provider;
- fit the relevant national service framework (if any);
- enable the provision of reliable information on cost and volume of services;
- build where appropriate on existing Joint Investment Plans;
- are based upon cost-effective services;
- are based on integrated care pathways.
- are based on national standard templates where applicable incorporating good industry practice

10.2.3 The Accountable Officer, will need to ensure that regular reports are provided to the Board summarising actual and forecast expenditure and activity for each contract.

10.2.4 Where the CCG makes arrangements for the provision of services by non-NHS providers it is the Accountable Officer who is responsible for ensuring through the AO and the CCG Board 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 fully explore the scope to make maximum cost-effective use of NHS facilities.

10.3 Role of the Chief Finance Officer

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

10.3.2 The Chief Finance Officer must account for Non Contracted Activity financial adjustments in accordance with national guidelines.

11. TERMS OF SERVICE, ALLOWANCES AND PAYMENT OF MEMBERS OF THE BOARD AND EMPLOYEES

11.1 Remuneration and Terms of Service

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

- 11.1.2 The Committee will:
- (a) advise the Board about appropriate remuneration and terms of service for the Accountable Officer, other officer members employed by the CCG and other senior employees 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 Board on the remuneration and terms of service of GP elected and officer members of the Board, other Executive team and 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) 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.
- 11.1.3 The Committee shall report in writing to the Board the basis for its recommendations. The Board 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 Executive Board members. Minutes of the Board's meetings should record such decisions.
- 11.1.4 The Board will consider and need to approve proposals presented by the Accountable Officer for the setting of remuneration and conditions of service for those employees and officers not covered by the Committee.
- 11.1.5 The CCG will pay allowances to the non-officer members of the Board in accordance with instructions issued by the Secretary of State for Health.
- 11.2 Funded Establishment**
- 11.2.1 The manpower plans incorporated within the annual budgets will form the funded establishment.
- 11.2.2 The funded establishment of any department may not be varied without the approval of the Accountable Officer.
- 11.3 Staff Appointments**
- 11.3.1 No officer or member of the CCG may engage, re-engage, or re-grade employees outside of existing establishment, 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 Accountable Officer and
 - (b) within the limit of their approved budget and funded establishment.
- 11.3.2 The Board will approve procedures presented by the Accountable Officer for the determination of commencing pay rates, condition of service, etc, for employees.
- 11.4 Processing Payroll**

- 11.4.1 The Chief Finance Officer is responsible for:
- (a) specifying timetables for submission of properly authorised payroll notifications;
 - (b) the final determination of pay and allowances;
 - (c) making payment on agreed dates;
 - (d) agreeing method of payment.
- 11.4.2 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.
- 11.4.3 Appropriately nominated managers and CCG Executive Committee and CCG Board members have delegated responsibility for:
- (a) submitting payroll notifications in accordance with agreed timetables;
 - (b) completing payroll 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 form immediately upon knowing the effective date of an employee's or officer's resignation, termination or retirement. Where an employee fails to report for duty or to fulfil CCG Board obligations in circumstances that suggest they have left without notice, the Chief Finance Officer must be informed immediately.
- 11.4.4 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 arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

11.5 Contracts of Employment

11.5.1 The Board shall delegate responsibility to an officer for:

- ensuring that all employees are issued with a Contract of Employment in a form approved by the Board and which complies with employment legislation;
- dealing with variations to, or termination of, contracts of employment;
- ensuring that honorary contracts are in place as appropriate for CCG Board members and others not directly employed by the CCG.

12. NON-PAY EXPENDITURE

12.1 Delegation of Authority

12.1.1 The Board will approve the level of non-pay expenditure on an annual basis and the Accountable Officer will determine the level of delegation to budget managers.

12.1.2 The Accountable 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.

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

12.2 Choice, Requisitioning, Ordering, Receipt and Payment for Goods and Services (see overlap with Standing Financial Instruction No. 15)

12.2.1 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 Accountable Officer) shall be consulted.

12.2.2 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.

12.2.3 The Chief Finance Officer will:

- (a) advise the Board 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 Standing Orders and Standing Financial Instructions 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 Board members/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 or his nominee of accounts for payment. Provision shall be made for the early submission of accounts subject to cash discounts or otherwise requiring early payment;
 - (iv) Instructions to employees regarding the handling and payment of accounts within the Finance Department and engaged financial services providers
- (e) 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 SFI No. 12.2.4 below.

12.2.4 Prepayments

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

- (a) Prepayments are only permitted where the financial advantages outweigh the disadvantages (e.g.. cash flows (discounted to NPV using the National Loans Fund (NLF) rate plus 2%)).
- (b) The appropriate officer member of the CCG Executive Committee or CCG Board 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 his 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

Accountable Officer if problems are encountered.

12.2.5 Official orders

Official Orders 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 Accountable Officer.

12.2.6 Duties of Managers and Officers

Managers and officers of the CCG 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 Reservation and 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 directors 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 Standing Order No. 3.11, the MECCG Code of Conduct and Board Etiquette, the NHS Code of Practice on Openness in the NHS 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); the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry and the Bribery Act 2011)

- (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 Accountable Officer;
- (f) all goods, services, or works are ordered on an official order except works and services executed in accordance with a contract and purchases from petty cash;
- (g) verbal orders must only be issued very exceptionally - by an employee designated by the Accountable 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 which define the requirement to enter into a formal tender or other competitive process;

- (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.

12.2.7 The Accountable Officer and Chief Finance Officer shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance contained within Concode and Estatecode. The technical audit of these contracts shall be the responsibility of the relevant Director.

12.3 Joint Finance Arrangements with Local Authorities and Voluntary Bodies (see overlap with Section 6 of the Constitution)

12.3.1 Payments to local authorities and voluntary organisations made under the powers of section 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.

13. FINANCIAL FRAMEWORK

13.3.1 The Chief Finance Officer should ensure that members and employees of the CCG are aware of the Financial Framework set out in the annual NHS Operating Framework. This document contains directions which the CCG must follow. It also contains directions to Strategic Health Authorities regarding resource and capital allocation and funding to the CCGs. The Chief Finance Officer should also ensure that the direction and guidance in the framework is followed by the CCG.

14. CAPITAL INVESTMENT, PRIVATE FINANCING, FIXED ASSET REGISTERS AND SECURITY OF ASSETS

14.1 Capital Investment

14.1.1 The Accountable 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.

14.1.2 For every capital expenditure proposal the Accountable 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.
- 14.1.3 For capital schemes where the contracts stipulate stage payments, the Accountable Officer will issue procedures for their management, incorporating, where relevant, the recommendations of Estatecode.

The Chief Finance Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure including assessing and actioning the requirement for the operation of the construction industry taxation deduction scheme.

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

The Accountable Officer shall issue to the manager responsible for any scheme:

- (a) specific authority to commit expenditure;
- (b) authority to proceed to tender (see overlap with SFI No. 8.5);
- (c) approval to accept a successful tender (see overlap with SFI No. 17.5).

The Accountable Officer will issue a scheme of delegation for capital investment management in accordance with Estatecode guidance and the CCG's Standing Orders.

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

14.2 Private Finance (see overlap with SFI No. 8.10)

- 14.2.1 The CCG should normally test for PFI when considering capital procurement. When the CCG proposes to use finance which is to be provided other than through its allocations, the following procedures shall apply:

- (a) The Chief Finance Officer shall demonstrate that the use of private finance represents value for money and genuinely 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 in line with any current guidelines.
- (c) The proposal must be specifically agreed by the Board.

14.3 Asset Registers

- 14.3.1 The Accountable Officer is responsible for the maintenance of registers of assets, taking account of the advice of the Chief Finance Officer concerning the form of any register and the method of updating, and arranging for a physical check of assets against the asset register to be conducted once a year.

- 14.3.2 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 Investment Manual* as issued by the Department of Health.

- 14.3.3 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.
- 14.3.4 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).
- 14.3.5 The Chief Finance Officer shall approve procedures for reconciling balances on fixed assets accounts in ledgers against balances on fixed asset registers.
- 14.3.6 The value of each asset shall be assessed and, if appropriate, revalued to ensure that assets are held at 'modern equivalent asset' value at the final accounts date.
- 14.3.7 The value of each capital asset shall be depreciated using approved counting policies and with appropriate regard to the methods and rates as specified in the *Capital Investment Manual* issued by the Department of Health.
- 14.3.8 The Chief Finance Officer shall calculate and pay capital charges as specified in the *Capital Investment Manual* issued by the Department of Health.

14.4 Security of Assets

- 14.4.1 The overall control of fixed assets is the responsibility of the Accountable Officer.
- 14.4.2 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.
- 14.4.3 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Chief Finance Officer.
- 14.4.4 Whilst each employee and officer has a responsibility for the security of property of the CCG, it is the responsibility of Board members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Board. Any breach of agreed security practices must be reported in accordance with agreed procedures.

14.4.5 Any damage to the CCG's premises, vehicles and equipment, or any loss of equipment, stores or supplies must be reported in accordance with the approved procedure for reporting losses.

14.4.6 Where practical, assets should be marked as CCG property.

14.5 NHS LIFT

14.5 Any CCG planning involvement with LIFT projects should access guidance from the Community Health Partnerships website at www.communityhealthpartnerships.co.uk.

15. STORES AND RECEIPT OF GOODS

15.1 General position

15.1.1 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 if deemed material within the approved accounting policies;
- (c) valued at the lower of cost and net realisable value.

15.2 Control of Stores, Stocktaking, condemnations and disposal

15.2.1 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 Accountable 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.

15.2.2 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.

15.2.3 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.

15.2.4 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.

15.2.5 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Finance Officer.

15.2.6 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 SFI 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.

15.3 Goods supplied through NHS Central Purchasing Arrangements

- 15.3.1 For goods supplied via the NHS central purchasing arrangements, the Accountable Officer shall identify those authorised to requisition and accept goods from the central stores/suppliers. The authorised person shall check receipt against the delivery note before forwarding this to the approved financial services provider for payment. The Chief Finance Officer shall satisfy himself that arrangements are in place to verify that the goods have been received before payment is made.

16. DISPOSALS AND CONDEMNATIONS, LOSSES AND SPECIAL PAYMENTS

16.1 Disposals and Condemnations

16.1.1 Procedures

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

- 16.1.2 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.

- 16.1.3 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.

- 16.1.4 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.

16.2 Losses and Special Payments

16.2.1 Procedures

The Chief Finance Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.

- 16.2.2 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 Accountable Officer (AO) and the Chief Finance Officer (CFO) as appropriate or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Chief Finance Officer (CFO) and/or Accountable Officer (AO). Where a criminal offence is suspected, the Chief Finance Officer (CFO) must immediately inform the police if theft or arson is involved, and the CCG's Security Management Officer. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Chief Finance Officer (CFO) must inform the relevant LCFS and Operational Fraud Team (OFT) in accordance with Secretary of State for Health's Directions. In all cases of loss or suspected loss involving suspected or actual fraud or corruption, the Chief Finance Officer must be informed immediately.

16.2.3 **Suspected fraud**

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

16.2.4 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 Board, and
- (b) the External Auditor.

16.2.5 Within limits delegated to it by the Department of Health, the Board shall approve the arrangements for writing-off of losses and delegate relevant authority to the Audit Committee.

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

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

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

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

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

17. INFORMATION TECHNOLOGY

17.1 Responsibilities and duties of the Chief Finance Officer

17.1.1 The Chief Finance Officer, who is responsible for the accuracy and security of the computerised financial data of the CCG, shall:

- (a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the CCG's data, programs and computer hardware from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Act 2010;
- (b) ensure that adequate (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 Director may consider necessary are being carried out.

17.1.2 The Chief Finance Officer shall need to 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.

- 17.1.3 The Head of Information Governance 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 we make publicly available.

17.2 Responsibilities and duties of other Directors and Officers in relation to computer systems of a general application

- 17.2.1 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.

17.3 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.

17.4 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) finance staff have access to such data;
- (d) such computer audit reviews as are considered necessary are being carried out.

18. ACCEPTANCE OF GIFTS BY STAFF AND LINK TO STANDARDS OF BUSINESS CONDUCT (see overlap with Section 4 of the Constitution and SFI No. 2.5)

The Chief Finance Officer shall ensure that all staff are made aware of the CCG's policy on acceptance of gifts and other benefits in kind by staff. This includes CCG Clinical Commissioning Committee and CCG Board members and employees. This policy follows the guidance contained in Standing Order No. 3.11, the MECCG Code of Conduct and Board Etiquette, the NHS Code of Practice on Openness in the NHS 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); the ABPI Code of Professional Conduct relating to hospitality/gifts from pharmaceutical/external industry and

the Bribery Act 2011) and is also deemed to be an integral part of the Standing Orders and Standing Financial Instructions.

CCG Board members are required to sign that they have read, accepted and are committed to the Codes of Conduct and Accountability documents required of NHS Boards.

19. PAYMENTS TO INDEPENDENT CONTRACTORS

19.1 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 populations, 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.

19.2 Duties of the Accountable Officer

The Accountable 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.

19.3 Duties of the Chief Finance Officer

The Chief Finance Officer shall:

- (a) ensure that contractors who are included on the CCG's approved lists receive payments;
- (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 relevant query raised by either NHS Prescription Services or NHS Dental Services of the NHS Business Services Authority, regarding claims from contractors submitted directly to them.

20. RETENTION OF RECORDS

- 20.1 The Accountable Officer shall be responsible for maintaining archives for all records required to be retained in accordance with Records Management Code of Practice Part 2 (Retention Periods) – last revised 8th January 2009

- 20.2 The records held in archives shall be capable of retrieval by authorised persons.
- 20.3 Records held in accordance with Records Management Code of Practice Part 2 (Retention Periods) – last revised 8th January 2009 shall only be destroyed at the express instigation of the Accountable Officer. Detail shall be maintained of records so destroyed.

21. RISK MANAGEMENT AND INSURANCE

21.1 Programme of Risk Management

The Accountable Officer shall ensure that the Executive Team, the Quality & Governance Committee and the CCG Board has a programme of risk management, in accordance with current DH assurance framework requirements, which must be approved and monitored by the Board.

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.

21.2 Insurance: Risk Pooling Schemes administered by NHSLA

The Board 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 Board 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.

21.3 Insurance arrangements with commercial insurers

- 21.3.1 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 an 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 Chief Finance Officer should consult the Department of Health.

21.4 Arrangements to be followed by the Board in agreeing Insurance cover

- (1) Where the Board 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 Board 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 Board 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 Chief Finance Officer should ensure documented procedures also cover the management of claims and payments below the deductible in each case.