



**Nottingham and
Nottinghamshire**
Integrated Care Board

Annex A: Standing Financial Instructions

| Version | Effective Date | Changes |
|---------|----------------|--|
| 1.0 | 1 July 2022 | First version Standing Financial Instructions on establishment of the ICB. |
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1. Introduction

1.1 General

- 1.1.1 These Standing Financial Instructions are part of the ICB's control environment for managing the organisation's financial affairs. They contribute to good corporate governance, internal control and managing risks. They enable sound administration; lessen the risk of irregularities, and support commissioning and delivery of effective, efficient and economical services. They also help the Chief Executive (as the ICB's Accountable Officer) and Director of Finance to effectively perform their responsibilities. They should be used in conjunction with the ICB's Constitution, Standing Orders and Scheme of Reservation and Delegation.
- 1.1.2 These Standing Financial Instructions identify the financial responsibilities which apply to members of the ICB Board, its committees and sub-committees, and the ICB's employees and other workers. It is a duty of the Chief Executive to ensure that these individuals are notified of, and put in a position to understand, their responsibilities within these Standing Financial Instructions.
- 1.1.3 Should any difficulties arise regarding the interpretation or application of any of the Standing Financial Instructions, then the advice of the Director of Finance must be sought before acting.

1.2 Non-compliance with Standing Financial Instructions

- 1.2.1 Failure to comply with these Standing Financial Instructions may be regarded as a disciplinary matter that could result in dismissal.
- 1.2.2 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 and Risk Committee for referring action or ratification. All individuals as defined at SFI 1.1.2 have a duty to disclose any non-compliance with these Standing Financial Instructions to the Director of Finance as soon as possible. If the Director of Finance is responsible for the non-compliance, then this should instead be reported to the Chief Executive.

1.3 Review and amendment of Standing Financial Instructions

- 1.3.1 To ensure that these Standing Financial Instructions remain up-to-date and relevant, the Director of Finance will review them at least annually, reporting the outcome of the review to the Audit and Risk Committee.
- 1.3.2 Following consultation with the Chief Executive and scrutiny by the Audit and Risk Committee, the Director of Finance will recommend amendments, as necessary, to the Board for approval.

2. Roles and responsibilities

2.1 The Board

2.1.1 The Board exercises financial supervision and control by:

- (a) Setting financial plans and budgets to meet its statutory responsibilities.
- (b) Holding the executive to account for monitoring performance against core financial objectives.
- (c) Setting these Standing Financial Instructions and defining specific responsibilities placed on members of the Board and other individuals as indicated in the Scheme of Reservation and Delegation.
- (d) Establishing an Audit and Risk Committee to provide it with proactive support by:
 - (i) Advising on the effectiveness of risk management arrangements and systems of internal control.
 - (ii) Advising on the process for reviewing the accounts prior to submission for audit, management's letter of representation to the external auditors; and the planned activity and results of both internal and external audit.
 - (iii) Approving the accounting policies, the accounts, and the annual report of the ICB, including the governance statement.
- (e) Establishing a Finance and Performance Committee to provide oversight and assurance on the discharge of the ICB's financial duties, including its joint financial planning duties with NHS Trust and NHS Foundation Trust partners.
- (f) Shaping a healthy culture for the organisation and its Integrated Care System partners.

2.2 The Chief Executive

2.2.1 The Chief Executive (as Accountable Officer) is ultimately accountable to the Board and to the Secretary of State for Health and Social Care for ensuring that the ICB meets its obligation to perform its functions within the available financial resources.

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

2.3 The Director of Finance

- 2.3.1 The Director of Finance is responsible for ensuring that the ICB meets the financial targets set for it by NHS England, including living within the overall revenue and capital allocation, and the administration costs limit.
- 2.3.2 Jointly with the ICB's NHS Trust and NHS Foundation Trust partners, the Director of Finance has responsibility for ensuring that any joint financial objectives set by NHS England are achieved.
- 2.3.3 The Director of Finance is also responsible for 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 Standing Financial Instructions.

2.4 Delegation and accountability

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

3. Internal and external audit

3.1 Internal audit

- 3.1.1 Internal audit is an independent and objective appraisal service within an organisation, which provides:
- (a) An independent and objective opinion to the Chief Executive, the Board, and the Audit and Risk Committee on the degree to which risk management, control and governance, support the achievement of the organisation's agreed objectives.
 - (b) An independent and objective consultancy service specifically to help line management improve the organisation's risk management, control and governance arrangements.
- 3.1.2 The Chief Executive, as the accountable officer, is responsible for ensuring there is appropriate internal audit provision for the ICB. For operational purposes, this responsibility is delegated to the Director of Finance. All internal audit services are provided under arrangements proposed by the Director of Finance and approved by the Audit and Risk Committee, on behalf of the Board.
- 3.1.3 Only the Director of Finance may commission the procurement of internal audit services, having sought the approval of the Audit and Risk Committee.
- 3.1.4 The Director of Finance is responsible for ensuring that the internal audit function complies with the Public Sector Internal Audit Standards and provides sufficient independent and objective assurance to the Audit and Risk Committee and the Chief Executive.
- 3.1.5 Internal audit will review, appraise and report upon policies, procedures and operations in place to:
- (a) Establish and monitor the achievement of the organisation's objectives.
 - (b) Identify, assess and manage the risks to achieving the organisation's objectives.
 - (c) Ensure the economical, effective and efficient use of resources.
 - (d) Ensure compliance with established policies (including behavioural and ethical expectations), procedures, laws and regulations.
 - (e) Safeguard the organisation's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
 - (f) Ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes.
- 3.1.6 The Head of Internal Audit will provide to the Audit and Risk Committee:

- (a) A risk-based plan of internal audit work, agreed with management and approved by the Audit and Risk Committee, that will enable the internal auditors to collect sufficient evidence to give an opinion on the adequacy and effective operation of the organisation.
 - (b) Regular updates on the progress against plan.
 - (c) Reports of management's progress on the implementation of action agreed as a result of internal audit findings.
 - (d) An annual opinion based upon and limited to the work performed on the overall adequacy and effectiveness of the organisation's risk management, control and governance processes (i.e. the organisation's system of internal control). This opinion is used by the Chief Executive to inform their annual Governance Statement and by NHS England as part of its performance management role.
 - (e) Additional reports as requested by the Audit and Risk Committee.
- 3.1.7 Whenever any matter arises during the course of internal audit work, which involves, or is thought to involve, irregularities in the exercise of any function of a pecuniary nature, the Director of Finance must be notified immediately. If the Director of Finance is thought to be involved in an irregularity, then this should instead be reported to the Chief Executive.
- 3.1.8 The Head of Internal Audit will normally attend Audit and Risk Committee meetings and has a right of access to the Chair of the Audit and Risk Committee and the ICB Chair and Chief Executive.
- 3.1.9 The Head of Internal Audit reports to the Audit and Risk Committee and is accountable to the Director of Finance. The reporting system for internal audit will be agreed between the Director of Finance, the Audit and Risk Committee and the Head of Internal Audit and will comply with the guidance on reporting contained in the Public Sector Internal Audit Standards.

3.2 External audit

- 3.2.1 The ICB must comply with the [Local Audit and Accountability Act 2014](#) when procuring an external audit service. The Director of Finance is responsible for ensuring that the ICB procures external audit services in accordance with this legislation and relevant national guidance.
- 3.2.2 The Board is ultimately responsible for appointing the ICB's external auditor, but it will establish an Auditor Panel to advise on the selection and appointment process.
- 3.2.3 The Auditor Panel will:

- (a) Provide assurance that procurement and contracting arrangements are appropriate and that any conflicts of interests have been effectively dealt with.
 - (b) Consider how the quality of the external audit service will be measured and monitored, and how that will be incorporated in the service requirements.
 - (c) Advise on an appropriate length of contract, noting that the ICB must appoint an external auditor at least once every five years.
 - (d) Advise on the maintenance of an independent relationship with the appointed external auditor.
- 3.2.4 The ICB must appoint an external auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year. An exception to this will be the ICB's first year of establishment, when national guidance on requirements will be followed.
- 3.2.5 Within 28 days of an appointment being made, the ICB must publish a notice to name its external auditor and the length of the appointment.
- 3.2.6 The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. The main responsibility of the ICB's appointed auditors is to meet the requirements of the National Audit Office's Code of Audit Practice.
- 3.2.7 The external auditors are required to provide an opinion on the ICB's financial statements. This confirms whether the Auditors believe the financial statements give a true and fair view of the financial affairs of the ICB and the income and expenditure recorded during the year.
- 3.2.8 The External Auditors are also required to:
- (a) Form a view on the regularity of the ICB's income and expenditure i.e. that the expenditure and income included in the ICB's financial statements has been applied to the purposes intended by Parliament and the financial transactions in the financial statements conform to the authorities which govern them.
 - (b) Report by exception if the ICB has not complied with the requirements of NHS England in the preparation of its Governance Statement.
 - (c) Examine and report on the consistency of the schedules or returns prepared by the ICB for consolidation into the Whole of Government Accounts.
- 3.2.9 The External Auditors will also consider the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the ICB's use of resources.
- 3.2.10 The Audit and Risk Committee must ensure a cost-efficient service. If there are any problems relating to the service provided by the external auditor these should

be raised with the external auditor and referred to the Audit and Risk Committee if they cannot be resolved.

- 3.2.11 The External Auditor will normally attend Audit and Risk Committee meetings and has a right of access to the Chair of the Audit and Risk Committee and the ICB Chair and Chief Executive.

4. Fraud, bribery and corruption (economic crime)

4.1 General

- 4.1.1 The ICB is committed to identifying, investigating and preventing economic crime.
- 4.1.2 The Director of Finance is responsible for ensuring appropriate arrangements are in place to provide adequate counter fraud provision which should include reporting requirements to the Audit and Risk Committee. These arrangements should comply with the NHS Requirements the [Government Functional Standard 013 Counter Fraud](#) as issued by NHS Counter Fraud Authority and any guidance issued by NHS England.
- 4.1.3 Only the Director of Finance may commission the procurement of counter fraud, bribery and corruption services, having sought the approval of the Audit and Risk Committee.
- 4.1.4 All members of the ICB Board, its committees and sub-committees, and the ICB's employees and other workers, severally and collectively, are responsible for ensuring ICB resources are appropriately protected from fraud, bribery and corruption.
- 4.1.5 Any individual that has evidence of, or reason to suspect, fraud, bribery or corruption has a duty to report these suspicions to the ICB's nominated Counter Fraud Specialist or via the NHS Counter Fraud Authority's confidential fraud, bribery and corruption reporting line.
- 4.1.6 Under no circumstances should any individual commence an investigation into suspected or alleged crime, as this may compromise any further investigation.

5. Resource limits and allocations, financial planning, budgetary control and grants

5.1 Funding allocations and resource limits

- 5.1.1 NHS England will make funding allocations to the ICB to support the delivery of its functions. Allocations will be based on a national needs-based formula and national policy on target allocations, which reflects the 'fair share' of NHS resources for the ICB. Allocations will:
- (a) Include funding for acute, ambulance, community and mental health services.
 - (b) Include funding for the delivery of any functions delegated to the ICB by NHS England.
 - (c) Include a running cost allowance to cover management costs and costs of commissioning support.
- 5.1.2 The Director of Finance will:
- (a) Periodically review the basis and assumptions used by NHS England for distributing allocations to the ICB and ensure that these are reasonable and realistic and secure the ICB's entitlement to funds.
 - (b) Regularly update the Board on significant changes to any initial allocations and the uses of such funds.
- 5.1.3 The Chief Executive has overall responsibility for ensuring that the ICB complies with its statutory obligations, including its financial and accounting obligations, and that it exercises its functions effectively, efficiently and economically and in a way which provides good value for money.
- 5.1.4 The Director of Finance is responsible for ensuring appropriate arrangements are in place to enable the ICB to meet the following statutory financial duties:
- (a) Ensuring that the ICB's expenditure in each financial year does not exceed the aggregate of any sums received within that financial year, and that the ICB complies with any descriptions set out by NHS England of income and expenditure that should or should not be counted for the purposes of reaching financial balance, or the financial year in which they are to be counted.
 - (b) Ensuring that monies designated for integration are used for that purpose (i.e. Better Care Fund).
 - (c) Ensuring that the ICB, in conjunction with its partner NHS trusts and NHS foundation trusts, exercises its functions with a view to ensuring that, in respect of each financial year:
 - (i) Local capital resource use does not exceed the limit specified in a direction by NHS England.

- (ii) Local revenue resource use does not exceed the limit specified in a direction by NHS England.
- (iii) Any joint financial objectives set by NHS England for the ICB and its partner NHS trusts and NHS foundation trusts are achieved.

5.2 Preparation and approval of financial plans

- 5.2.1 Before the start of each financial year, the ICB and its partner NHS trusts and NHS foundation trusts must prepare a joint forward plan to set out how it will exercise its functions over the next five years. The joint forward plan must explain how the ICB proposes to meet its statutory financial duties.
- 5.2.2 Before the start of each financial year, the ICB and its partner NHS trusts and NHS foundation trusts must prepare a joint capital resource use plan. The plan must be produced in line with any directions or guidance issued by NHS England.
- 5.2.3 The five-year joint forward plan and joint capital resource use plan will be approved by the Board and must be published.
- 5.2.4 The plans must also be provided to the Integrated Care Partnership, each relevant Health and Wellbeing Board and NHS England.
- 5.2.5 The plans can be revised, subject to approval by the Board. Any revised plans must be published, and copies provided to the Integrated Care Partnership, each relevant Health and Wellbeing Board and NHS England.
- 5.2.6 The Director of Finance will provide regular reports to the Board and the Finance and Performance Committee regarding delivery of the plans.

5.3 Preparation and approval of budgets

- 5.3.1 Before the start of each financial year, the Director of Finance will, on behalf of the Chief Executive, prepare and submit annual budgets for approval by the Board. The annual budgets will be prepared within the limits of available funds and will identify any sums to be held in reserve and any potential risks.

5.4 Budgetary delegation

- 5.4.1 The Chief Executive may delegate the management of individual budgets to designated Budget Holders to enable the delivery of a defined range of activities.
- 5.4.2 Budget Holders may onward delegate the management of budgets within their areas of responsibility to designated Budget Managers.
- 5.4.3 Budget Holder and Budget Manager designations are set out in the Scheme of Reservation and Delegation.

- 5.4.4 All Budget Holders and Budget Managers will be required to agree their allocated budgets at the commencement of each financial year.
- 5.4.5 The Director of Finance is responsible for ensuring that adequate training is delivered to Budget Holders and Budget Managers to support the successful management of their budgets.

5.5 Budgetary control and reporting

- 5.5.1 The Director of Finance will devise and maintain systems of budgetary control. These will include:
- (a) The issue of timely, accurate and comprehensible advice and financial reports to each Budget Holder and Budget Manager, covering the areas for which they are responsible.
 - (b) Investigation and reporting of variances from budgets and monitoring of management action to correct variances.
 - (c) Arrangements for the approval of budget virements.
 - (d) Regular budgetary reports to the Board and the Finance and Performance Committee detailing:
 - (i) Income and expenditure, showing the year to date actual and forecast positions.
 - (ii) Explanations of any material variances from budget.
 - (iii) Details of any corrective action where necessary and whether such actions are sufficient to correct the variance.
- 5.5.2 Each Budget Holder and Budget Manager is responsible for ensuring that:
- (a) Any likely overspend or reduction of income which cannot be met by virement is not incurred without the prior consent of the Director of Finance or nominated officer.
 - (b) They review their budget reports on a monthly basis and report any anomalies.
 - (c) The amount provided in the agreed budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of virement.
- 5.5.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive, subject to any authorised use of virement.
- 5.5.4 Non-recurring budgets should not be used to finance recurring expenditure without approval from the Chief Executive or Director of Finance.

5.6 Capital expenditure

- 5.6.1 The general rules applying to budget preparation, delegation, control and reporting will also apply to capital expenditure.

5.7 Grants

- 5.7.1 The Director of Finance is responsible for providing robust management, governance and assurance to the ICB with regards to the use of specific powers under which it can make capital or revenue grants available to:
- (a) Any of its partner NHS trusts or NHS foundation trusts.
 - (b) A voluntary organisation, by way of a grant or loan.
- 5.7.2 All revenue grant applications should be regarded as competed as a default position unless there are justifiable reasons why the classification should be amended to non-competed.

6. Banking arrangements and cash management

6.1 General

- 6.1.1 The Director of Finance will approve the ICB's banking arrangements and is responsible for advising the Audit and Risk Committee on the provision of banking services and operation of accounts, including the provision and use of procurement or other card services. This advice will consider any guidance and/or directions issued by NHS England on the use of specified banking facilities for any specified purposes.
- 6.1.2 The ICB will use the Government Banking Service as its supplier for all banking services.
- 6.1.3 The ICB will hold the minimum number of bank accounts required to run the organisation effectively.
- 6.1.4 The Director of Finance will report any new bank accounts or changes to existing bank accounts to the next meeting of the Audit and Risk Committee.
- 6.1.5 Designated bank account signatories are set out in the Scheme of Reservation and Delegation.
- 6.1.6 The Director of Finance will ensure that the ICB has effective cash management procedures in place. This will include:
 - (a) Ensuring money drawn from NHS England against cash forecasts is required for approved expenditure only, and is drawn only at the time of need, following best practice as set out in Managing Public Money.
 - (b) Ensuring payments made from the ICB's bank accounts do not exceed the amount credited to the account except where arrangements have been made.
 - (c) Reporting to the Audit and Risk Committee all arrangements made with the ICB's bankers for accounts to be overdrawn.
 - (d) Monitoring of compliance with NHS England guidance on the level of funds held at the end of each month.

6.2 Procurement and other card services

- 6.2.1 The Director of Finance is responsible for recommending to the Audit and Risk Committee, for approval:
 - (a) Whether procurement or other card services should be allowed.
 - (b) The types of card services that should be allowed on each account (debit, procurement, etc.).
 - (c) The types of transactions that should be permitted on each card.

- (d) The individuals who should be issued with a card.
- (e) The overall credit and individual transaction limits to be associated with each card.

6.2.2 The Director of Finance will report on the actual use of card services against authorised uses to the Audit and Risk Committee.

6.3 Payable orders, petty cash and other negotiable instruments

6.3.1 The Director of Finance is responsible for prescribing systems and procedures for the secure handling of payable orders, petty cash and other negotiable instruments should these be used or received by the ICB.

7. Income and debt recovery

7.1 Income

- 7.1.1 The ICB will utilise its relevant statutory powers to maximise its potential to make additional income available for improving the health service only to the extent that it does not interfere with the performance of the ICB or its functions.
- 7.1.2 The Director of Finance is responsible for ensuring systems are in place for the proper recording, invoicing, and collection and coding of all monies due.
- 7.1.3 All employees and other workers must inform the Finance Team, in accordance with notified procedures, promptly of money due arising from transactions that they initiate/deal with, including all contracts, leases, tenancy agreements and other transactions.
- 7.1.4 The Director of Finance will arrange to register with HM Revenue and Customs if required under money laundering legislation.

7.2 Debt management

- 7.2.1 The Director of Finance is responsible for ensuring systems are in place for the timely recovery of all outstanding debts. This will include:
 - (a) Ensuring that arrangements cover end-to-end debt management from debt creation to collection or write-off in accordance with the losses and special payment procedures.
 - (b) Assigning responsibility to a senior officer within the Finance Team for the operational management of debt.
 - (c) Reporting to the Audit and Risk Committee that debt is being managed effectively.
- 7.2.2 Where it is necessary to use the services of a professional debt recovery agency and/or the courts to recover an outstanding debt, the ICB will seek to recover the associated costs from the debtor concerned.
- 7.2.3 Income not received should be dealt with in accordance with losses procedures.
- 7.2.4 Overpayments should be detected (or preferably prevented) and recovery initiated.

8. Terms of service and payment of senior managers and employees

8.1 Remuneration and terms of service

- 8.1.1 The Board has established a Remuneration Committee to determine the remuneration and allowances for:
- (a) Members of the Board, except for the Chair and non-executive members.
 - (b) Any members of the Board's committees and sub-committees that are not members of the Board or employees.
 - (c) Other very senior managers.
- 8.1.2 The Remuneration Committee has clearly defined terms of reference approved by the Board, specifying which roles fall within its area of responsibility.

8.2 Funded establishment

- 8.2.1 The workforce plan incorporated within the annual budget will form the funded establishment.
- 8.2.2 The funded establishment of any Directorate may not be varied without the approval of the Chief Executive or nominated officers as defined within the Scheme of Reservation and Delegation.

8.3 Staff appointments and contracts of employment

- 8.3.1 No Executive Director or employee may appoint employees, either on a permanent or temporary basis, or agree to changes to any aspect of remuneration, unless within the limit of their approved budget and funded establishment as defined in the Scheme of Delegation.
- 8.3.2 The NHS Agenda for Change terms and conditions of service will apply in full to all staff directly employed by the ICB, except for Executive Directors and other very senior managers.
- 8.3.3 All employees will be issued with contracts of employment in a form and timeframe that complies with employment legislation.
- 8.3.4 All requests for evaluations of pay bandings for new or existing posts must be approved by the relevant Budget Holder.

8.4 Processing of payroll

- 8.4.1 The Director of Finance is responsible for ensuring appropriate arrangements are established for:
- (a) Submission of properly authorised payroll records and notifications in line with agreed timetables.
 - (b) Making payments on agreed dates and agreeing methods of payments.
 - (c) Maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay.
 - (d) Checks to be applied to completed payroll before and after payment.
 - (e) Procedures for the recall of bank credits.
 - (f) Pay advances and their recovery.
 - (g) Recovery of overpayments or sums of money owed by employees or individuals leaving the employment of the ICB.
- 8.4.2 Officers authorised to approve payroll transactions, including new starters (and salary justifications where relevant), changes in circumstances and terminations, are set out in the Scheme of Reservation and Delegation.
- 8.4.3 Regardless of the arrangements for providing the payroll service, the Director of Finance will 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.

8.5 Consultancy spend and off-payroll and agency workers

- 8.5.1 It is recognised that there may be a business need to engage with specialist skills and knowledge for temporary or substantive posts. The need for specialist knowledge and skills varies dependent upon the work and focus of the ICB at any given time, and there are a range of different types of individuals that the ICB may wish to engage with.
- 8.5.2 All recruiting managers will give due consideration to the costs associated with the use of consultancy, agency or off-payroll workers.
- 8.5.3 Appropriate business cases must be completed by the recruiting manager prior to any decision being made. Approval requirements for consultancy spend and appointment of off-payroll and agency workers are set out in the ICB's Scheme of Reservation and Delegation.
- 8.5.4 The ICB's Human Resources function will be responsible for providing support and advice to recruiting managers to ensure the appropriate checks are completed for all off-payroll and agency engagements. This will include, but is not limited to, the

HM Revenue and Customs (HMRC) employment status test and Status Determination Statement.

- 8.5.5 The ICB's Finance Directorate will be responsible for providing support and advice to recruiting managers to determine whether off-payroll working rules apply and to ensure compliance with IR35 legislation and guidance, including [Understanding off-payroll working \(IR35\) - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/understanding-off-payroll-working-ir35). The person providing services through their own intermediary will need to provide information to the ICB to help make this decision. If the rules apply, the ICB must deduct tax and Class 1 NICs and pay and report them to HMRC.
- 8.5.6 The ICB's Human Resources function will be responsible for issuing contracts in line with the outcome of the HMRC employment status test and maintaining a record of all completed employment status tests.
- 8.5.7 Business cases for consultancy spend and off-payroll/agency workers require prospective approval. The national business case template should be used in all instances, which will set out the:
- (a) Explanation of the business need.
 - (b) Demonstration of the value for money of proposed engagement.
 - (c) Rationale for the proposed engagement.
 - (d) Reason for use of an off-payroll appointment as opposed to employment status.
 - (e) Framework compliance (i.e. the recruitment route).
 - (f) Recruitment strategy.
 - (g) Anticipated delivery.
- 8.5.8 Consultancy spend is defined as where an individual or team of consultants are appointed by the ICB to deliver a pre-defined project or output.
- 8.5.9 Off-payroll and agency workers are individuals engaged by the ICB to deliver time inputs (e.g. to cover a vacant post or a fixed term role) but not a defined output.
- 8.5.10 The ICB's human resources policies will be applied when an off-payroll or agency appointment is made. This includes, but is not limited to, policies relating to recruitment and selection, mandatory training and acceptable behaviours.
- 8.5.11 Where off-payroll workers are engaged through agencies, recruiting managers will seek to utilise agencies which are approved through a procurement framework and have adopted terms and conditions approved by NHS organisations.
- 8.5.12 The Director of Finance will be responsible for ensuring appropriate processes are in place to respond to any disagreements, or complaints, that are raised by off-payroll workers or agencies. Records should be maintained by the ICB of any such instances.

9. Revenue expenditure and payment of accounts

9.1 Revenue expenditure

- 9.1.1 For all revenue expenditure, Budget Holders and Budget Managers must ensure that they have approval to commit ICB resources before undertaking procurement. The approval routes differ according to the value and type of expenditure and the relevant delegated financial limits are set out in the Scheme of Reservation and Delegation.
- 9.1.2 Retrospective approval to commit revenue expenditure is not permitted, and any such breaches must be reported to the Audit and Risk Committee.

9.2 Procurement requirements

- 9.2.1 The ICB's Procurement Policy sets out requirements for ensuring that the ICB has a legally compliant, consistent, transparent and effective approach to the procurement, commissioning and contract management of goods, services and works.
- 9.2.2 Quotation and tendering limits for healthcare services and non-healthcare goods, services and works are set out in the Procurement Policy.
- 9.2.3 The waiving of competitive tendering procedures should be avoided and only utilised in line with the exemptions provided for in the Procurement Policy. Approval of requests for Competition Waivers shall be in accordance with the Scheme of Reservation and Delegation. All competition waivers are required to be reported retrospectively to the Audit and Risk Committee for scrutiny and review.

9.3 Contract variations and extensions

- 9.3.1 All extensions and variations to existing contracts must be reviewed to confirm that they are legally possible they represent best value for money, including financial and non-financial aspects, and they are not being instigated solely to avoid or delay the requirement to conduct procurement.
- 9.3.2 Extensions to existing contracts can only be approved where the terms and conditions of the contract make provision for an extension and contract performance is satisfactory.

9.4 Payment of accounts

- 9.4.1 The Director of Finance is responsible for ensuring systems are in place for the verification, recording and payment of all accounts payable by the ICB. Systems will provide for certification that:

- (a) Goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that the prices are correct.
- (b) Work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used were of the requisite standard and that the charges are correct.
- (c) In the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, that the rates of labour are in accordance with appropriate rates, and that the materials have been checked regarding quantity, quality and price.
- (d) Where appropriate, the expenditure is in accordance with regulations and that all necessary authorisations have been obtained.
- (e) The account is arithmetically correct.

9.4.2 The Director of Finance will ensure that appropriate segregation of duties controls are established in relation to revenue and non-pay expenditure.

9.4.3 Officers authorised to approve requisitions and invoices are set out in the Scheme of Reservation and Delegation.

9.4.4 Payments should normally be made by bank credit transfer. Payment by other methods should only occur with the approval of the Director of Finance or nominated officer.

9.4.5 Payment of contract invoices should be in accordance with contract terms. All payments should comply with the Government's policy on prompt payment.

9.5 Prepayments

9.5.1 Prepayments which fall outside of normal business practice (advance payments) are only permitted in exceptional circumstances and require the approval of the Director of Finance. In such instances:

- (a) The financial advantages must outweigh the disadvantages.
- (b) The appropriate Budget Holder must provide a case setting out all relevant circumstances of the purchase. This must set out the effects on the ICB if the supplier is, at some time during the course of the advance payment agreement, unable to meet their commitments.
- (c) The Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed.
- (d) The Budget Holder is responsible for ensuring that all items due under an advance payment contract are received and must immediately inform the Director of Finance if problems are encountered.

10. Capital investments, asset management and property leases

10.1 Capital investment

- 10.1.1 For any capital investments made by the ICB, the Director of Finance is responsible for:
- (a) Ensuring that there is an effective appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon plans.
 - (b) Ensuring that processes require a business case to be produced for every capital expenditure proposal, which includes evidence of availability of resources to finance all revenue consequences.
 - (c) Ensuring that there are processes in place for the management of all stages of capital schemes to ensure that schemes are delivered on time and to cost.
- 10.1.2 Capital commitments typically cover land, buildings, equipment, capital grants to third parties and IT, including:
- (a) Authority to spend capital or make a capital grant.
 - (b) Authority to enter leasing arrangements.
- 10.1.3 Advice should be sought from the Director of Finance or nominated officer if there is any doubt as to whether any proposal is a capital commitment requiring formal approval.
- 10.1.4 Approval requirements regarding capital investments are set out within the ICB's Scheme of Reservation and Delegation.

10.2 Asset management

- 10.2.1 The Director of Finance is responsible for ensuring the ICB has effective procedures in place regarding the management of assets.
- 10.2.2 Any capital assets held by the ICB will be recorded on an asset register, with physical checks of assets against the register to be conducted periodically.
- 10.2.3 Disposals of any surplus assets should be:
- (a) Supported by an appraisal of the options and benefits of the disposal in the context of the wider public sector and to secure value for money.
 - (b) Made in line with any relevant published guidance.

10.3 Property leases

- 10.3.1 The Director of Finance is responsible for ensuring that the ICB has effective procedures in place regarding property leases.
- 10.3.2 Approval requirements regarding lease matters are set out within the ICB's Scheme of Reservation and Delegation.

11. Financial systems

11.1 General

- 11.1.1 The Director of Finance will ensure the ICB has suitable financial and other software to enable the production of management and financial accounts and to meet the consolidation requirements of NHS England.
- 11.1.2 NHS Shared Business Services provides and operates the ICB's financial ledger, known as the Integrated Single Financial Environment (ISFE). This is the required accounting system for use by ICBs. Access is based on single access log on to enable users to perform core accounting functions such as to transacting and coding of expenditure/income in fulfilment of their roles.
- 11.1.3 The Director of Finance will:
- (a) Satisfy themselves that access to financial systems is strictly controlled and delegated authorities within system approved limits are appropriately assigned.
 - (b) Ensure that transacting is carried out efficiently in line with current best practice (e.g. e-invoicing).
 - (c) Ensure that contracts for computer services for financial applications with another health organisation or any other agency clearly define the responsibility of all parties for the security, privacy, accuracy, completeness, and timeliness of data during processing, transmission and storage. Contracts will also ensure rights of access for audit purposes.
 - (d) Periodically seek assurances that adequate controls are in operation where another health organisation or any other agency provides a computer service for financial applications.

12. Losses and special payments

12.1 General

12.1.1 The requirements set out within these Standing Financial Instructions reflect ICB Losses and Special Payments Guidance issued by NHS England, which contains further detailed operational guidance on losses and special payments.

12.1.2 Losses and special payments are items that parliament would not have contemplated when it agreed funds for NHS bodies or passed legislation. By their nature, they are items that ideally should not arise. They are, therefore, subject to special control procedures compared to the generality of payments and require special notation in the accounts to bring them to the attention of parliament.

12.1.3 HM Treasury retains the authority to approve losses and special payments which are classified as being either:

- (a) Novel or contentious.
- (b) Contains lessons that could be of interest to the wider community.
- (c) Involves important questions of principle.
- (d) Might create a precedent.
- (e) Highlights the ineffectiveness of the existing control systems.

12.1.4 Therefore, HM Treasury approval is required if a transaction exceeds the delegated authority, or if transactions will set a precedent, are novel, contentious or could cause repercussions elsewhere in the public sector.

12.1.5 Therefore, all cases relating to ICB losses and special payments must be submitted to NHS England for approval if the proposed transaction values exceed the delegated limits set out below or satisfy the conditions in section 12.1.2:

| Expenditure type | ICB delegated limit |
|---|----------------------------|
| All losses | Up to £300,000 |
| Special payments, including extra contractual / statutory / regulatory / compensation and ex-gratia | Up to £95,000 |
| Special severance and retention payments | £0 |
| Consolatory payments | £500 |

12.1.6 NHS England has the statutory power to require an ICB to provide NHS England with information. The information, is not limited to losses and special payments, must be provided in such form, and at such time or within such period, as NHS England may require.

12.1.7 The Director of Finance will support a strong culture of public accountability, probity, and governance, ensuring that appropriate and compliant structures, systems, and processes are in place to minimise risks from losses and special payments. All losses and special payments should be reported to the Director of Finance.

12.2 Losses

12.2.1 Losses refer to any case where full value has not been obtained for money or spent or committed. Managing Public Money defines losses as including, but not limited to:

- (a) Cash losses (physical loss of cash and its equivalents, e.g. credit cards, electronic transfers).
- (b) Bookkeeping losses (including missing items or inexplicable or erroneous debit balances).
- (c) Exchange rate fluctuations.
- (d) Losses of pay, allowances and superannuation benefits paid to employees (including overpayments due to miscalculation, misinterpretation or missing information; unauthorised issue; and other causes).
- (e) Losses arising from overpayments.
- (f) Losses from failure to make adequate charges.
- (g) Losses of accountable stores (through fraud, theft, arson, other deliberate act or other cause).
- (h) Fruitless payments and constructive losses.
- (i) Claims waived or abandoned (including bad debts).

12.2.2 Losses that are subject to insurance cover should be accounted for on a net basis (i.e. after any insurance pay out).

12.2.3 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their Director, who must immediately inform the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Director of Finance and/or Chief Executive. Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies, which may indicate fraud or corruption, the Director of Finance must inform the ICB's Local Counter Fraud Specialist.

12.2.4 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must immediately notify the Board and the external auditor.

- 12.2.5 The Director of Finance is authorised to take any necessary steps to safeguard the ICB's interests in bankruptcies and company liquidations.
- 12.2.6 For any loss, the Director of Finance should consider whether any insurance claim could be made.

12.3 Special payments

12.3.1 Managing Public Money defines special payments as:

- (a) Extra-contractual payments: payments which, though not legally due under contract, appear to place an obligation on a public sector organisation which the courts might uphold. Typically, these arise from the organisation's action or inaction in relation to a contract. Payments may be extra-contractual even where there is some doubt about the organisation's liability to pay, e.g. where the contract provides for arbitration, but a settlement is reached without it. A payment made as a result of an arbitration award is contractual.
- (b) Extra-statutory and extra-regulatory payments: are within the broad intention of the statute or regulation, respectively, but go beyond a strict interpretation of its terms.
- (c) Compensation payments: are made to provide redress for personal injuries (except for payments under the Civil Service Injury Benefits Scheme), traffic accidents, and damage to property etc. They include other payments to those in the public service outside statutory schemes or outside contracts.
- (d) Special severance payments: are paid to employees, contractors and others outside of normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract.
- (e) Ex gratia payments: go beyond statutory cover, legal liability, or administrative rules, including payments made to meet hardship caused by official failure or delay; out of court settlements to avoid legal action on grounds of official inadequacy; and payments to contractors outside a binding contract, e.g. on grounds of hardship.

12.3.2 The ICB will work with NHS England to ensure there is assurance over all exit packages, which may include special severance payments.

12.3.3 The ICB has no delegated authority for special severance payments and will refer to the guidance on that to obtain the approval of such payments.

12.3.4 All special severance payments must be reported to the Remuneration Committee.

12.3.5 The Director of Finance is responsible for ensuring an annual assurance statement is submitted to NHS England that confirms:

- (a) Details of all exit packages (including special severance payments) that have been agreed and/or made during the year.
- (b) That NHS England and HM Treasury approvals have been obtained (in relation to non-contractual pay elements or amounts that exceed the ICB delegated limits) before any offers, whether verbally or in writing, are made.
- (c) Adherence to the special severance payments guidance as published by NHS England.

12.4 Losses and special payments register

- 12.4.1 The Director of Finance is responsible for ensuring that a losses and special payments register is maintained in which write-off action is recorded.
- 12.4.2 All losses and special payments (including special severance payments) must be reported to the Audit and Risk Committee.

13. Annual reporting and accounts

13.1 Accounts

13.1.1 The ICB must keep proper records in relation to its accounts.

13.1.2 The Director of Finance, on behalf of the Chief Executive and the Board, will ensure that:

- (a) Annual accounts are prepared in respect of each financial year (or for such periods as may be set out in directions issued by NHS England).
- (b) The form and content of the annual accounts and the methods and principles for preparing them comply with any directions issued by NHS England.
- (c) The unaudited and audited annual accounts are sent to NHS England by the date specified in any directions issued by NHS England.

13.2 Annual report

13.2.1 The ICB must prepare an annual report that describes how it has discharged its functions in the previous financial year. NHS England may give directions to the ICB as to the form and content of the annual report.

13.2.2 The annual report must explain how the ICB has:

- (a) Discharged its general duties in relation to improving the quality of services, reducing inequalities, promoting the involvement of patients, enabling patient choice, obtaining appropriate advice, promoting innovation, research, education and training and integration, having regard to the wider effect of decisions and to climate change, public involvement and consultation, and keeping the experience of Board members under review.
- (b) Exercised its functions in accordance with its published five-year forward plan and capital resource use plan.
- (c) Exercised its functions consistently with NHS England's views set out in the latest statement published under section 13SA(1) (views about how functions relating to inequalities information should be exercised).
- (d) Taken steps to implement its joint local health and wellbeing strategies. In producing this section of the annual report, the ICB must consult each relevant Health and Wellbeing Board.

13.2.3 The annual report must also include:

- (a) A statement of the amount of expenditure incurred by the ICB during the financial year in relation to mental health.
- (b) A calculation of the proportion of the expenditure incurred by the ICB during the financial year that relates to mental health.

(c) An explanation of the statement and calculation.

13.2.4 The ICB must give a copy of its annual report to NHS England by the date specified in a direction by NHS England.

13.3 Approval and publication

13.3.1 The Audit and Risk Committee will approve the annual report and accounts, on behalf of the Board.

13.3.2 The ICB must publish a copy of its annual report and accounts.

14. Legal and insurance

14.1 Legal

- 14.1.1 The Chief Executive is responsible for ensuring appropriate arrangements are in place for accessing external legal advice on matters relating to the delivery of the organisation's functions and duties or potential litigations.
- 14.1.2 A procedure will be established to control access to and expenditure on external legal advice, and to ensure that advice is centrally held to ensure its ongoing availability and benefit to the ICB.
- 14.1.3 Only the Chief Executive and Director of Finance are authorised to commit or spend ICB revenue resources in relation to settling legal matters.
- 14.1.4 Arrangements regarding the execution of legal documents by signature are set out in the ICB's Standing Orders.

14.2 Insurance

- 14.2.1 Where the ICB uses the risk pooling schemes administered by NHS Resolution (for clinical, property and/or employers/third party liability), the Director of Finance is responsible for ensuring that the arrangements entered into are appropriate and that appropriate systems are in place regarding the management of claims.
- 14.2.2 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are, however, three exceptions when ICBs may enter into insurance arrangements with commercial insurers. The exceptions are:
 - (a) Commercial arrangements for insuring motor vehicles owned or leased by the ICB including insuring third party liability arising from their use.
 - (b) 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.
 - (c) Where income generation activities take place these should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the ICB for NHS purposes, the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from NHS Resolution. In any case of doubt concerning the ICB's powers to enter into commercial insurance arrangements, the Director of Finance should consult NHS England.