

# **NHS OXFORDSHIRE CLINICAL COMMISSIONING GROUP**

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## **PRIME FINANCIAL POLICIES**

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# PRIME FINANCIAL POLICIES

## 1 INTRODUCTION

### 1.1 General

- 1.1.1. These prime financial policies shall have effect as if incorporated into the CCG's constitution.
- 1.1.2. The prime financial policies are part of the CCG'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 accountable officer and Director of Finance to effectively perform their responsibilities. They should be used in conjunction with the scheme of reservation and delegation found in the Constitution.
- 1.1.3. . The prime financial policies identify the financial responsibilities which apply to everyone working for the CCG. They do not provide detailed procedural advice and should be read in conjunction with the detailed financial procedures. The Director of Finance is responsible for approving all detailed financial procedures.
  - a) The Constitution will be published and maintained on the CCGs website at [www.oxfordshireccg.nhs.uk](http://www.oxfordshireccg.nhs.uk) also can also be made obtained by post from the following address Oxfordshire Clinical Commissioning Group, Jubilee House, 5510 John Smith Drive, Oxford Business Park South, Cowley, Oxford, OX4 2LH
- 1.1.4. Should any difficulties arise regarding the interpretation or application of the prime financial policies then the advice of the Director of Finance must be sought before acting. The user of these prime financial policies should also be familiar with and comply with the provisions of the CCG's constitution, standing orders and scheme of reservation and delegation. **The user should also adhere to the standards set out in the Nolan Principles (see Appendix 1) and the NHS Constitution Seven Key principles that guide the NHS (see Appendix 2).**
- 1.1.5. Failure to comply with prime financial policies and standing orders can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.

## **1.2. Overriding Prime Financial Policies**

- 1.2.1. If for any reason these prime financial policies are not complied with, full details of the non-compliance and any justification for non-compliance and the circumstances around the non-compliance shall be reported to the next formal meeting of the Board's Audit committee for referring action or ratification. All of the group's members and employees have a duty to disclose any non-compliance with these prime financial policies to the Director of Finance as soon as possible.

## **1.3. Responsibilities and delegation**

The functions and general duties of the CCG are outlined in Section 9 of the Constitution.

- 1.3.1. The financial decisions delegated by members of the CCG are set out in the CCG's scheme of reservation and delegation.

## **1.4. Contractors and their employees**

- 1.4.1. Any contractor or employee of a contractor who is empowered by the group to commit the group 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.

## **1.5. Amendment of Prime Financial Policies**

- 1.5.1. To ensure that these prime financial policies remain up-to-date and relevant, the Director of Finance will review them bi-annually. Following consultation with the accountable officer and scrutiny by the Board's audit committee, the Director of Finance will recommend amendments, as fitting, to the Board for approval.

## 2. INTERNAL CONTROL

**POLICY** – the CCG will put in place a suitable control environment and effective internal controls that provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and policies

- 2.1. The Board is required to establish an audit committee with terms of reference agreed by the Board as outlined in section 15 of the Constitution.
- 2.2. The accountable officer has overall responsibility for the CCG's systems of internal control.
- 2.3. The Director of Finance will ensure that:
  - a) financial policies are considered for review and update bi-annually;
  - b) a system is in place for proper checking and reporting of all breaches of financial policies; and
  - c) a proper procedure is in place for regular checking of the adequacy and effectiveness of the control environment.

## 3. AUDIT

**POLICY** – the CCG will keep an effective and independent internal audit function and fully comply with the requirements of external audit and other statutory reviews

- 3.1. In line with the terms of reference for the Board's Audit committee, the person appointed to be responsible for internal audit and the appointed external auditor will have direct and unrestricted access to audit committee members and the chair of the Board, accountable officer and Director of Finance for any significant issues arising from audit work that management cannot resolve, and for all cases of fraud or serious irregularity.
- 3.2. The person appointed to be responsible for internal audit and the external auditor will have access to the audit committee and the accountable officer to review audit issues as appropriate. All audit committee members, the chair of

the Board and the accountable officer will have direct and unrestricted access to the head of internal audit and external auditors.

3.3. The Director of Finance will ensure that:

- a) the CCG has a professional and technically competent internal audit function; and
- b) the Board's Audit Committee approves any changes to the provision or delivery of assurance services to the group as set out in the Terms of Reference.

#### **4. FRAUD AND CORRUPTION**

**POLICY** – the CCG requires all staff to always act honestly and with integrity to safeguard the public resources they are responsible for. The CCG will not tolerate any fraud perpetrated against it and will actively chase any loss suffered

4.1. The Board's Audit committee will satisfy itself that the CCG has adequate arrangements in place for countering fraud and shall review the outcomes of counter fraud work. It shall also approve the counter fraud work programme.

4.2. The Board's audit committee will ensure that the CCG has arrangements in place to work effectively with NHS Protect.

#### **5. EXPENDITURE CONTROL**

5.1. The CCG is required by statutory provisions<sup>1</sup> to ensure that its expenditure does not exceed the aggregate of allotments (funds allocated) from the NHS England and any other sums it has received and is legally allowed to spend.

5.2. The accountable officer has overall executive responsibility for ensuring that the CCG complies with certain of 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.

5.3. The Director of Finance will:

<sup>1</sup>

See section 223H of the 2006 Act, inserted by section 27 of the 2012 Act

- a) provide reports in the form required by the NHS England;
- b) ensure money drawn from the NHS England is required for approved expenditure only, is drawn down only at the time of need and follows best practice;
- c) be responsible for ensuring that an adequate system of monitoring financial performance is in place to enable the CCG to fulfil its statutory responsibility not to exceed its expenditure limits, as set by direction of the NHS England.

## **6. ALLOTMENTS<sup>2</sup>**

6.1. The CCG's Director of Finance will:

- a) periodically review the basis and assumptions used by the NHS England for distributing allotments and ensure that these are reasonable and realistic and secure the group'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 allocation and the uses of such funds.

## **7. COMMISSIONING STRATEGY, BUDGETS, BUDGETARY CONTROL AND MONITORING**

**POLICY** – the CCG will produce and publish an annual commissioning/operating plan<sup>3</sup> that explains how it proposes to discharge its financial duties. The CCG will support this with comprehensive medium term financial plans and annual budgets

7.1. The accountable officer will compile and submit to the Board a commissioning strategy which takes into account financial targets and forecast limits of available resources.

<sup>2</sup> See section 223(G) of the 2006 Act, inserted by section 27 of the 2012 Act.

<sup>3</sup> See section 14Z11 of the 2006 Act, inserted by section 26 of the 2012 Act.

- 7.2. Prior to the start of the financial year the Director of Finance will, on behalf of the accountable officer, prepare and submit budgets for approval by the Board.
- 7.3. The Director of Finance shall monitor financial performance against budget and plan and forecasts for the year, periodically review them, and report to the Board. This report should include explanations for variances. These variances must be based on any significant departures from agreed financial plans or budgets.
- 7.4. The accountable officer is responsible for ensuring that information relating to the CCG's accounts or to its income or expenditure, or its use of resources is provided to the NHS England as requested.
- 7.5. The Board will approve consultation arrangements for the commissioning plan<sup>4</sup>.

## **8. ANNUAL ACCOUNTS AND REPORTS**

**POLICY** – the CCG will produce and submit to the NHS England accounts and reports in accordance with all statutory obligations<sup>5</sup>, relevant accounting standards and accounting best practice in the form and content and at the time required by the NHS England

- 8.1. The Director of Finance will ensure the group:
- a) prepares a timetable for producing the annual report and accounts and agrees it with external auditors and the audit committee;
  - b) prepares the accounts according to the timetable approved by the Audit committee;
  - c) complies with statutory requirements and relevant directions for the publication of annual report;
  - d) considers the external auditor's management letter and fully address all issues within agreed timescales; and

<sup>4</sup> See section 14Z13 of the 2006 Act, inserted by section 26 of the 2012 Act

<sup>5</sup> See paragraph 17 of Schedule 1A of the 2006 Act, as inserted by Schedule 2 of the 2012 Act.



- e) publishes the external auditor's management letter on the group's website at [www.oxfordshireccg.nhs.uk](http://www.oxfordshireccg.nhs.uk) and also makes copies available by post from the following address Oxfordshire Clinical Commissioning Group, Jubilee House, 5510 John Smith Drive, Oxford Business Park South, Cowley, Oxford, OX4 2LH

## 9. INFORMATION TECHNOLOGY

**POLICY** – the CCG will ensure the accuracy and security of the CCG's computerised financial data

- 9.1. The Director of Finance is responsible for the accuracy and security of the CCG's computerised financial data and shall
  - a) devise and implement any necessary procedures to ensure adequate (reasonable) protection of the group'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 1998;
  - 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 of Finance may consider necessary are being carried out.
- 9.2. In addition the Director of Finance shall ensure that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation. Where this is undertaken by another organisation, assurances of adequacy must be obtained from them prior to implementation.

## 10. ACCOUNTING SYSTEMS

**POLICY** – the CCG will run an accounting system that creates management and financial accounts

10.1. The Director of Finance will ensure:

- a) the CCG has suitable financial and other software to enable it to comply with these policies and any consolidation requirements of the NHS England;
- b) 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.

10.2. Where another health organisation or any other agency provides a computer service for financial applications, the Director of Finance shall periodically seek assurances that adequate controls are in operation.

## 11. **BANK ACCOUNTS**

**POLICY** – the CCG will keep enough liquidity to meet its current commitments

11.1. The Director of Finance will:

- a) review the banking arrangements of the CCG at regular intervals to ensure they are in accordance with Secretary of State directions<sup>6</sup>, best practice and represent best value for money;
- b) manage the banking arrangements and advise on the provision of banking services and operation of accounts;
- c) Ensure arrangements in place to keep bank mandates up to date.

11.2. The audit committee shall approve the banking arrangements.

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

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<sup>6</sup> See section 223H(3) of the NHS Act 2006, inserted by section 27 of the 2012 Act

**POLICY** – the CCG will

- operate a sound system for prompt recording, invoicing and collection of all monies due
- seek to maximise its potential to raise additional income only to the extent that it does not interfere with the performance of the CCG or its functions<sup>7</sup>
- ensure its power to make grants and loans is used to discharge its functions effectively<sup>8</sup>

12.1. The Director of Finance is responsible for:

- a) designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, and collection and coding of all monies due;
- b) establishing and maintaining systems and procedures for the secure handling of cash and other negotiable instruments;
- c) approving and regularly reviewing the level of all fees and charges other than those determined by the NHS England or by statute. Independent professional advice on matters of valuation shall be taken as necessary;
- d) for developing effective arrangements for making grants or loans.

## 13. TENDERING AND CONTRACTING PROCEDURE

**POLICY** – the CCG:

- will ensure proper competition that is legally compliant within all purchasing to ensure we incur only budgeted, approved and necessary spending
- will seek value for money for all goods and services
- 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

<sup>7</sup> See section 14Z5 of the 2006 Act, inserted by section 26 of the 2012 Act.

<sup>8</sup> See section 14Z6 of the 2006 Act, inserted by section 26 of the 2012 Act.

- consultancy services (other than specialised services sought from or provided by the Department of Health); and
- for the design, construction and maintenance of building and engineering works (including construction and maintenance of grounds and gardens) for disposals

- 13.1. The CCG shall ensure that the firms / individuals invited to tender (and where appropriate, quote) are among those on approved lists or where necessary a framework agreement. Where in the opinion of the Director of Finance it is desirable to seek tenders from firms not on the approved lists, the reason shall be recorded in writing to the accountable officer or the audit committee.
- 13.2. The Board may only negotiate contracts or enter into contracts, within the statutory framework set up by the 2006 Act, as amended by the 2012 Act. Such contracts shall comply with:
- a) standing orders;
  - b) the Public Contracts Regulation 2006, any successor legislation and any other applicable law; and
  - c) take into account as appropriate any applicable NHS England or the Independent Regulator of NHS Foundation Trusts (Monitor) guidance that does not conflict with (b) above.
- 13.3. In all contracts entered into, the CCG shall endeavour to obtain best value for money. The accountable officer shall nominate an individual who shall oversee and manage each contract on behalf of the CCG.

## 14. COMMISSIONING

**POLICY** – working in partnership with relevant national and local stakeholders, the CCG will commission certain health services to meet the reasonable requirements of the persons for whom it has responsibility

- 14.1. The CCG will coordinate its work with the NHS England, other clinical commissioning groups, local providers of services, local authorities, including through Health & Wellbeing Boards, patients and their carers and the voluntary sector and others as appropriate to develop robust commissioning plans.

- 14.2. The accountable officer will establish arrangements to ensure that regular reports are provided to the Board detailing actual and forecast expenditure and activity for each contract.
- 14.3. The Director of Finance will maintain a system of financial monitoring to ensure the effective accounting of expenditure under contracts. This should provide a suitable audit trail for all payments made under the contracts whilst maintaining patient confidentiality.

## 15. RISK MANAGEMENT AND INSURANCE

**POLICY** – the CCG will put arrangements in place for evaluation and management of its risks

- 15.1. The Accountable Officer will ensure that appropriate risk management and Assurance framework processes are in place. Risk Management policies and the assurance framework processes will be evaluated by the Audit committee.
- 15.2. The Board will approve arrangements for risk sharing and or risk pooling with other organisations (for example arrangements for pooled funds with other clinical commissioning groups or pooled budget arrangements under section 75 of the NHS Act 2006).
- 15.3. The Board will approve insurance arrangements through the risk pooling schemes administered by the NHS Litigation Authority or self-insure for some or all of the risks covered by the schemes. Any decision by the Board not to use the risk pooling schemes for any of the risk areas (clinical liability, property/employers/third party/products liability and professional indemnity) covered by the scheme should be reviewed annually.
- 15.4. Commercial insurers should generally not be used except in the following specific circumstances – insuring motor vehicles including insuring third party liability arising from their use, where the CCG is involved in a Private Finance Initiative where other members of the consortium require commercial insurance arrangements and, where income generation activities take place.

## 16. PAYROLL

**POLICY** – the CCG will put arrangements in place for an effective payroll service

- 16.1. The Director of Governance will ensure that the payroll service selected:
- a) is supported by appropriate (i.e. contracted) terms and conditions;
  - b) has adequate internal controls and audit review processes;
  - c) has suitable arrangements for the collection of payroll deductions and payment of these to appropriate bodies.
- 16.2. In addition the Director of Governance? shall ensure that comprehensive procedures for the effective processing of payroll are set out.

## 17. NON-PAY EXPENDITURE

**POLICY** – the CCG will seek to obtain the best value for money goods and services received

- 17.1. 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
- 17.2. The accountable officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services.
- 17.3. The Director of Finance will:
- a) advise the audit committee on 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 the scheme of reservation and delegation;

- b) be responsible for the prompt payment of all properly authorised accounts and claims;
- c) be responsible for ensuring that a system of verification, recording and payment of all amounts payable is designed and maintained .

## **18. CAPITAL INVESTMENT, FIXED ASSET REGISTERS AND SECURITY OF ASSETS**

**POLICY** – the CCG will put arrangements in place to manage capital investment, maintain an asset register recording fixed assets and put in place policies to secure the safe storage of the CCG's fixed assets

### **18.1. The accountable officer will**

- a) 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) be 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;
- d) be responsible for the maintenance of registers of assets, taking account of the advice of the Director of Finance 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.

### **18.2. The Director of Finance will prepare detailed procedures for the disposal of assets.**

## **19. RETENTION OF RECORDS**

**POLICY** – the CCG will put arrangements in place to retain all records in accordance with NHS Code of Practice Records Management 2006 and other relevant notified guidance

19.1. The Accountable Officer shall:

- a) be responsible for maintaining all records required to be retained in accordance with NHS Code of Practice Records Management 2006 and other relevant notified guidance;
- b) ensure that arrangements are in place for effective responses to Freedom of Information requests;
- c) publish and maintain a Freedom of Information Publication Scheme.

## 20. TRUST FUNDS AND TRUSTEES

**POLICY** – the CCG will put arrangements in place to provide for the appointment of trustees if the CCG holds property on trust

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



## APPENDIX 1 - NOLAN PRINCIPLES

1. The 'Nolan Principles' set out the ways in which holders of public office should behave in discharging their duties. The seven principles are:
  - a) **Selflessness** – Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
  - b) **Integrity** – Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
  - c) **Objectivity** – In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
  - d) **Accountability** – Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
  - e) **Openness** – Holders of public office should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
  - f) **Honesty** – Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
  - g) **Leadership** – Holders of public office should promote and support these principles by leadership and example.

Source: *The First Report of the Committee on Standards in Public Life* (1995)<sup>9</sup>

## APPENDIX 2 – NHS CONSTITUTION

The NHS Constitution sets out seven key principles that guide the NHS in all it does:

1. **the NHS provides a comprehensive service, available to all** - irrespective of gender, race, disability, age, sexual orientation, religion or belief. It has a duty to each and every individual that it serves and must respect their human rights. At the same time, it has a wider social duty to promote equality through the services it provides and to pay particular attention to groups or sections of society where improvements in health and life expectancy are not keeping pace with the rest of the population
2. **access to NHS services is based on clinical need, not an individual's ability to pay** - NHS services are free of charge, except in limited circumstances sanctioned by Parliament.
3. **the NHS aspires to the highest standards of excellence and professionalism** - in the provision of high-quality care that is safe, effective and focused on patient experience; in the planning and delivery of the clinical and other services it provides; in the people it employs and the education, training and development they receive; in the leadership and management of its organisations; and through its commitment to innovation and to the promotion and conduct of research to improve the current and future health and care of the population.
4. **NHS services must reflect the needs and preferences of patients, their families and their carers** - patients, with their families and carers, where appropriate, will be involved in and consulted on all decisions about their care and treatment.
5. **the NHS works across organisational boundaries and in partnership with other organisations in the interest of patients, local communities and the wider population** - the NHS is an integrated system of organisations and services bound together by the principles and values now reflected in the Constitution. The NHS is committed to working jointly with local authorities and a wide range of other private, public and third sector organisations at national and local level to provide and deliver improvements in health and well-being
6. **the NHS is committed to providing best value for taxpayers' money and the most cost-effective, fair and sustainable use of finite resources** - public funds for healthcare will be devoted solely to the benefit of the people that the NHS serves
7. **the NHS is accountable to the public, communities and patients that it serves** - the NHS is a national service funded through national taxation, and it is the Government which sets the framework for the NHS and which is accountable to Parliament for its operation. However, most decisions in the NHS, especially those about the treatment of individuals and the detailed organisation of services, are rightly taken by the local NHS and by patients with their clinicians. The system of responsibility and accountability for taking decisions in the NHS should be transparent and clear to the public, patients and staff. The Government will ensure that there is always a clear and up-to-date statement of NHS accountability for this purpose

Source: *The NHS Constitution: The NHS belongs to us all* (March 2012)<sup>10</sup>