

**NHS Bedfordshire Luton
and Milton Keynes
Integrated Care Board**

BUDGETARY CONTROL FRAMEWORK

Version	Date	Reviewer(s)	Revision Description
Draft v0.1	10-07-2023	Finance Team	Draft Policy
Draft v0.2	11-07-2023	Liz Cox	Minor updates / comments
Final v0.3	17/07/2023	ICB Operational Group	Policy Signed Off

1.0 INTRODUCTION & BACKGROUND

- 1.1 In the current economic climate it is even more important than ever to ensure that there are robust budgetary control procedures in place to make best use of the available resources.
- 1.2 The Standing Financial Instructions detail the financial responsibilities, policies and procedures to be adopted by the ICB. Together with the Standing Orders, Scheme of Reservation & Delegation, financial procedure notes and other locally generated policies, they cover all aspects of financial management and control.
- 1.3 Budget holders are required to review procedures for financial management to ensure that they meet the standards laid down and must comply with the directions & guidance in this document. Financial performance is a key objective for senior managers within the ICB and, as such, failure to comply with budgetary control procedures may be treated as a breach of conduct.
- 1.4 The budgetary control framework is a key element of the ICB's internal control environment. It is designed to assist budget holders and managers in the discharge of their responsibilities. It describes the ground-rules within which budgets are to be operated in the financial year, it clarifies roles and responsibilities in respect of budgetary control, and it ensures that the budgetary processes of the ICB form part of the overall assurance framework.
- 1.5 The aims of the framework are:
- To ensure that budgets are systematically managed and controlled throughout the organisation.
 - To ensure there is a standardised approach to budget identification and monitoring throughout the organisation.
 - To conform to best practice in terms of governance and control of budgets.
 - To ensure that all staff are aware of their responsibilities in respect of budget management.
 - To ensure all allocations and budgets are documented and approved in line with the ICB scheme of delegation.
 - To ensure that all adverse variances against budget are investigated and corrective action plans put in place, if required.

A number of underlying key themes will be maintained in the framework:

- Budgets will be set within the ICB's expected resource.
- Budgets will be set so that they are achievable and realistic with all budget setting methodologies and assumptions being made clear.
- Expenditure will not be permitted to exceed budgets without the approval of the ICB Chief Finance Officer.
- There will be no automatic right to receive a budget at the same level as previous years. Budget holders will need to demonstrate how resources within their control are being spent and identify the resultant value for money benefits derived

therefrom. Budgets will also reflect the ICB's policy on management and operational cost reduction schemes and targets.

- Actual staff posts will not be permitted to exceed funded establishments.
- Budget reports will be issued on a regular basis for appropriate review and action.
- Where practicable, expenditure and income budgets will be linked but identified separately in order that trends and performance can be monitored.
- Clear ownership / accountability of budgets by budget holder / managers will be required and evidenced through formal sign-off of budgets. Budgets should be signed off before the start of the financial year, or in line with the proposed budget setting timetable
- Any proposal requiring additional funds must have appropriate finance input and sign-off, including identification of the source of funding, prior to submission to the ICB Board or delegated committee for approval.

2.0 SCOPE

- 2.1 This framework applies to all NHS Bedfordshire, Luton & Milton Keynes ICB staff, with reference to managers who are assigned budgetary responsibility within the organisation.

3.0 ROLES & RESPONSIBILITIES

- 3.1 **The ICB Board** will be responsible for:
- Approval of the ICB's commissioning and corporate (running cost) budgets to meet the ICB's financial duties.
 - Approval of changes to budgets where variation would have a significant impact on the overall approved levels of income and expenditure or the ICB's ability to achieve its strategic aims.
 - Approve arrangements for risk sharing and/or risk pooling with other organisations (e.g., pooled funds or pooled budget arrangements).
 - Approval of the ICB's detailed operational scheme of delegation.
 - Recommending any changes to ICB Members on changes to the Constitution which includes the Prime Financial Policies
- 3.2 **The Audit and Risk Assurance Committee** will be responsible for:
- Recommending for approval the ICB's detailed financial policies.
 - Reviewing schedules of losses and special payments (e.g., compensations) and making recommendations to the ICB Board.
 - Ensuring there is a biennial review of the Standing Orders, Scheme of reservation and delegation and Prime Financial Policies and making recommendations to the ICB Board on required changes.
- 3.3 **The Finance and Investment Committee** will be responsible for review and oversight of finance and performance in relation to the following areas:
- Performance against national and agreed targets;
 - In year financial position. Receiving a detailed report of the financial position and progress towards meeting the targets with the ICB plans;
 - Implementation of the efficiency schemes and receive updates on both the financial and activity performance of each scheme;
 - Achievement against ICB incentive schemes and receive reports of the actual and forecast performance to inform the success of incentive schemes;

- Implementation of investments / transformation schemes and receive updates outlining financial, activity and delivery against key performance indicators for each scheme;
- Reviewing schedules of receivables/payables balances

The committee will also;

- Receive and review departmental delivery plans for indicators or performance areas by exception.
- Challenge delivery and rectification plans produced to achieve targets or improve performance.
- Ensure resolution of key performance issues raised by accountable members of the Executive Team.
- Identify and allocate resources where appropriate to improve performance.

3.4 **The Chief Executive Officer** will be responsible for:

- Preparing the ICBs operational scheme of delegation, which sets out those key operational decisions delegated to individual employees of the ICB.
- Ensuring that the ICB complies with certain of its statutory obligations, including its financial and accounting obligations.

3.5 **The Chief Finance Officer** will be responsible for:

- Ensuring that any person (contractor or their employees) empowered by the ICB to commit expenditure or authorised to obtain income is made aware of this framework.
- Providing financial reports in the form required by the ICB Board.
- Ensuring money drawn down from NHS England only as required.
- Devising and maintaining systems of budgetary control.
- Ensuring that an adequate system of monitoring financial performance is in place.
- Ensuring adequate training is delivered to budget holders and managers.
- Ensuring the ICB has an accounting system that creates both management and financial accounts.
- Preparing detailed financial policies that underpin the ICBs Prime Financial Policies.
- Ensuring that the ICB has in place a system for checking and reporting of all breaches of financial policies.

3.6 **The Budget Holder** will be responsible for:

- Working with the ICB finance teams to create a comprehensive, deliverable and affordable annual budget which represents value for money.
- Checking and agreeing that the individual elements of income, pay, non-pay and total annual budget are correct.
- Confirming that the year-to-date position from periodic reporting is as expected and correct, including identifying accruals where expenditure has been committed and not yet invoiced, and explaining variances to the profiled budget.
- Informing the forecast expenditure position for the year-end.
- Identifying and delivering action plans in relation to forecast overspends against the approved budget.
- Ensuring that all invoices are checked, coded, queried and paid on a timely basis and all debtor requests are raised on a timely basis.
- Authorising Purchase Orders.
- Communicating changes that will affect the budget or forecast position so those changes can be incorporated into the overall forecast position for the ICB.
- Keeping within the constraints of their budget set for the financial year.

- Only committing expenditure in line with the ICB policies, procedures and scheme of delegation, and where an approved budget exists.
- Ensuring that any overspending or reduction of income, which cannot be met by virement, is not incurred without the prior consent of the ICB Board.
- Ensuring that the approved budget is not used in whole or in part for any purpose other than that specifically authorised.
- Ensuring that any budget transfers or virements are requested through their named finance support and the document is signed off by them.
- Observing and complying with the ICB's budgetary scheme of delegation listing authorised budget signatories and financial limits.

3.7 The ICB Finance Team will be responsible for:

- Assisting the budget holder with budget setting and costing.
- Ensuring that regular reports are produced and distributed to the budget holder in line with the ICB internal and external reporting timetable.
- Training budget holders in the understanding and interpretation of the budget monitoring statements.
- Ensuring that the ICB financial rules, regulations and procedures are publicised and communicated throughout the organisation, and specifically to the budget holders.

4.0 BUDGET SETTING

4.1 Budget Setting Process

The financial plans and resultant annual budgets are based on the ICB's anticipated resources, risks, efficiency targets and developments known at the time of setting the budget. Budgets will originate from discussions between budget holders and finance managers, informed by ongoing discussion throughout the year. Finance Officers will ensure that they have access to the latest strategic planning assumptions applied by the ICB's Senior Management Team.

For planning purposes recurrent budgets will be 'rolled over' to form the baseline for the following year. However, there will be no automatic right to receive this rolled forward budget in full. Budget holders will need to demonstrate how resources within their control are being spent and identify the resultant value for money benefits. They may be called upon to justify specific spending schemes via the business case process before elements of their full budget is released to them.

The business planning cycle will ensure that all identified developments and cost pressures are assessed, prioritised and approved by the ICB with reference to local and national targets. Throughout the year, it will also serve as a tool for evaluating and potentially disinvesting in services which are already in place.

Inflation adjustments will be applied in line with agreed financial planning assumptions. Budgets are subject to Cost Improvement or Efficiency targets set both nationally and locally by the ICB. Budget holders are required to develop realistic and achievable schemes to meet these targets.

All budgets must be agreed and "signed-off" by the appropriate budget holder. Budgets must be approved by ICB Board prior to the start of the financial year and in advance of any new financial commitments being made.

4.2 Recurrent and Non-recurrent Funding/Expenditure

Recurrent (on-going) and non-recurrent (current year only/time limited) budgets will be separately identified and agreed with budget holders and managers. Under no circumstances should recurrent expenditure be committed against non-recurrent funding unless by prior written agreement of the ICB Chief Finance Officer.

Non-recurrent funding may only be used to meet non-recurrent expenditure and will be withdrawn at the commencement of the next financial year unless by prior written agreement of the ICB Chief Finance Officer.

Where external funding streams are identified as being non-recurrent, a written agreement which confirms funding arrangements must be signed by the external stakeholder/agency prior to any financial commitment being made by the ICB (e.g., advertising posts).

4.3 Cost Efficiency / Saving / QIPP Plans

Cost efficiency measures will be agreed with budget holders prior to the start of each financial year and deducted from base budgets. Each measure will be monitored and reviewed monthly against the planned savings. Where actual performance is below that planned, a revised action plan must be agreed to deliver the agreed savings.

The ownership of any savings plan (i.e., who may claim to such savings) must be identified at the outset when plans are made.

4.4 Business Cases

Business Cases must be produced in line with guidance issued by the PMO.

Business Cases will be required for all proposed developments. They may also be requested by the Executive Team in connection with any existing schemes within a budget holder's area of responsibility.

All Business Cases must have appropriate input and support from the Finance Department. The source of funding must be identified and confirmed by the Finance Officer prior to submission to the ICB Board or delegated committee for approval. This will ensure that the associated costs are accurate and provide an additional check to ensure that all financial issues have been considered. It will also ensure that, for both new and existing schemes, there is absolute clarity around the reasons for and the benefits and outcomes of the schemes under review and alignment to ICB strategy.

Any changes to commissioned activity/spend and cost pressures impacting on budgetary spend must be approved in the same way as new developments. Baseline budgets will not be automatically reset to accommodate cost pressures. Budget holders must formally apply for additional budgetary resources under the same rules as for investments and developments using through the agreed business planning process.

Approved development funding will be retained within Reserves until confirmation is received that the development has commenced. At such a time the budget will be released to a designated budget holder through the formal budget virement process.

The amount released to the budget holder will reflect any slippage between the planned start date and the actual start date.

Further advice regarding the format and content of a business case can be obtained from the Finance Officer.

4.5 Reserves

The ICB Chief Finance Officer, on behalf of the Chief Executive Officer, will endeavour to create such reserves as are deemed necessary to secure the ability of the ICB to meet its financial duties. Reserves may include sums to cover future pay awards, price inflation, unforeseen contingencies, non-recurrent spending or other specific items not yet allocated to individual budgets.

The ICB Chief Finance Officer may exercise discretion to partly or wholly allocate reserves directly to departments for subsequent allocation to specific budgets.

Reserves will be reviewed monthly to determine both their adequacy and necessity. All changes to revenue resource allocations notified by the Department of Health and Social Care (DHSC) will be reflected initially in reserves. Budget holders do not have an automatic right to receive an allocation direct into their budgets.

Funds will only be released from reserves when the ICB Chief Finance Officer is satisfied that:

- The appropriate approval process and procedures have been complied with;
- There is a sound financial strategy in place for spending the resource;
- The purpose is in line with the ICBs strategic objectives and demonstrates value for money;
- The proposed use of resource is not or cannot be funded from within existing budgets; and
- The commitment will not jeopardise the ICBs ability to meet its statutory duties and financial targets.

4.6 Carry forwards from previous year

Automatic carry-forwards of unused budget funds for individual budgets from the prior financial year will not be available.

Where a ICB has received 'ring fenced' income (not allocations), which would otherwise be lost to the organisation, non-recurrent budget carry forwards may be considered subject to written approval by the Chief Finance Officer. Under no circumstances can unused allocations received from the DHSC or NHS England be carried forward.

4.7 External funding, allocations and pilots

No applications should be made for any additional external funding towards pilots or service developments without formal financial sign-off. This is to ensure that any projected costs submitted are validated and that the finance department is aware of the application to track receipt of the external funding.

No funds should be committed until allocations have been confirmed in writing.

5.0 BUDGETARY MANAGEMENT

- 5.1 Each budget holder will be provided with a monthly budget report within ten working days of the month end to which the report relates.

In order to provide an accurate financial position, prior to the reports being finalised:-

- Accruals (sums entered to reflect resources consumed but not yet actually paid for) will be entered by the Finance Team monthly. This includes for Goods / Services Received and not paid for (“GRNI”).
- Prepayment adjustments (sums entered to reflect payments made in advance of resources consumed) will also be entered by the Finance Team monthly.
- No accruals or prepayment adjustments will be entered which are merely ‘balances to budget’.
- Error suspense reconciliations will be cleared promptly each month by the Finance Team before the deadline for monthly closedown of the general ledger.

NHS Finance Teams are required to follow International Financial Reporting Standards and the DHSC Group Accounting Manual (GAM) when accounting for financial transactions. Accounting treatment is the subject of independent external audit. When accounting for expenditure, the Finance Team will therefore match expenditure to the fiscal period when goods and services are received. Budget holders should not therefore commit expenditure which straddles financial years without discussing the implications the relevant Finance Officer.

The prepayment of contracts to use under spending in-year budgets is not permissible without the explicit authorisation of the Chief Finance Officer.

A schedule of dates on which budget holders and managers will receive budget statements in respect of each accounting period will be issued.

Executive Officer level budget holders will receive summarised versions of financial statements identifying performance against each budget area within their remit.

All budget holders will continue to receive detailed budget statements by Cost Centre and will also be provided with additional information in relation to payroll expenditure.

Budget holders will be instrumental in underwriting the accuracy of forecasts provided in conjunction with the Finance Officer as they should have a more in-depth understanding of their budget area and be aware of any commitments (e.g., Purchase orders raised / SLAs agreed and performance to date).

A regular review will take place, involving both the Finance Officer and budget holder to ensure that the budget reports reflect a true record of the expenditure position to date and to agree the forecast position for the year end. The ICB Chief Finance Officer will produce a monthly position statement for the ICB Board which will:

- highlight performance against the ICB’s key financial targets;
- provide explanations for major variances against budgets and action being taken to rectify the position;
- identify major financial risks that could affect the ICB’s financial position and details of any action being taken to mitigate them.

5.2 Investigation of Variances

A budget holder must manage their overall budget position within the resources available. Variances, where income or expenditure differs from the budget, during the year need to be fully understood by the budget holder in order that the underlying financial position can be determined, and appropriate management action taken to bring expenditure / income back in line with the budget.

All significant variances should be investigated rapidly by the budget holder in liaison with the Finance Officer. When variances become apparent during the monthly reporting cycle, every effort should be made to investigate the cause of the variance within one week.

In respect of significant adverse variances, action to remedy (or cover) the problem should be taken as quickly as possible, but only after seeking appropriate advice. Failure to take prompt action could lead to more drastic measures becoming necessary at a later stage.

As part of the year end closedown process, budget holders will be asked to highlight and explain any significant variance in advance of the audit. The investigation threshold will be linked to the external auditor's materiality or testing level.

5.3 Underspends

Budget holders are encouraged to generate savings and underspends, without reducing quality of service or administrative performance.

Budget holders should note that underspends in any year are not normally carried forward for use in a subsequent year.

If a budget is forecast to be underspent, the savings will be classified into two distinct categories:

- Fortuitous – these are savings which accrue without the budget holder taking any specific action, e.g., staff turnover.
- Planned – these are savings which are the direct result of specific action taken by the budget holder.

Fortuitous savings will normally be vired to Central Reserves for the ICB to use, for example, to alleviate financial pressures elsewhere within the ICB or to fund new investments/developments.

For planned savings, discussion with the ICB Chief Finance Officer will determine whether some or all of the savings should be retained by the budget holder in the current year. Wherever possible, budget holders should be allowed to retain planned underspends for alternative use provided that sound proposals can be put forward which will not jeopardise the ICB's overall financial position. Confirmation will be required that any commitment is of a non-recurrent nature and that the budget holder has clearly identified how and when savings will be released.

The prepayment of contracts to use under spending in-year budgets is not permissible without the explicit authorisation of the Chief Finance Officer.

Notwithstanding these arrangements, the ICB Chief Finance Officer has the right to request the use of any planned savings to alleviate financial pressures elsewhere within the ICB or to fund new developments.

5.4 Overspends

A budget holder does not have the authority to overspend their budget(s).

The ICB Board must safeguard its overall spending position with regard to the ICB's statutory financial duties and will expect appropriate prompt action to be taken to minimise the serious consequences of potential overspending.

Where budget holders become aware that possible significant overspends could arise, immediate action must be taken to rectify the situation. The budget holder must inform the ICB Chief Finance Officer or a senior member of the Finance Team as quickly as possible.

Expenditure for which no budgetary provision has been made and which cannot be covered by delegated powers of transfer must not be incurred without the express permission of the appropriate ICB Committee / ICB Board. The ICB Board have delegated this power to the Chief Executive Officer or ICB Chief Finance Officer. When this power is exercised, it must be reported to the appropriate ICB Committee / ICB Board at the earliest opportunity.

Where power to transfer between budgets or budget headings has not been delegated, setting an underspend against a corresponding overspend is not permitted.

Overspends will not normally be carried forward from one year to another. Executive Officers and budget holders are expected to provide a financial strategy to ensure that a balanced budget is achieved.

5.5 Virement between budgets

As a general principle, budget holders must not incur expenditure which is normally chargeable to the budgets of other budget holders without prior written authority.

Virement (transfer) of funds between budgets/reserves may be necessary during the year for a number of reasons. One of these would relate to the peaks and troughs of service demand that may of necessity require some flexing of budgets.

Budget holders may wish to vire funds from within their own budgets (budget lines) or with budgets held by others. In all cases, a virement form must be completed (in conjunction with the Finance Officer) and signed by both the budget holder and the designated Finance Officer.

In those cases where transfers between budget holders are requested, the signature of both budget holders will be required before any budget is amended. The recipient should not assume that the virement will occur and must not take any action which commits expenditure until all signatures have been obtained.

A record of all budget changes from initial base budgets will be maintained by the Finance Team.

Virements **cannot be** actioned for:

- Non-recurrent funds to meet recurrent commitments;
- Transfers between capital and revenue (either way) without written approval of the ICB Chief Finance Officer;
- Where it would increase running costs, unless approved by the ICB Chief Finance Officer.

5.6 Virement limits

The Chief Executive Officer and ICB Chief Finance Officer have unlimited powers of virement. Executive Officers and budget holders are required to consult with their Finance Officer when considering the financial viability of virement.

5.7 Establishment Control

Prior to placing a job advertisement, the proper establishment control procedure must be followed. In completing the establishment control documentation, the originating manager must:

- Identify how the full cost of the post will be funded. This will include, where applicable, costs relating to salary, travel, training, furniture, equipment, computer, mobile phone, etc.
- Explain why the post should be filled, the impact on service delivery of not filling the vacancy and the financial impact of filling/not filling the vacancy.

Establishment control forms completed in respect of all posts must be counter-signed by the Finance Officer as additional confirmation of availability of funding for the post.

Establishment control forms will be approved in line with the current ICB process.

The above will facilitate the better management of budgets by ensuring that financial information is kept up to-date and ensure that posts are only placed against funded positions.

5.8 Agency Staff Budgets

NHS England have special arrangements in place for the engagement of high cost or long-term agency staff. The NHS England guidance is attached in Appendix A.

The establishment control process must be followed for all agency staff requirements. Where agency staff are used, the appropriate establishment budget will be charged the actual agency/bank staff time (whole time equivalent) as well as cost.

The cost of agency staff is normally more expensive than NHS staff and therefore a budget holder must ensure that sufficient funds are available within the overall budget to accommodate this additional cost.

5.9 Consultancy Spending

NHS England have implemented consultancy spend controls.

The controls process requires NHS providers and NHS commissioners to demonstrate value for money of proposed consultancy support against a number of assessment criteria, plus a post implementation report on benefits of work and value added.

Expenditure on Consultancy greater than £50k must be approved by NHS England.

5.10 **Managing Public Money**

This framework should be read in conjunction with HM Treasury (HMT) Managing Public Money Guidance.

The following payments are classed as Special Payments and must not be offered or made in any circumstance unless appropriate advice and approval has been sought from the ICB Chief Finance Officer. Payments of this type may require NHS England or HMT approval.

- 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.)
- 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
- Compensation payments are made to provide redress for personal injuries (except for payments under the Civil Service Injury Benefits Scheme), traffic accidents, damage to property etc, suffered by civil servants or others. They include other payments to those in the public service outside statutory schemes or outside contracts
- 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
- 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
 - payments to contractors outside a binding contract, e.g., on grounds of hardship special payment for which it has
 - no delegated authority, or which exceeds its authority

5.11 **Better Payment Practice Code**

Each ICB is required to pay at least 95% (by volume and value) of NHS and non-NHS creditors within 30 days unless other payment terms have been agreed. It is important, therefore, that those who are required to authorise invoices or provide

proof of delivery of goods or services against purchase orders should do so immediately or as soon as practicable upon receipt.

The Finance Team will actively manage performance against this target and will contact all budget holders to ensure that appropriate actions are taken in a timely manner.

5.12 Cash Management

ICBs are required to keep minimal month end cash balance. It is not allowed to carry surplus cash above this limit nor is it allowed an overdraft.

To support the achievement of this very tight control, budget holders are required to confirm the payment profile for significant expenditure budgets with their Finance Officer. The Finance Team will maintain a rigorous cash forecasting regime to oversee compliance and will be required to manage any variation from the forecast monthly.

5.13 Training

Budget holders will receive appropriate training in budget management from Finance staff. It is essential that any training requirements are raised with your Finance Officer at the regular review meetings to ensure that there are no gaps in control.

6.0 COUNTER FRAUD

6.1 The ICB's Fraud & Corruption Policy defines the policy for dealing with suspected fraud and other fraudulent acts, dishonesty involving employees, contractors and their employees.

The ICB has a designated Local Counter Fraud Specialist (LCFS) who is the main point of contact for anyone in the ICB who is concerned or suspicious. Staff who have any concerns or suspicions of any activity that may be fraudulent should contact one of the following immediately:-

- Local Counter Fraud Specialist at james.shortall@bdo.co.uk
- ICB Chief Finance Officer
- National Fraud & Corruption Reporting Line on freephone 0800 028 4060. Staff are protected by the Hearing Staff Concerns 'Whistle-blowing' Policy.

This, together with the Fraud & Corruption Policy, can be found on the ICB intranet site.

7.0 INTERACTION WITH OTHER POLICIES

7.1 This framework should be read in conjunction with the ICB Governance Handbook.

7.2 Further support in the understanding and use of this framework can be obtained from the NHS Bedfordshire, Luton & Milton Keynes ICB Finance Team.

8.0 MONITORING & REVIEW

- 8.1 Monitoring of compliance to this framework will be the responsibility of the Chief Finance Officer.
- 8.2 The budget monitoring framework within the ICB will be subject to periodic audit scrutiny.
- 8.3 The implementation and use of this framework will be monitored by the Audit and Risk Assurance Committee (ARAC).

APPENDICIES

Appendix A - Agency Controls Guidance – **Currently being updated for ICBs**

GATEWAY NUMBER: 05656

Introduction

NHS England is implementing spending controls for CCGs in relation to the engagement of off payroll staffing. The controls described below build on the controls on CCG consultancy spend introduced in June 2015 which led to a significant reduction in CCG consultancy spend in 2015/16.

Specifically, CCGs are therefore required to secure advance approval from NHS England before engaging off payroll staff/agency staff who meet **any** of the following criteria:

- Cost greater than £600 per day (excluding VAT and expenses but including agency fees),
- Engaged for a period greater than 6 months, or
- In roles of significant influence (e.g. member of CCG Governing Bodies).

As of 1st August 2016, approval for all expenditure meeting the above criteria will be requested via this CCG Agency Business Case Approval Form. Approvals will be at the following levels:

- All agency resources engaged above £600 per day (excluding irrecoverable VAT and expenses, but inclusive of agency fees) but lower than £800 per day will require approval from the relevant NHS England Director of Commissioning Operations and their Director of Finance
- Engagements above £800 per day will require **additional** approval from Regional Directors and Regional Directors of Finance
- Any proposed engagements greater than £900 per day will also require the approval of the NHS England Commercial Executive Group.
- Expenditure below £600 per day but greater than 6 months in duration or covering areas of significant influence will require sign off from the Director of Commissioning Operations and their Director of Finance.

CCGs must complete the pro forma on the following page. Further guidance and the chart in Appendix 1 show the flow of business case approvals

Business Case Approval Forms are to be sent to: England.CCGcontrols@nhs.net .

Please send all queries to England.CCGcontrols@nhs.net:

CCGs will also be asked to provide information on **current engagements** meeting any of the three criteria above by their local NHS England office. They will need to go through this process within 2 months for regional/national approval levels and 3 months for local approval levels. If subsequent approvals are not forthcoming then arrangements should be terminated within 4 weeks maximum unless there is a contractual commitment for longer; in which case it should be the earliest of 4 weeks or the contractual commitment.

For pre-existing arrangements, if a contractor has a fixed period say with 3 months' notice, that notice should be served pending approval to reduce the time required.

NB: NHS England reserves the right to review appointments where circumstances change

AGENCY EXPENDITURE BUSINESS CASE APPROVAL FORM

For NHS England completion	
Reference Number	
Date received	

For CCG completion	
CCG name	
Regional (Geography)	
Date submitted	

Proposal Description
<i>Please give a high level summary of what this requirement entails (250 words)</i>

Reference Information			
Title of the Requirement:			
Name of requestor:		Job role of requestor:	
Email address of requestor:		Date submitted for approval:	
Tel number of requestor:		Day Rate including irrecoverable VAT, agency fees and other costs e.g. expenses and Total contract value (£)	
Required duration (days):			
Proposed Start date. NB: It should be noted that a minimum of six		End date:	

weeks must be allowed for approvals process before start date of assignment.			
Expenditure type (please tick ✓)			
New Business Case		Extension to Business Case	

Nature of business resource required for (please tick ✓)			
Clinical resource		Non-Clinical Resource	

Expenditure type	Please tick	Details (Please select one from the following list: Strategy; Finance; Organisational and Change Management; IT; Property and Construction; Procurement; Legal Services; Marketing and Communications; HR, Training and Education; Programme and Project Management; Technical; Other)
All Professional Services	<input type="checkbox"/>	
Nominated Contractors		
Specialist Contractors		
Interim Managers		
Other professional services		

Authorisation (two internal authorisations required as a minimum)		
Authorisers ²	Please tick (<input type="checkbox"/>)	Name and Date
[Specify job role]		By: [Specify name]; Date: [Specify date]
[Specify job role]		By: [Specify name]; Date: [Specify date]
[Specify job role]		By: [Specify name]; Date: [Specify date]
[Specify job role]		By: [Specify name]; Date: [Specify date]
[Specify job role]		By: [Specify name]; Date: [Specify date]

Assessment criteria	
Please demonstrate the value of the proposed contract against the following criteria. Please limit answers to max. 350 words per question. Answers should be self contained within this table, but further evidence and analysis can be submitted as an annex for consideration.	
Ambition to deliver something of value, importance and relevance	What strategic or operational objectives does this request support? <i>Please provide a short description of how your organisation's strategic and operational objectives are supported by this procurement, referring where relevant to your operational and five year strategic plan. Where appropriate, please also provide assurance that this work aligns with LHE strategy.</i>

	<p>What outputs or specific deliverables are required, and how do they support the overall objectives? <i>Please provide details of the outputs or deliverables required from the consultancy service. Outputs should be capable of objective evaluation.</i></p> <p>Why do you need external resources to deliver these outputs or deliverables? What skills can or will be transferred to permanent CCG staff? <i>Please explain why the services set out above cannot be resourced internally or sourced from peer organisations. What skills will be transferred to permanent staff, and how will this be done?</i></p> <p>Please describe what the impact will be on CCG objectives and on patient care if approval is not given for this business case?</p>
<p>Clear scope</p>	<p><i>Please ensure the scope is clear and defined and provide information on how the scope was developed, including any engagement undertaken with relevant stakeholders</i></p>
<p>Robust contract management</p>	<p><i>Please explain steps you will take to manage the supplier to deliver value for money, including steps you will take to ensure the delivery of the scope as planned. Please include detail of payment structure including detail of approaches to link payment to deliverables</i></p>
<p>Capacity to implement findings/ recommendations</p>	<p><i>Please demonstrate your capacity to implement findings/recommendations of the procured support including details of steps taken. Please support your response with details of any relevant previous examples, such as specific examples of benefits realisation. Please note whether there are any contractual restrictions to sharing the outcomes of this work with the wider sector.</i></p>
<p>Timeframe of Assignment (s)</p>	<p><i>Please include when expected outcome will be delivered.</i></p>

Robust post implementation review proposal	<i>Please outline how you will review effectiveness of the off-payroll support/Agency worker support procured.</i>
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Procurement route if relevant
(please tick ✓)

Framework [Insert which one if known] NB: In additional to the controls described above CCGs will be expected to use existing framework arrangements to source interim staffing.	✓	Open tender		Other
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Procurement method and value on price: *Provide details of the proposed procurement/resourcing method, including how you reached the decision that this is the best way to meet your business requirements, evidence of sourcing the best value resource. Please evidence any efforts to negotiate on day rates and agency fees. Please also provide details of the basis of payment (e.g. details of fixed fee) and why this will achieve best value.*

Selected provider (if known):

Benchmarking of rates

Please provide details of agreed benchmarking rates, referencing where possible agreed framework rates.

Financial case

Please provide details of how you have calculated the cost of the resource for the service required, by reference (as relevant) to bench-marked costs, and provide justification for the number of days required and/or mix of resources. Please provide evidence of the market engagement you have undertaken to calculate the financial case. You should also provide details of additional costs.

Breakdown of expenditure (expand as necessary)

Resource, Role(s) and Grade(s) (or equivalent)	Unit Cost or daily rate	Discount agreed (%)	Units Required	FY Expenditure Due		Sub Total (£)
					21/22	
				Contingency		
				Expenses		
				VAT (irrecoverable)		
				Total Cost		

NB: It is the responsibility of the requestor to ensure that approval information is retained for audit purposes.

Business Case Approval Forms are to be sent to: England.CCGcontrols@nhs.net

Please send all queries to England.CCGcontrols@nhs.net

NHS England will aim to respond to queries within 10 working days.

Appendix 1

Guidance:

NHS England is implementing the introduction of spending controls for CCGs in relation to the engagement of off payroll staffing. The controls described below build on the controls on CCG consultancy spend introduced in June 2015 which led to a significant reduction in CCG consultancy spend in 2015/16.

Specifically, CCGs are therefore required to secure advance approval from NHS England before engaging off payroll staff/Agency staff who meet the following criteria:

- Cost greater than £600 per day (excluding VAT and expenses but including agency fees)
- Engaged for a period greater than 6 months
- In roles of significant influence (e.g. member of CCG Governing Bodies).

As of 1st August 2016, approval for all expenditure meeting the above criteria will be requested via this CCG Agency Business Case Approval Form. Approvals will be at the following levels:

- All Agency resources engaged above £600 per day (excluding irrecoverable VAT and expenses, but inclusive of agency fees) but lower than £800 per day will require approval from the relevant NHS England Director of Commissioning Operations and their Director of Finance
- Engagements above £800 per day will require **additional** approval from Regional Directors and Regional Directors of Finance
- Any proposed engagements greater than £900 per day will also require the approval of the NHS Commercial Executive Group.
- Expenditure below £600 per day but greater than 6 months in duration or covering areas of significant influence will require sign off from Director of Commissioning Operations and their Director of Finance

In addition to the controls described above CCGs will be expected to use existing framework arrangements to source interim staffing.

The approval process

Business Case Approval Forms are to be sent to: England.CCGcontrols@nhs.net

Please send all queries to England.CCGcontrols@nhs.net

The relevant panel will review each business case against a number of assessment criteria.

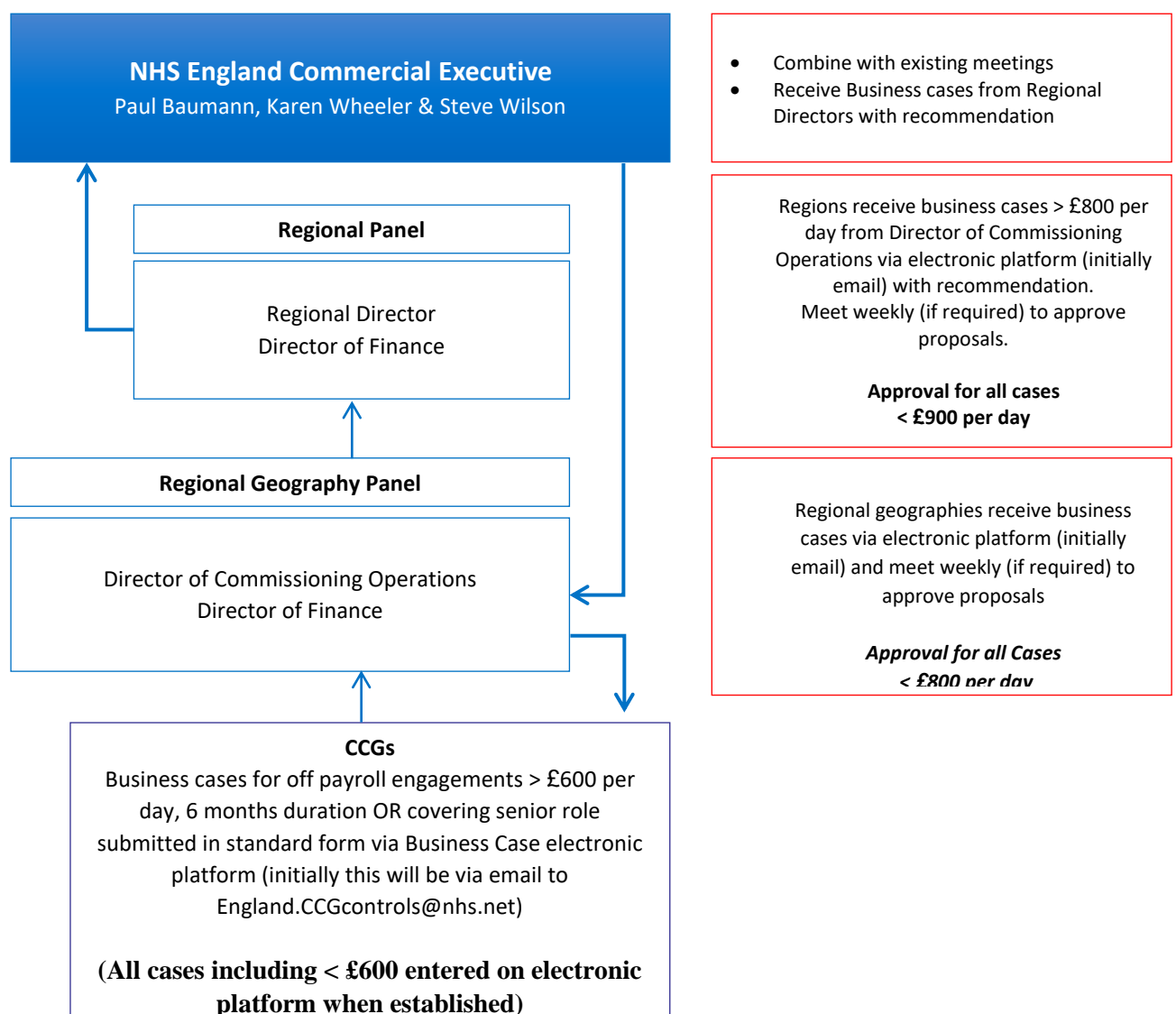
- VFM of proposed engagement
- Business need
- Reason for use of off payroll
- Role to be undertaken
- Framework compliance
- Any recruitment strategy if relevant
- Anticipated delivery start and end date

Approval will be given to business cases which clearly demonstrate good value for money against the assessment criteria.

Compliance

All CCGs are expected to comply with this controls process. A failure to do so may be taken to indicate, for assurance purposes, that a CCG does not have adequate expenditure controls in place.

Flow Chart for CCG Off Payroll/Agency Controls Process



Reference Information			
Title of the project:			
Name of requestor:		Job role of requestor:	
Email address of requestor:		Date submitted for approval:	
Tel number of requestor:		Total contract value (£) (including expenses and irrecoverable VAT)¹:	
Contract duration (days):			
Start date:		End date:	
Expenditure type (please tick ✓)			
New Business Case		Extension to Business Case	

Expenditure type		
All Professional Services	Please tick	Details (Please select one from the following list: Strategy; Finance; Organisational and Change Management; IT; Property and Construction; Procurement; Legal Services; Marketing and Communications; HR, Training and Education; Programme and Project Management; Technical; Other)
Management consultancy	✓	[e.g. Strategy]
Specialist Contractors		Initially interim managers and day rate contractors not controlled
Interim Managers		Initially interim managers and day rate contractors not controlled
Other professional services		Initially other professional services not controlled

Authorisation (two internal authorisations required as a minimum)		
Authorisers ²	Please tick (✓)	Name and Date
[Specify job role]		By: [Specify name]; Date: [Specify date]
[Specify job role]		By: [Specify name]; Date: [Specify date]
[Specify job role]		By: [Specify name]; Date: [Specify date]
		By: [Specify name]; Date: [Specify date]
		By: [Specify name]; Date: [Specify date]

¹ Total contract value stated here should equal total cost as stated at the bottom of page 4.

² Business Case Approval Forms should be signed off in accordance with the CCG's own governance arrangements. Please note that NHS England also expects this form to be authorised by the Accountable Officer and CFO.

Note: It is the responsibility of the requestor to ensure that approval information is retained for audit purposes.

NHS England will respond to queries within 10 working days.
Please submit this form via England.CCGcontrols@nhs.net

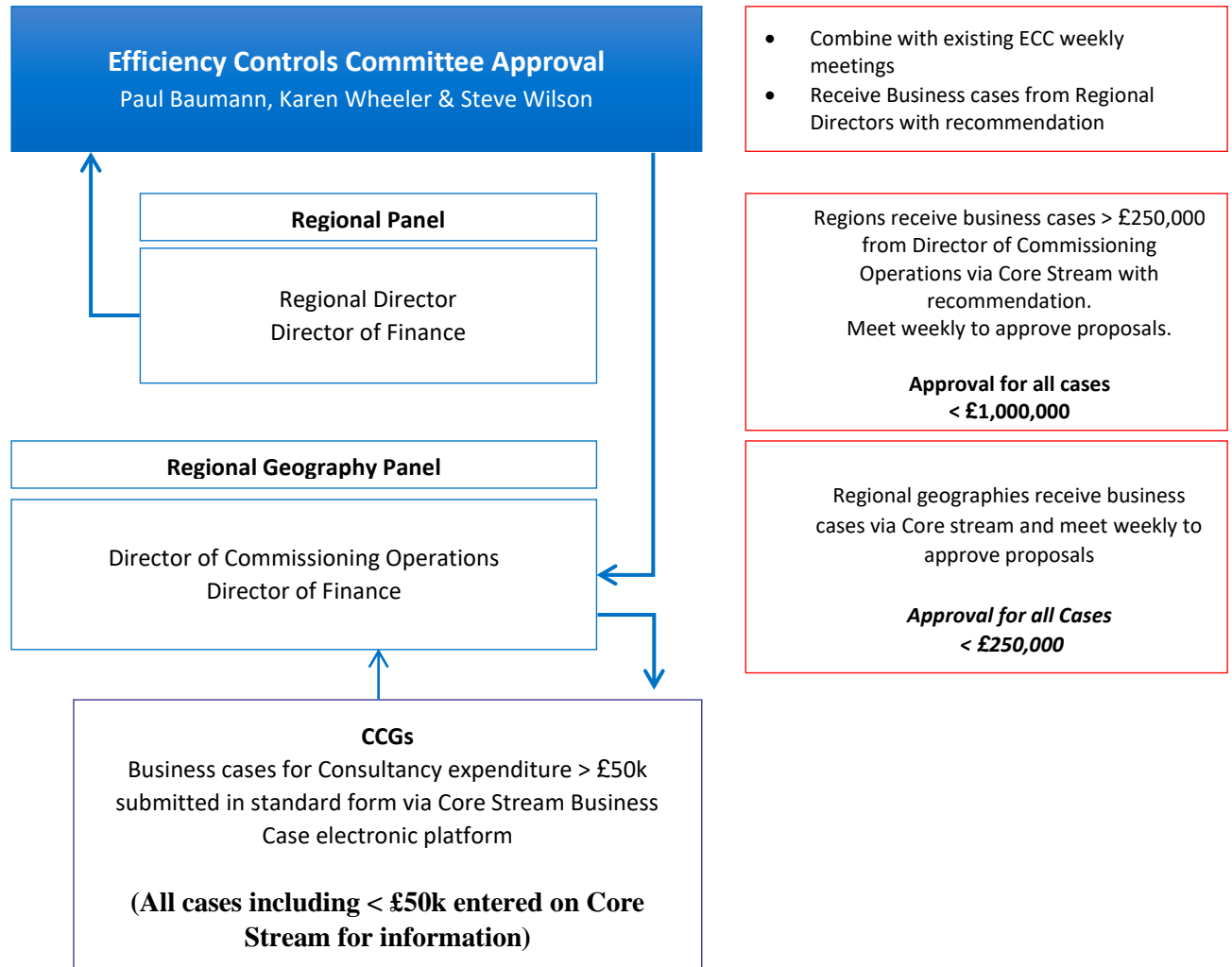
Assessment criteria	
<p>Please demonstrate the value of the proposed contract against the following criteria. Please limit answers to max. 350 words per question. Answers should be self contained within this table, but further evidence and analysis can be submitted as an annex for consideration.</p>	
Ambition to deliver something of value, importance and relevance	<p>What strategic or operational objectives does this request support? <i>Please provide a short description of how your organisation's strategic and operational objectives are supported by this procurement, referring where relevant to your operational and five year strategic plan. Where appropriate, please also provide assurance that this work aligns with LHE strategy.</i></p>
	<p>What outputs or specific deliverables are required, and how do they support the overall objectives? <i>Please provide details of the outputs or deliverables required from the consultancy service. Outputs should be capable of objective evaluation.</i></p>
	<p>Why do you need external resources to deliver these outputs or deliverables? What skills can or will be transferred to permanent CCG staff? <i>Please explain why the services set out above cannot be resourced internally or sourced from peer organisations. What skills will be transferred to permanent staff, and how will this be done?</i></p>
	<p>Please describe the impact be on CCG objectives and on patient care if approval is not given for this business case?</p>
Clear scope	<p><i>Please ensure the scope is clear and defined and provide information on how the scope was developed, including any engagement undertaken with relevant stakeholders</i></p>
Robust contract management	<p><i>Please explain steps you will take to manage the supplier to deliver value for money, including steps you will take to ensure the delivery of the scope as planned. Please include detail of payment structure including detail of approaches to link payment to deliverables</i></p>
Capacity to implement findings/ Recommendations	<p><i>Please demonstrate your capacity to implement findings/recommendations of the procured support including details of steps taken. Please support your response with details of any relevant previous examples, such as specific examples of benefits realisation. Please note whether there are any contractual restrictions to sharing the outcomes of this work with the wider sector.</i></p>

Timeframe of work	<i>Please include when expected outcome will be delivered.</i>
Robust post implementation review proposal	<i>Please outline how you will review effectiveness of the consultancy support procured.</i>

Procurement route if relevant (please tick ✓)				
Framework [Insert which one if known]		Open tender		Other
Procurement method and value on price: <i>Provide details of the proposed procurement/resourcing method, including how you reached the decision that this is the best way to meet your business requirements, evidence of sourcing the best value supplier and evidence of negotiation over rates. Please also provide details of the basis of payment (e.g. details of fixed fee) and why this will achieve best value.</i>				
Selected provider (if known):				
Benchmarking of rates				
<i>Please provide details of agreed benchmarking rates, referencing where possible agreed framework rates.</i>				

Financial case						
<i>Please provide details of how you have calculated the cost of the product or service, by reference (as relevant) to benchmarked costs, and provide justification for the number of days required and/or mix of resources. Please provide evidence of the market engagement you have undertaken to calculate the financial case. You should also provide details of additional costs.</i>						
Breakdown of expenditure (expand as necessary)						
Product, service, Role(s) and Grade(s) (or equivalent)	Unit Cost or daily rate	Discount agreed (%)	Units Required	FY Expenditure Due		Sub Total (£)
				15/16	16/17	
			Contingency			
			Expenses			
			VAT (irrecoverable)			
			Total Cost			

Business Case Flow Chart



- Combine with existing ECC weekly meetings
- Receive Business cases from Regional Directors with recommendation

Regions receive business cases > £250,000 from Director of Commissioning Operations via Core Stream with recommendation. Meet weekly to approve proposals.

Approval for all cases < £1,000,000

Regional geographies receive business cases via Core stream and meet weekly to approve proposals

Approval for all Cases < £250,000