

Commissioning Strategy, Budgets, Budgetary Control and Monitoring Policy

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Target Audience	All budget holders All CCG Finance Staff
Approving Committee	CCG Executive Committee
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Policy Author	Stephanie Hodkinson/NHS Audit North West
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Applicable Statutory, Legal or National Best Practice Requirements	Under the provisions of its Constitution, the Group is required to prepare detailed financial policies to support its prime financial policies. This document serves to discharge that responsibility for this subject-area.
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The CCG is committed to an environment that promotes equality, embraces diversity and respects human rights both within our workforce and in service delivery. This document should be implemented with due regard to this commitment.

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Approved documents are valid for use after their approval date and remain in force beyond any expiry of their review date until a new version is available.

Version Control Sheet

Version	Date	Reviewed By	Comment
Draft v0.1	November 2013	ANW	Initial drafting
V1.0	January 2014	CFO and Executive	Final Draft

Analysis of Effect completed	By:	Date:
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1 Introduction

Under the provisions of its Constitution, the Group is required to prepare detailed financial policies to support its prime financial policies. This document serves to discharge that responsibility for this subject-area.

1.1 Objective

The key objectives of this policy are to:

- Identify budgetary control objectives.
- Ensure that budgetary responsibility and delegated powers is clearly identified.
- Facilitate the identification and control of budgetary-related risks.

1.2 Scope

The policy applies to all staff employed by NHS Bolton CCG, but with particular relevance to those individuals with budget holder responsibilities.

2 Definitions

The key definitions applicable to this policy are as follows:

- **Budgets:** are plans expressed in financial terms. A budget is defined by the Chartered Institute of Management Accountants as:-
"A financial and/or quantitative statement prepared and approved prior to a defined period of time, of a policy to be pursued during that period, for the purposes of attaining given objectives."
- **Budgetary control** involves the establishment of budgets in accordance with the aims and objectives set out in the Business Plan. It relates the responsibilities of managers to the requirements of a policy and enables a continual comparison of actual and budgeted results so that action can be taken to secure the objectives of that policy or to provide a basis for its revision.
- **A Budget Holder** is the Director or employee with delegated authority to manage finances (income and expenditure) for a specific area of the organisation;
- **Commissioning:** The Department of Health defines commissioning as the means by which we secure the best value for local citizens and taxpayers i.e. the best possible health and wellbeing outcomes, and health and social care provision, within the resources available. It is an on-going process that applies to all services, whether they are provided by the local authority, NHS, other public agencies, or by the independent sector.

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- **Revenue Expenditure:** spend on the day-to-day costs of the organisation's activities. Examples include running costs, healthcare and non-healthcare contracts.
- **Capital Expenditure:** spend on an asset (or group of functionally interdependent assets) with a useful life expectancy of greater than one year and a cost of £5,000 or above. Examples are land, buildings, equipment and software.
- **Virement** is the process of transferring a revenue budget from one budget heading to another, with the approval of the appropriate budget holder and subject to strict criteria. It can be used to enable accountable managers to amend budgets in the light of experience, or to reflect anticipated changes in the pattern of future income or expenditure.

3 Other Relevant Procedural Documents

This policy should be read in conjunction with the following documents:

- Prime Financial Policies;
- Expenditure Control;
- Accounting Systems.

4 Roles and Responsibilities

The key roles and responsibilities of CCG Officers and members of staff are set out in the following sections.

5 Commissioning Strategy

- 5.1 The commissioning strategy sets out the vision and values of the CCG, documents the local needs of the population and details the external drivers we face and to which we need to be responsive. The strategy shows what we are aspiring to achieve, and guides how we intend to allocate our resources both to commission services for our population and to effectively manage and run our organisation.
- 5.2 The commissioning strategy forms the framework upon which we will review our performance, shape our priorities and service improvement proposals, make strategic decisions, create our annual delivery plans and develop commissioning intentions.
- 5.3 The Chief Officer of the CCG ensures the production of a commissioning strategy, and submits this to the Board for approval. The commissioning strategy will contain:
- (a) A statement of significant assumptions.
 - (b) Key aims and objectives for the CCG.
 - (c) Identification of potential risks which may affect attainment of the Strategy.

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- (d) References to the views of the public and member practices.
- 5.4 There will be an annual review and refresh of the strategy, updating the assumptions.
- 5.5 The Chief Finance Officer will prepare and submit to the Chief Officer the financial aspects of the strategy, and provide assurance to the Board that this information informs the budgetary compilation process.

6 Budgetary Control and Monitoring

6.1 Allocations

6.1.1 The Chief Finance Officer of the CCG will:

- (a) Periodically review the bases and assumptions used by NHS England for distributing allocations and ensure that these are reasonable and realistic and secure the CCG's entitlement to funds.
- (b) Prior to the start of each financial year submit to the CCG Board for approval, a report showing the total allocations received and their proposed distribution including any sums to be held in reserve.
- (c) Regularly update the CCG Board on significant changes to the initial allocation and the uses of such funds.
- (d) Provide clearly defined financial objectives for the CCG that are approved by the Board.

6.2 Preparation and Approval of Local Financial Plan and Budgets

6.2.1 The Chief Finance Officer will compile and submit to the Board a clear operational Financial Plan which sets out the high level financial performance framework, the summary budgets and the required level of savings to be delivered through the Quality, Innovation, Productivity and Prevention (QIPP) programme. The plan will contain:

- (a) A statement of the significant assumptions on which the Financial Plan is based.
- (b) Details of major changes in workload, delivery of services or resources required to achieve the plan.
- (c) Details of planned running costs.
- (d) Details of the level of reserves required.
- (e) An evaluation of the financial risks.

6.2.2 Prior to the start of the financial year the Chief Finance Officer will, on behalf of the Chief Officer, prepare and submit budgets for approval by the Board. Such budgets will:

- (a) Be in accordance with the aims and objectives set out in the plan.
- (b) Accord with workload and manpower plans.
- (c) Be produced following discussion with appropriate budget holders.

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- (d) Be prepared within the limits of available funds.
- (e) Identify potential risks.

6.2.3 The Chief Finance Officer shall monitor financial performance against budgets and plans, periodically review same, and report to the Board, on a monthly basis, the most up-to-date information available.

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

6.2.5 The Chief Finance Officer has a responsibility to ensure that training is delivered on an on-going basis to budget holders to help them manage successfully.

6.3 Budgetary Delegation

6.3.1 The Chief Officer will delegate the management of budgets to budget holders to permit the performance of a defined range of activities. A budget holder can delegate budgets under their control to other officers referred to as budget managers. The CCG will maintain an approved list of budget holders and budget managers who are able to incur expenditure within a defined limit for their own named budgets. This limit must not be exceeded. The list of authorised signatories will be approved by the Chief Financial Officer.

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

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

6.4 Budgetary Control and Reporting

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

- (a) Monthly financial reports to the Board in a form approved by the Board containing:
 - (i) expected delivery against financial targets;
 - (ii) allocation and expenditure to date showing trends and forecast year-end position;
 - (iii) Statement of Financial Position;
 - (iv) delivery of the QIPP programme including identification of any projected material variances;
 - (v) capital project spend and projected outturn against plan (where relevant);
 - (vi) explanations of any other material variances from plan;
 - (vii) details of any corrective action where necessary and the Chief Officer's and/or Chief Finance Officer's view of whether such actions are sufficient to correct the situation;

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- (viii) key risks to the delivery of the financial plan and mitigating actions.
- (b) Timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible.
- (c) Investigation and reporting of variances from financial, activity and manpower budgets.
- (d) Regular meetings with budget holders and monitoring of management action to correct variances.
- (e) Arrangements for the authorisation of budget transfers (virement).

6.4.2 Each Budget Holder is responsible for ensuring that:

- (a) Budget statements are thoroughly reviewed monthly and any significant variances investigated.
- (b) Budgets are not overspent at the end of the financial year or any likely overspend is reported to the Board along with a plan of action aimed at bringing the overspend back in line.
- (c) Regular meetings take place with their management accountant to ensure a thorough understanding of the year to date financial position and also use their knowledge to assist in the forecasting of outturn positions.
- (d) The amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of virement.
- (e) No permanent, temporary or agency staff are appointed without the approval of the relevant Director and the Chief Financial Officer including those provided for within the available resources and manpower establishment as approved by the Board.

6.4.3 Depending on the overall financial position of the CCG, a budget holder may be required by the Chief Financial Officer to underspend by a pre-determined figure at the financial year-end. This will be ratified by the CCG Executive and Board if necessary.

6.4.4 The Chief Officer is responsible for identifying and implementing QIPP savings in accordance with the requirements of the Local Financial Plan and a balanced budget.

6.5 Budget Virement

6.5.1 The ability to vire budgets does not impact on the budget holder's responsibility to ensure that budgetary control is strictly maintained throughout the year in order that potential overspends within individual budget heads are identified at the earliest possible opportunity.

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6.5.2 The Virement rules are as follows:

- (a) Virement may be between budgets within the control of separate budget holders if agreement exists between both budget holders and there is valid reason to do so.
- (b) Virements should be identified as being recurrent or non-recurrent.
- (c) Non-recurrent savings can **not** be vired to increase recurrent expenditure, which then pre-commits the CCG's resources in the following financial year, without the prior approval of the Chief Finance Officer.
- (d) No virements will be made without the correct authorised documentation being submitted.

6.5.3 Table 1 below identifies the required level of authorisation for each category of virement and Appendix 1 details the documentation requiring completion.

Table 1 – Required Authorisation for Virement

Transfer from	Transfer to	Recurrent	Non Recurrent
Pay budget	Pay budget	BH+CFO	BH
Non-Pay budget	Non-Pay budget	BH	BH
Pay budget	Non-Pay budget	BH+CFO	BH+CFO
Non-Pay budget	Pay budget	BH+CFO	BH+CFO

BH – budget holder

CFO – Chief Financial Officer

6.5.4 Amendments to budgets funded from a reserve or an additional allocation requires authorisation from the Deputy Chief Financial Officer.

6.6 Capital Expenditure

6.6.1 The general rules applying to delegation and reporting shall also apply to capital expenditure where incurred.

6.7 Monitoring Returns

6.7.1 The Chief Financial Officer is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation, in a timely manner, and in accordance with relevant statutory and professional reporting requirements

7 Consultation

7.1 Key individuals/groups involved in the development of the document to ensure it is fit for purpose once approved.

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Name	Designation
Annette Walker	Chief Finance Officer
Jackie Murray	Deputy Chief Finance Officer
Amanda Williams	Head of Financial Accounting and Reporting
Stephanie Hodkinson	Head of Management Accounting
Fiona Moore	Assistant Chief Officer
Michael Robinson	Assistant Director of Clinical Governance

8 Dissemination and Implementation

8.1 Dissemination

8.1.1 These detailed financial policies identify the 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 departmental and operational procedure notes. This policy will be available to all staff on the CCG Website.

8.2 Implementation

8.2.1 The policy will be presented to staff as part of the budget holder training programme, and thereafter as part of the induction arrangements for new starters.

9 Process for Monitoring Compliance and Effectiveness

9.1 For all members of the Board and any employees who carry-out a financial function, the form in which financial records are kept, and the manner in which duties are discharged must be to the satisfaction of the Chief Financial Officer.

9.2 The effective operation of these arrangements will be monitored by the Chief Finance Officer as a part of the routine monitoring of operational performance in the CCG. In addition, and on a risk basis, it will feature in the internal audit work programmes.

10 Standards/Key Performance Indicators

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10.1 The following key performance indicators are appropriate in this context:

- Achievement of Financial Balance.
- Internal or External Audit review of the subject-area with no material weaknesses noted.
- Policy updated prior to or upon the stated expiry date.

11 References

11.1 These detailed financial policies are issued in accordance with the Directions issued by the Secretary of State for Health under the provisions of the NHS Act 2006, as amended by the Health and Social care Act 2012, and in support of the Prime Financial Policies contained in the NHS Bolton CCG Constitution.

11.2 These policies have effect as if incorporated in the CCG Standing orders.

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