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# **DETAILED FINANCIAL POLICIES**

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## **1. Introduction**

### **1.1 General**

- 1.1.1 These Detailed Financial Policies (DFPs) 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, with responsibilities set out under that and subsequent secondary legislation for the regulation of the conduct of NHS Leeds Clinical Commissioning Group ("the CCG") in relation to all financial matters. They shall have effect as if incorporated in the Standing Orders (SOs) of the CCG.
- 1.1.2 These DFPs detail the financial responsibilities, policies and procedures adopted by the CCG. They are designed to ensure that the NHS LCCG's financial transactions are carried out in accordance with the law and Government policy in order to achieve probity, accuracy, economy, efficiency and effectiveness. They should be applied in conjunction with the matters reserved to the Governing Body and the Scheme of Delegation.
- 1.1.3 These DFPs identify the financial responsibilities that apply to everyone working for the CCG and its constitutional organisations. The user of these DFPs must also take into account relevant prevailing Department of Health and Social Care and/or Treasury instructions. The Chief Financial Officer must approve all financial procedures.
- 1.1.4 Should any difficulties arise regarding the interpretation or application of any of the DFPs, the advice of the Chief Financial Officer must be sought before acting. The user of these DFPs should also be familiar with and comply with the CCG Standing Orders (SOs).
- 1.1.5 Failure to comply with DFPs and SOs can in certain circumstances be regarded as a disciplinary matter that could result in dismissal.
- 1.1.6 If for any reason these DFPs are not complied with, full details of the non-compliance and any justification for non-compliance shall be reported to the next formal meeting of the Audit Committee for determining or ratifying action. All members of the Governing Body, and all staff, have a duty to disclose any non-compliance with these DFPs to the Chief Financial Officer as soon as possible.
- 1.1.7 Wherever the title Accountable Officer, Chief Financial Officer, or other nominated officer is used in these instructions, it shall be deemed to include such other directors or employees as have been duly authorised to represent them, except in respect of Banking Arrangements (see section 4).
- 1.1.8 Any expression to which a meaning is given in the National Health Service Act 2006 (as amended) or in the Financial Directions made under the Act shall have the same meaning in these instructions; and
- (a) "Budget" means an amount of resources expressed in financial terms proposed by the CCG for the purpose of carrying out over a specific period all or part of the functions of the CCG.
- (b) "Budget Holder" means the individual with delegated CCG authority to manage

- finances (income and expenditure) for a specific area of the organisation.
- (c) "Budget Manager" refers to those officers who are required to manage budgets on behalf of the respective Budget Holder.
  - (d) "Chief Executive" means the officer of the CCG (who is directly accountable to the Governing Body).
  - (e) "Accountable Officer" means the officer responsible and accountable for funds entrusted to the CCG. He/she shall be responsible for ensuring the proper stewardship of public funds and assets. The Accountable Officer for the CCG is the Chief Executive.
  - (f) "Governing Body" means the Chair, non-executive directors and voting executive directors of the CCG collectively as a body.
  - (g) "Leadership Team" is the senior management team of the CCG as designated by the Accountable Officer.
  - (h) "Officer" means employee of the CCG or any other person holding a paid appointment or office with the CCG.

## 1.2 *Responsibilities and Delegation*

### 1.2.1 **The Governing Body**

1.2.1.1 The Governing Body exercises financial supervision and control by:

- (a) formulating the financial strategy;
- (b) requiring the submission and approval of budgets within approved allocations/overall income;
- (c) defining and approving essential features of financial arrangements in respect of important procedures and financial systems, including the need to obtain value for money;
- (d) defining specific responsibilities placed on members of the Governing Body and officers as indicated in the Scheme of Delegation; and
- (e) approval of the Financial Statements and Annual Report.

1.2.1.2 The Governing Body has resolved that certain powers and decisions may only be exercised by the Governing Body in formal session. These are set within the CCG's Constitution.

1.2.1.3 The Governing Body will delegate responsibility for the performance of its functions in accordance with the SOs and the Scheme of Delegation adopted by the CCG.

### 1.2.2 **The Accountable Officer and Chief Financial Officer**

1.2.2.1 The Accountable Officer and Chief Financial Officer will, as far as possible, delegate their

detailed responsibilities, but they remain accountable for financial control.

- 1.2.2.2 Within the Instructions it is acknowledged that the Accountable Officer will have ultimate responsibility for ensuring that the CCG meets its obligation to perform its functions within the financial resources made available to it. The Accountable Officer has overall executive responsibility for the CCG activities and is responsible to the Governing Body for ensuring that it stays within its resource and cash limits.
- 1.2.2.3 The Accountable Officer will delegate detailed responsibility for financial activities and controls to the Chief Financial Officer but retain overall accountability. The extent of such delegation will be determined in the CCG Scheme of Delegation Scheme of Delegation and will be kept under review by the Governing Body.
- 1.2.2.4 The Accountable Officer, through the Chief Financial Officer, shall be responsible for the implementation of the CCG financial policies and for co-ordinating any corrective action necessary to further these policies.
- 1.2.2.5 It shall be the responsibility of the Accountable Officer to ensure that existing staff and all new employees are notified of their responsibilities within these instructions,
- 1.2.2.6 The Accountable Officer shall ensure that the CCG has a programme of risk management, in accordance with current Department of Health and Social Care assurance framework requirements, which shall be approved by the Governing Body and monitored by the Audit Committee.

### **1.2.3 The Chief Financial Officer**

- 1.2.3.1 The Chief Financial Officer is responsible for:
  - a) implementing the CCG financial policies and for co-ordinating any corrective action necessary to further these policies;
  - b) maintaining an effective system of financial control including ensuring that detailed financial procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions; and
  - c) ensuring that sufficient records are maintained to show and explain the CCG transactions, in order to disclose, with reasonable accuracy, the financial position of the CCG at any time.
- 1.2.3.2 Without prejudice to any other functions of the CCG, and employees of the CCG, the duties of Chief Financial Officer shall include:
  - a) the provision of financial advice to the CCG and its employees;
  - b) the design, implementation and supervision of systems of internal financial control; and
  - c) the preparation and maintenance of such accounts, certificates, estimates, records and reports as the CCG may require for the purpose of carrying out its statutory duties, including preparing the Financial Statements and Annual Accounts.

1.2.3.3 The Chief Financial Officer shall ensure that insurance arrangements exist in accordance with the risk management programme and shall demonstrate value for money for any insurance obtained.

#### **1.2.4 Governing Body Members and Employees**

1.2.4.1 All members of the Governing Body and employees, severally and collectively, are responsible for:

- a) the security of the property of the CCG;
- b) avoiding loss;
- c) exercising economy and efficiency in the use of resources; and
- d) conforming with the requirements of SOs, DFPs, Scheme of Delegation and financial procedures.

1.2.4.2 It shall be the duty of any officer having evidence of, or reason to suspect, financial or other irregularities or impropriety in relation to these regulations to report these suspicions to the Chief Financial Officer. The Chief Financial Officer will consider the suspicions to determine if the case should be referred to the Counter Fraud Specialist. A detailed investigation should not be conducted by the CCG as this may compromise any investigation by the Counter Fraud Specialist.

1.2.4.3 For all members of the Governing Body and any employees who carry out a financial function, the form in which the financial records are kept and the manner in which members of the Governing Body and employees discharge their duties must be to the satisfaction of the Chief Financial Officer.

#### **1.2.5 Contracts, Contractors and their Employees**

1.2.5.1 Directors responsible for arranging contracts for the provision of items and/or services shall ensure that those contracts are correctly monitored and governed within the contract's terms and conditions.

1.2.5.2 Any contractor or employee of a contractor who is empowered by the CCG to commit the CCG to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Accountable Officer to ensure that such persons are made aware of this.

1.2.5.3 All contractors must agree to, and sign copies of, the CCG Information Governance policies and in particular the requirements of the Data Protection Act before accessing CCG records.

1.2.5.4 All contractors must agree to, and sign copies of, the NHS LCCG IT Security Policy before accessing any of the CCG IT systems.

## **2. Audit**

### **2.1 Audit Committee**

- 2.1.1 In accordance with SOs (and as set out in guidance issued by the Department of Health and Social Care under EL (94) 40), the CCG shall establish an Audit Committee. The terms of reference of the Audit Committee shall be drawn up and approved by the Governing Body, and are incorporated in the SOs. The Audit Committee will provide an independent and objective view of internal control by:
- a) overseeing internal and external audit services;
  - b) reviewing financial and information systems, monitoring the integrity of the financial statements (including Annual Accounts and Annual Reports) and reviewing significant financial reporting judgements;
  - c) reviewing the establishment and maintenance of an effective system of risk management and internal control, across the whole of the organisations activities, that supports achievement of the organisations objectives
  - d) monitoring compliance with SOs and DFPs;
  - e) ensuring that the organisation has adequate arrangements in place for countering fraud and reviewing the outcomes of counter fraud work;
  - f) reviewing schedules of losses and compensations and making recommendations to the Governing Body
  - g) reviewing the work of other committees, and other significant assurance providers or functions, which can provide relevant assurances; and
  - h) requesting and reviewing reports and positive assurances from directors and managers on overall arrangements for governance, risk management and internal control.

- 2.1.2 Where the Audit Committee considers there is evidence of ultra vires transactions, evidence of improper acts, or if there are other important matters that the Committee wish to raise, the Chair of the Audit Committee should raise the matter in the first instance with the Chief Financial Officer and the Accountable Officer. If the matter has still not been resolved to the Audit Committee's satisfaction, then the matter will be raised at a full meeting of the Governing Body. Exceptionally the matter may need to be referred to the Department of Health and Social Care (DoHSC).

## 2.2 *Chief Financial Officer*

- 2.2.1 The Chief Financial Officer is responsible for:

- a) ensuring there are arrangements to review, evaluate and report on the effectiveness of internal financial control, including the establishment of an effective internal audit function;
- b) ensuring that the internal audit is adequate and meets the government mandatory audit standards;
- c) deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption; and

- d) ensuring that an annual internal audit report is prepared for the consideration of the Audit Committee (and the Governing Body). The report must cover:
- a clear opinion on the effectiveness of internal control in accordance with current assurance framework guidance issued by the Department of Health and Social Care including, for example, compliance with control criteria and standards
  - major internal financial control weaknesses discovered;
  - progress on the implementation of internal audit recommendations;
  - progress against plan over the previous year; and
  - strategic audit plan covering the coming three years; and a detailed plan for the coming year.
- 2.2.2 The Chief Financial Officer, internal auditors and external auditors are entitled without necessarily giving prior notice to require and receive:
- a) access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
  - b) access at all reasonable times to any land, premises or members of the Board or employee of the CCG; and
  - c) explanations concerning any matter under consideration.

### 2.3 *Role of Internal Audit*

- 2.3.1 Internal audit will provide an independent and objective opinion on risk management, control and governance arrangements by measuring and evaluating their effectiveness. The Head of Internal Audit will provide an annual opinion on the effectiveness of the whole system of internal control.
- 2.3.2 The opinion will be based on a systematic review and evaluation of risk management, control and governance which comprises the policies, procedures and operations in place to:
- a) establish and monitor the achievement of the organisations strategic and operational objectives;
  - b) identify, assess and manage strategic and operational risks to achieving the organisations objectives;
  - c) identify the extent of compliance with, and the financial effect of, the relevant established policies, plans and procedures;
  - d) identify the adequacy and application of financial and other related management controls;
  - e) ensure the integrity and reliability of information, accounts and data, including internal and external reporting and accountability processes; and

- f) identify the extent to which the CCG assets and interests are accounted for and safeguarded from loss of any kind, arising from:
- fraud and other offences;
  - waste, extravagance, inefficient administration;
  - poor value for money; or
  - other causes.
- 2.3.3 Internal Audit shall also independently verify the board assurance framework statements in accordance with NHS guidance.
- 2.3.4 The Head of Internal Audit will make suitable provision to form an opinion on key systems operated on behalf of other organisations, and key systems being operated by other organisations, either by deriving the opinions themselves or by relying on the opinions provided by other auditors/review bodies.
- 2.3.5 Whenever any matter arises which involves, or is thought to involve, irregularities concerning cash, stores, or other property or any suspected irregularity of a pecuniary nature, the Chief Financial Officer must be notified immediately.
- 2.3.6 The Head of Internal Audit will normally attend Audit Committee meetings and has a right of access to all Audit Committee members, the Chair and Accountable Officer of the CCG.
- 2.3.7 The Head of Internal Audit shall be accountable to the Chief Financial Officer. The reporting system for internal audit shall be agreed between the Chief Financial Officer, the Audit Committee and the Head of Internal Audit. The agreement shall be in writing and shall comply with guidance on reporting contained in the Government Internal Audit Standards. The reporting system shall be reviewed at least every three years.
- 2.4 *External Audit***
- 2.4.1 From 17/18 onwards, clinical commission groups must have an 'auditor panel' to advise on the appointment of their external auditors. Prior to this, under the Health and Social Care Act 2012, NHS England were responsible for arranging for the Audit Commission to appoint External Auditors for the CCG.
- 2.5 *Fraud and Corruption***
- 2.5.1 In line with their responsibilities, the CCGs Accountable Officer and Chief Financial Officer shall monitor and ensure compliance with NHS Counter Fraud Authority's Counter Fraud Standards.
- 2.5.2 The CCG shall appoint an accredited counter fraud specialist to carry out the duties of the Counter Fraud Specialist as specified by the NHS Fraud and Corruption Manual and guidance.
- 2.5.3 The Counter Fraud Specialist shall report to the Chief Financial Officer and shall work with staff in NHS Counter Fraud Authority in accordance with the NHS Fraud and Corruption Manual.

2.5.4 The Counter Fraud Specialist will provide a written report, at least annually, on counter fraud work within the CCG.

## 2.6 *Security Management*

2.6.1 In line with their responsibilities, the Accountable Officer will monitor and ensure compliance with directions issued by NHS Counter Fraud Authority's Security Management Standards for Commissioners.

2.6.2 The CCG shall nominate a suitable person to carry out the duties of the Security Management Specialist as specified by NHS Counter Fraud Authority Standards for Commissioners.

2.6.3 The Accountable Officer has overall responsibility for controlling and coordinating security. However, key tasks are delegated to the relevant director and the appointed Security Management Specialist.

## 3. **Resource Limit Control**

### 3.1 *Cash and Resource Limits*

3.1.1 The CCG is required by statutory provisions not to exceed Cash and Resource Limits. The Accountable Officer has overall executive responsibility for the CCG activities and is responsible to the CCG governing body for ensuring that it stays within these limits.

3.1.2 The Chief Financial Officer will:

- a) provide monthly reports in the form required by the Secretary of State;
- b) provide regular financial reports in the form agreed by the Governing Body;
- c) ensure money drawn from the NHS England against cash limit is required for approved expenditure only, and is drawn only at the time of need, follows best practice as set out in 'Managing Public Money'; and
- d) be responsible for ensuring that an adequate system for monitoring financial performance is in place to enable the CCG to fulfil its statutory responsibility not to exceed its annual revenue and capital resource limits and cash limit.

### 3.2 *Allocations*

3.2.1 The Chief Financial Officer will:

- a) periodically review the basis and assumptions used by the NHS England for distributing allocations to the CCG 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 Governing Body 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 Governing Body on significant changes to the initial allocation

and the uses of such funds; and

- d) establish a system for management of any Capital Resource Limit and the approval of investment proposals.

### **3.3 *Budgetary Delegation***

- 3.3.1 The Accountable Officer may delegate the management of a budget to permit the performance of a defined range of activities in accordance with the CCG Budgetary Control Framework.
- 3.3.2 The Accountable Officer and delegated budget holders must not exceed the budgetary total or virement limits set by the Governing Body.
- 3.3.3 Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Accountable Officer, subject to any authorised use of virement.
- 3.3.4 Non-recurring budgets should not be used to finance recurring expenditure without the authorisation in writing of the Accountable Officer, as advised by the Chief Financial Officer.

### **3.4 *Budgetary Control and Reporting***

- 3.4.1 The Chief Financial Officer will devise and maintain systems of budgetary control. These will include:
  - a) regular financial reports to the Governing Body in a form approved by the Governing Body containing:
    - income and expenditure to date showing trends and forecast year-end position;
    - performance against the CCG's statutory and other financial duties
    - capital project spend and projected outturn against plan;
    - explanations of any material variances from plan; and
    - details of any corrective action where necessary and the Accountable Officer's and/or Chief Financial Officer's view of whether such actions are sufficient to correct the situation;
  - b) the issue of timely, accurate and comprehensible advice and financial reports to each budget holder, covering the areas for which they are responsible;
  - c) investigation and reporting of variances from financial and workforce budgets;
  - d) monitoring of management action to correct variances;
  - e) arrangements for the authorisation of budget transfers.
- 3.4.2 Each budget holder is responsible for ensuring that:
  - a) any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior approval of the Chief Finance Officer;

- b) the amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised subject to the rules of virement; and
- c) no permanent employees are appointed without the adherence to the CCG Establishment Control Policy.

### **3.5 *Capital expenditure***

- 3.5.1 The general rules applying to delegation and reporting shall also apply to capital expenditure. (The particular applications relating to capital are contained in section 6).

### **3.6 *Monitoring Returns***

- 3.6.1 The Chief Financial Officer is responsible for ensuring that the appropriate monitoring forms are submitted to the requisite monitoring organisation.

## **4. *Banking Arrangements***

### **4.1 *General***

- 4.1.1 The Chief Financial Officer is responsible for managing the CCG's banking arrangements and for advising on the provision of banking services and operation of accounts. This advice will take into account guidance/ Directions issued from time to time by the Department of Health and Social Care.
- 4.1.2 In line with Managing Public Money, the CCG should minimise the use of commercial bank accounts and consider using the Government Banking Service (GBS) as its supplier for all banking services.
- 4.1.3 The Chief Financial Officer shall approve the banking arrangements.

### **4.2 *Commercial (Bank) and Government Banking Service (GBS) Accounts***

- 4.2.1 The Chief Financial Officer is responsible for:

- a) commercial bank accounts and accounts operated through the Government Banking Service;
- b) establishing separate bank accounts for the CCG's non-exchequer funds;
- c) ensuring payments made from commercial banks or Government Banking Service accounts do not exceed the amount credited to the account except where arrangements have been made;
- d) reporting to the Governing Body all arrangements made with the CCG's bankers for accounts to be overdrawn; and
- e) monitoring compliance with Department of Health and Social Care guidance on the level of cleared funds.

### **4.3 *Banking procedures***

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

#### **4.4 *Tendering and review***

- 4.4.1 For those non-exchequer funds, if any, held outside the GBS, the Chief Financial Officer will review the commercial banking arrangements of the CCG at regular intervals to ensure they reflect best practice and represent best value for money by periodically seeking competitive tenders for the CCG's commercial banking business. These competitive tenders should be sought at least every 5 years. The results of the tendering exercise should be reported to the Governing Body. This review is not necessary for GBS accounts.

### **5. Income, Fees and Charges and Security of Cash, Cheques and Other Negotiable Instruments**

#### **5.1 *Income Systems***

- 5.1.1 The Chief Financial Officer is responsible for designing, maintaining and ensuring compliance with systems for the proper recording, invoicing, collection and coding of all monies due.
- 5.1.2 The Chief Financial Officer is also responsible for the prompt banking of all monies received.

#### **5.2 *Fees and Charges***

- 5.2.1 The Chief Financial Officer is responsible for approving and regularly reviewing the level of all fees and charges other than those determined by the Department of Health and Social Care by Statute. Independent professional advice on matters of valuation shall be taken as necessary.
- 5.2.2 Where sponsorship income (including items in kind such as subsidised goods or loans of equipment) is considered the guidance in the Department of Health and Social Care Commercial Sponsorship – Ethical standards in the NHS shall be followed.
- 5.2.3 All employees must inform the Chief Financial Officer promptly of money due arising from transactions which they initiate/deal with, including all contracts, leases, tenancy agreements, private patient undertakings and other transactions.

#### **5.3 *Debt Recovery***

- 5.3.1 The Chief Financial Officer is responsible for the appropriate recovery action on all

outstanding debts.

- 5.3.2 Income not received should be dealt with in accordance with losses procedures.
- 5.3.3 Overpayments should be detected (or preferably prevented) and recovery initiated.

#### **5.4 Security of Cash, Cheques and Other Negotiable Instruments**

- 5.4.1 The CCG does not encourage the collection, holding and storage of cash or cheques or any other negotiable instruments on the CCG's premises. However, where receipt is unavoidable the Chief Finance Officer is responsible for approving the form of all receipt books, agreement forms, or other means of officially acknowledging or recording monies received or receivable.
- 5.4.2 Any loss or shortfall of cash or other negotiable instruments, however occasioned, shall be reported immediately in accordance with the agreed procedure for reporting losses. (See Section 14 - Losses and special payments).

### **6. Capital investment, asset register and security of assets**

#### **6.1 Capital Investment**

- 6.1.1 The Chief Finance Officer:
  - a) shall ensure that there is an adequate appraisal and approval process in place for determining capital expenditure priorities and the effect of each proposal upon plans;
  - b) is responsible for the management of all stages of capital schemes and for ensuring that schemes are delivered on time and to cost; and
  - c) shall ensure that the capital investment is not undertaken without securing the availability of resources to finance all revenue consequences, including capital charges.
- 6.1.2 For every capital expenditure proposal the Chief Finance Officer shall ensure:
  - a) that a business case is produced setting out:
    - an option appraisal of potential benefits compared with known costs to determine the option with the highest ratio of benefits to costs;
    - the involvement of appropriate CCG personnel and external agencies;
    - appropriate project management and control arrangements; and
- 6.1.3 Confirmation that a designated Officer has examined and confirmed the appropriateness of the costs and revenue consequences detailed in the business case. For capital schemes where the contracts stipulate stage payments, the Chief Finance Officer will issue procedures for their management.
- 6.1.4 The Chief Financial Officer shall issue procedures for the regular reporting of expenditure and commitment against authorised expenditure.

- 6.1.5 The approval of a capital programme shall not constitute approval for expenditure on any scheme.
- 6.1.6 The Chief Financial Officer shall issue to the manager responsible for any scheme:
  - a) specific authority to commit expenditure;
  - b) authority to proceed to tender; and
  - c) approval to accept a successful tender.
- 6.1.7 The Chief Financial Officer shall issue procedures governing the financial management, including variations to contract, of capital investment projects and valuation for accounting purposes.
- 6.1.8 The Chief Financial Officer shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with any national guidance.

## 6.2 *Asset Registers*

- 6.2.1 The Accountable Officer is responsible for the maintenance of both the register of assets and the register of inventory items, taking account of the advice of the Chief Financial Officer concerning the form and the method of updating the registers.
- 6.2.2 Each employee has a responsibility to exercise a duty of care over the assets of the CCG and it shall be the responsibility of senior staff in all disciplines to apply appropriate routine security practices in relation to CCG's assets. A substantial or persistent breach of agreed security practices shall be reported to the Chief Financial Officer, who will determine the necessary action, including reference to the Security Management Specialist for investigation
- 6.2.3 The Chief Finance Officer shall define the items of equipment which shall be recorded on either the capital asset register or the inventory register.
- 6.2.4 Additions to the fixed asset register must be clearly identified to an appropriate budget holder and be validated by reference to:
  - a) properly authorised and approved agreements, architect's certificates, supplier's invoices and other documentary evidence in respect of purchases from third parties;
  - b) stores, requisitions and wages records for own materials and labour including appropriate overheads; and
  - c) lease agreements in respect of assets held under a finance lease and capitalised.
- 6.2.5 Where capital assets are sold, scrapped, lost or otherwise disposed of, their value must be removed from the accounting records and each disposal must be validated by reference to authorisation documents and invoices.
- 6.2.6 The Chief Financial Officer shall approve procedures for reconciling balances on fixed asset accounts in ledgers against balances on fixed asset registers.

- 6.2.7 Land and buildings shall be held at values in accordance with the CCG's accounting policies which comply with the Financial Reporting Manual (FReM) issued by HM Treasury.
- 6.2.8 The value of each asset shall be depreciated using methods and rates as specified in the CCG accounting policies which comply with the FReM. Estimated useful lives and depreciation rates of assets will be reviewed on an annual basis.
- 6.2.9 The Chief Financial Officer shall calculate and account for capital charges as specified in the FReM.
- 6.2.10 Budget holders will ensure that the respective asset register for their areas will be physically checked annually.
- 6.2.11 The asset register and the inventory register shall also record items which are transferred from one part of the CCG to another. It is the responsibility of the budget managers to inform the Chief Financial Officer of these changes.
- 6.2.12 The Chief Financial Officer shall maintain an up to date register of properties owned or leased by the CCG. This should include details of location, tenancy (where appropriate), and custody of the deeds and lease documents.

### 6.3 *Security of Assets*

- 6.3.1 Asset control procedures (including fixed assets, cash, cheques and negotiable instruments, and also including donated assets) must be approved by the Chief Financial Officer. This procedure shall make provision for:
  - a) recording managerial responsibility for each asset;
  - b) identification of additions and disposals;
  - c) identification of all repairs and maintenance expenses;
  - d) physical security of assets;
  - e) periodic verification of the existence of, condition of, and title to, assets recorded;
  - f) identification and reporting of all costs associated with the retention of an asset; and
  - g) reporting, recording and safekeeping of cash, cheques, and negotiable instruments.
- 6.3.2 All discrepancies revealed by verification of physical assets to fixed asset register shall be notified to the Chief Financial Officer.
- 6.3.3 Whilst each employee and officer has a responsibility for the security of property of the CCG, it is the responsibility of Governing Body members and senior employees in all disciplines to apply such appropriate routine security practices in relation to NHS property as may be determined by the Governing Body. Any breach of agreed security practices must be reported in accordance with agreed procedures.
- 6.3.4 Any damage to the CCG premises, vehicles and equipment or any loss of equipment or supplies shall be reported by staff in accordance with the agreed procedure for reporting

losses.

- 6.3.5 Where practical, assets should be marked CCG property.

## 7. Payment of staff

### 7.1 Processing Payroll

- 7.1.1 The Chief Financial Officer will ensure arrangements are in place to issue instructions regarding:
- a) procedures for payment by bank credit, or other method when agreed;
  - b) procedures for the recall of bank credits and other methods of payment;
  - c) maintenance of regular and independent reconciliation of pay control accounts;
  - d) recovery from leavers of any sums of money, including overpayments, due by them to the CCG, which have not been recovered from pay prior to leaving.
- 7.2.2 The Chief Financial Officer is responsible for ensuring the contract with the relevant outsourced service provider covers:
- a) maintenance of subsidiary records for superannuation, income tax, social security and other authorised deductions from pay;
  - b) security and confidentiality of payroll information;
  - c) the final determination of pay and allowances;
  - d) checks to be applied to completed payroll before and after payment;
  - e) ensuring payment occurs on agreed dates; and,
  - f) arrangements for ensuring compliance with the provisions of the Data Protection Act;
  - g) pay advances and their recovery;
  - h) separation of duties of preparing records and inputs and verifying outputs and payments; and
- 7.2.3 Appropriately nominated managers have delegated responsibility for:
- a) submitting time records, and other notifications in accordance with agreed timetables;
  - b) completing time records and other notifications in accordance with the Chief Financial Officer's instructions and in the form prescribed by the Chief Financial Officer; and
  - c) submitting leaver/termination forms in the prescribed form immediately upon knowing the effective date of an employee's resignation, termination or retirement. Where an employee fails to report for duty in circumstances that suggest they have

left without notice, the Chief Financial Officer must be informed immediately.

- d) the recovery of property from leavers due by them to NHS England.
- 7.2.4 Regardless of the arrangements for providing the payroll service, the Chief Financial Officer shall ensure that the chosen method is supported by appropriate (contracted) terms and conditions, adequate internal controls and audit and review procedures, and that suitable arrangements are made for the collection of payroll deductions and payment of these to appropriate bodies.

## **8. Payment of Accounts**

- 8.1 The Chief Financial Officer shall be responsible for the prompt payment of accounts and claims. The term "payment" includes any arrangements established to settle payments upon a non-cash basis. Payment of contract invoices shall be in accordance with contract terms. All payments shall comply with the Government's policy on prompt payment.
- 8.2 All authorised officers shall inform the Chief Financial Officer promptly of all money payable by the CCG arising from transactions which they initiate, including contracts, leases, tenancy agreements and other transactions.
- 8.3 The Chief Financial Officer shall be responsible for maintaining a system for the verification, recording and payment of all accounts payable by the CCG. This system will incorporate an approved officer's signatory list of the budget holders, budget managers and their deputies who are authorised to certify the following:
  - a) goods have been duly received, examined, are in accordance with specification and order, are satisfactory and that the prices are correct;
  - b) work done or services rendered have been satisfactorily carried out in accordance with the order; that, where applicable, the materials used were of the requisite standard and that the charges are correct;
  - c) in the case of contracts based on the measurement of time, materials or expenses, the time charged is in accordance with the time sheets, that the rates of labour are in accordance with appropriate rates, that the materials have been checked with regard to quantity, quality and price and that the charges for the use of vehicles, plant and machinery have been examined;
  - d) where appropriate, the expenditure is in accordance with regulations and that all necessary authorisations have been obtained; and
  - e) the account is arithmetically correct and is in order for payment.
- 8.4 Appropriate prepayments will be permitted for instances relating to payments for rent, maintenance contracts and in those instances, where, as standard business practice demands, nominal prepayments are required (e.g. training, publications). Prepayments which fall outside the above categories are only permitted where exceptional circumstances apply. In such instances:
  - a) the appropriate Director must be able to provide on request, in the form of a written report, a case setting out all relevant circumstances of the prepayment including

- evidence of due diligence and appropriate risk mitigation.
- b) the budget holder is responsible for ensuring that all items due under a prepayment contract are received and must immediately inform the appropriate Director or Chief Finance Officer if problems are encountered.
- 8.5 Where an officer certifying accounts relies upon other officers to do preliminary checking, wherever possible, the officer certifying accounts will ensure that those who check delivery or execution of work, act independently of those who have placed orders and negotiated prices and terms.
- 8.6 In the case of contracts which require payment to be made on account, during progress of the works, the Chief Financial Officer shall make payment on receipt of a certificate from the appropriate qualified officer or outside consultant. Without prejudice to the responsibility of any consultant, a contractor's account shall be subjected to such financial examination by the Chief Financial Officer and such general examination by appropriately qualified officers as may be considered necessary, before the person responsible to the CCG for the contract, issues the final certificate.
- 8.7 The Chief Financial Officer shall ensure that payment for goods and services is made only when the goods and services have been properly received.

## **9. Tendering and Quotations**

- 9.1 The tendering policies and rules shall be applied in accordance with the CCG Procurement Policy.

## **10. Contracting and Purchasing**

- 10.1 Any goods and services procured via an order shall be ordered on an official order document.
- 10.2 Official orders shall be consecutively numbered, in a form approved by the Chief Financial Officer and shall include such information concerning prices or costs as required. The order shall incorporate an obligation on the supplier/contractor to comply with the NHS LCCG or other relevant Terms and Conditions of Purchase (such as Buying Solutions).
- 10.3 Requisitions shall be approved only by officers authorised by the Accountable Officer. The list of authorised officers shall be maintained for management control purposes by the Chief Financial Officer.
- 10.4 Details of all orders placed should be available to the Chief Financial Officer either in paper form or accessible through a computerised accounts payable system.
- 10.5 The Chief Financial Officer should ensure that appropriate delegation arrangements are in existence to ensure that no order is issued for any item for which there is no budget provision. In exceptional circumstances, senior officers, acting only with the express approval of the Accountable Officer, may issue an order where there is no budget provision.
- 10.6 Orders shall not be placed in a manner devised to avoid the financial limits specified by

the CCG.

- 10.7 No order shall be issued for any item or items for which an offer of gifts, reward or benefit has been made to staff. The offer and receipt of gifts and hospitality shall be recorded in a register of gifts and hospitality, in accordance with CCG's Standards of Business Conduct Policy.
- 10.8 Goods are not to be taken on trial or loan in circumstances that could commit the CCG to a future uncompetitive price.

## **11. Terms of Service, Allowances and Payment of Members of the NHS Governing Board and Employees**

### **11.1 Remuneration and terms of service**

11.1.1 In accordance with SOs the Governing Body shall establish a Remuneration and Nomination Committee, with clearly defined terms of reference, specifying which posts fall within its area of responsibility, its composition, and the arrangements for reporting.

11.1.2 The Committee will:

- a) Determine the terms and conditions, remuneration and travelling or other allowances to Governing Body members, Executive Directors and Clinical Leads, including pensions and gratuities. The Committee will also make recommendations to the CCG Governing Body on determinations about the terms and conditions, remuneration, and travelling or other allowances for employees and for people who provide services to the CCG, and determinations about allowances under any pension scheme it might establish as an alternative to the NHS pension scheme. In addition the CCG Governing Body has delegated the following functions to its Remuneration Committee:
  - b) Make recommendations to the Governing Body on specific policies relating to staff remuneration and benefits
  - c) Approval of individual redundancy applications
  - d) Determining the remuneration and conditions of service of the senior team
  - e) Reviewing the performance of the Accountable Officer and other senior team members and determining annual salary awards, if appropriate
  - f) Considering the severance payments of the Accountable Officer and usually other senior staff, seeking HM Treasury approval as appropriate in accordance with the guidance 'Managing Public Money' (available on the [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk) website)

11.1.3 The Committee shall report in writing to the Governing Body the basis for its recommendations. The Governing Body shall use the report as the basis for their

decisions, but remain accountable for taking decisions on the remuneration and terms of service of officer members. Minutes of the Governing Body's meetings should record such decisions.

11.1.4 The Governing Body will consider and need to approve proposals presented by the Accountable Officer for the setting of remuneration and conditions of service for those employees and officers not covered by the Committee.

11.1.5 The CCG will pay allowances to the Chairman and non-officer members of the Governing Body in accordance with terms agreed by the LCCG remuneration and Nomination Committee

## 11.2 *Funded Establishment*

11.2.1 The manpower plans incorporated within the annual budget will form the funded establishment.

11.2.2 The funded establishment of any department may not be varied where it results in the budget holder exceeding their delegated budget without the approval of the Accountable Officer.

## 11.3 *Staff Appointments*

11.3.1 Members of the Governing Body and other employees may only engage, re-engage, or re-grade employees, either on a permanent or temporary nature, or hire agency staff, or agree to changes in any aspect of remuneration in accordance with the approved Operational Scheme of Delegation and within the limit of their approved budget and funded establishment.

11.3.2 The Governing Body will approve procedures presented by the Accountable Officer for the determination of commencing pay rates, conditions of service, etc., for employees.

## 11.4 *Contracts of Employment*

11.4.1 The Governing Body shall delegate responsibility to an officer for:

- a) ensuring that all employees are issued with a Contract of Employment in a form approved by the Governing Body and which complies with employment legislation; and
- b) dealing with variations to, or termination of, contracts of employment.

## 12. **Non - Pay Expenditure**

12.1 The Governing Body will approve the level of non-pay expenditure on an annual basis and the Accountable Officer will determine the level of delegation to budget holders and managers.

12.2 The Chief Financial Officer will set out:

- a) the list of budget holders and managers who are authorised to place requisitions for the supply of goods and services; and
  - b) the maximum level of each requisition and the system for authorisation above that level.
- 12.3 The Chief Financial Officer shall set out procedures on the seeking of professional advice regarding the supply of goods and services.

## **13. Stores and Receipt of Goods**

### **13.1 General Position**

- 13.1.1 Stores, defined in terms of controlled stores and departmental stores (for immediate use) should be:
- a) kept to a minimum;
  - b) subjected to annual stock take;
  - c) valued at the lower of cost and net realisable value.

### **13.2 Control of Stores, Stocktaking, Condemnations and Disposal**

- 13.2.1 Subject to the responsibility of the Chief Financial Officer for the systems of control, overall responsibility for the control of stores shall be delegated to an employee by the Chief Finance Officer. The day-to-day responsibility may be delegated to departmental employees and stores managers/keepers, subject to such delegation being entered in a record available to the Chief Financial Officer.
- 13.2.2 The responsibility for security arrangements and the custody of keys for any stores and locations shall be clearly defined in writing by the designated manager/officer. Wherever practicable, stocks should be marked as health service property.
- 13.2.3 The Chief Financial Officer shall set out procedures and systems to regulate the stores including records for receipt of goods, issues, and returns to stores, and losses.
- 13.2.4 Stocktaking arrangements shall be agreed with the Chief Financial Officer and there shall be a physical check covering all items in store at least once a year.
- 13.2.5 Where a complete system of stores control is not justified, alternative arrangements shall require the approval of the Chief Financial Officer.
- 13.2.6 The designated manager/officer shall be responsible for a system approved by the Chief Financial Officer for a review of slow moving and obsolete items and for condemnation, disposal, and replacement of all unserviceable articles. The designated officer shall report to the Chief Financial Officer any evidence of significant overstocking and of any negligence or malpractice. Procedures for the disposal of obsolete stock shall follow the procedures set out for disposal of all surplus and obsolete goods.

## **14. Disposals and Condemnations, Losses and Special Payments**

### **14.1 Disposals and Condemnations**

- 14.1.1 The Chief Financial Officer must prepare detailed procedures for the disposal of assets including condemnations, and ensure that these are notified to managers.
- 14.1.2 When it is decided to dispose of a CCG asset, the Head of Department or authorised deputy will determine and advise the Chief Financial Officer of the estimated market value of the item, taking account of professional advice where appropriate.
- 14.1.3 All unserviceable articles shall be:
  - a) condemned or otherwise disposed of by an employee authorised for that purpose by the Chief Financial Officer; and
  - b) recorded by the condemning officer in a form approved by the Chief Financial Officer which will indicate whether the articles are to be converted, destroyed or otherwise disposed of. All entries shall be confirmed by the countersignature of a second employee authorised for the purpose by the Chief Financial Officer.
- 14.1.4 The Condemning Officer shall satisfy himself as to whether or not there is evidence of negligence in use and shall report any such evidence to the Chief Financial Officer who will take the appropriate action.

### **14.2 Losses and Special Payments**

- 14.2.1 The Chief Financial Officer must prepare procedural instructions on the recording of and accounting for condemnations, losses, and special payments.
- 14.2.2 Any employee or officer discovering or suspecting a loss of any kind must either immediately inform their Head of Department, who must immediately inform the Accountable Officer and the Chief Financial Officer, or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Chief Financial Officer and/or Accountable Officer. Where a criminal offence is suspected, the Chief Financial Officer must immediately inform the police, if theft or arson is involved. In cases of fraud and corruption, or of anomalies which may indicate fraud or corruption, the Chief Financial Officer must inform the External Auditor and the CCG's Counter Fraud.
- 14.2.3 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Chief Financial Officer must immediately notify the:
  - a) Governing Body; and
  - b) External Auditor.
- 14.2.4 Within limits delegated to it by the Department of Health and Social Care, the Governing Body shall approve the writing-off of losses.
- 14.2.5 The Chief Financial Officer shall be authorised to take any necessary steps to safeguard

the Governing Body interests in bankruptcies and company liquidations.

- 14.2.6 For any loss, the Chief Financial Officer should consider whether any insurance claim can be made.
- 14.2.7 The Chief financial officer shall maintain a losses and special payments register in which write-off action is recorded.
- 14.2.8 No special payments exceeding delegated limits shall be made without the prior approval of the Department of Health and Social Care.
- 14.2.9 All losses and special payments must be reported to the Audit Committee at every meeting.

## **15. Information Technology**

### **15.1 General**

- 15.1.1 In order to ensure compatibility and compliance with the CCG's IT strategy, no computer hardware, software or facility will be procured without the authorisation of an officer specifically appointed by the Accountable Officer.

### **15.2 Finance Systems**

- 15.2.1 The Chief Financial Officer shall ensure that adequate controls exist such that the finance computer operation is separated from development, maintenance and amendment.
- 15.2.2 The Chief Financial Officer and an officer specifically appointed by the Accountable Officer shall ensure that an adequate management (audit) trail exists through the computerised finance system.
- 15.2.3 The Chief Financial Officer shall satisfy himself that new financial systems and amendments to current financial systems are developed in a controlled manner and thoroughly tested prior to implementation.

## **16. Information Governance**

- 16.1 The Accountable Officer shall be responsible for ensuring that the CCG has registered with the Information Commissioner's Office for compliance with the Data Protection Act 2018 and shall ensure that information is published and maintained in accordance with the requirements of the Freedom of Information Act 2000 (FOI).
- 16.2 The Accountable Officer shall be ultimately responsible for the publishing and maintenance of a Freedom of Information Scheme.
- 16.3 The Accountable Officer shall be ultimately responsible for the appointment of a Caldicott Guardian for patient information.
- 16.4 The Chief Financial Officer shall be primarily responsible for the accuracy and security of the computerised financial data of the CCG in accordance with security retention and Data Protection policies as defined by the officer designated for this purpose by the

Accountable Officer.

- 16.5 An officer specifically appointed by the Accountable Body shall devise and implement any necessary procedures to ensure adequate protection of the CCGs manual and computer data, programs and hardware for which the Accountable Officer is responsible, from accidental or intentional disclosure to unauthorised persons, deletion or modification, theft or damage, having due regard for the Data Protection Acts and any defined NHS-wide security requirements.
- 16.6 An officer specifically appointed by the Accountable Officer shall ensure that adequate controls exist over data entry, processing, storage, transmission and output to ensure security, privacy, accuracy, completeness, and timeliness of all CCG financial systems and data as well as the efficient and effective operation of the system.
- 16.7 The Chief Financial Officer shall ensure that contracts for computing services for financial applications with another 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.
- 16.8 Where another agency provides a computer service for financial applications, the Chief Financial Officer shall periodically seek assurances that adequate controls as outlined above are in operation.
- 16.9 The Chief Financial Officer and an officer specifically appointed by the Accountable Officer shall ensure that adequate controls exist to maintain the security, privacy, accuracy and completeness of financial data sent over transmission networks.

## **17. Retention of Documents**

- 17.1 The Accountable Officer shall be responsible for maintaining archives for all documents required to be retained in accordance with Department of Health and Social Care guidelines.
- 17.2 The documents held in archive shall be capable of retrieval by persons authorised by the Chief Financial Officer.
- 17.3 Documents held in accordance with Department of Health and Social Care guidance shall only be destroyed at the express instigation of the Accountable Officer. Records shall be maintained of all documents so destroyed.

## **18. Risk Management and Insurance**

- 18.1 The Accountable Officer shall ensure that the CCG has a risk management strategy and assurance framework, in accordance with current Department of Health and Social Care requirements, which must be approved and monitored by the Governing Body.
- 18.2 The Audit Committee will oversee the management of the assurance framework ensuring that it meets the needs of the CCG in being able to identify and reduce risk.
- 18.3 The programme of risk management shall include:

- a) a process for identifying and quantifying risks and potential liabilities;
  - b) engendering among all levels of staff a positive attitude towards the control of risk;
  - c) management processes to ensure all significant risks and potential abilities are addressed including effective systems on internal control, cost effective insurance cover, and decisions on the acceptable level of retained risk;
  - d) contingency plans to offset the impact of adverse events;
  - e) audit arrangements including; internal audit, health and safety review;
  - f) a clear indication of which risks shall be insured;
  - g) arrangements to review the risk management programme.
- 18.4 The risk register will be reviewed and updated regularly at the CCG Committees, and then reported to the Audit Committee on a quarterly basis
- 18.5 The existence, integration and evaluation of the above elements will assist in providing a basis to make a statement on the effectiveness of internal control within the Annual Report and Accounts as required by current Department of Health and Social Care guidance.
- 18.6 The Governing Body shall decide if the CCG will insure through the risk pooling schemes administered by NHS Resolution or self-insure for some or all of the risks covered by the risk pooling schemes. If the Governing Body decides not to use the risk pooling schemes for any of the risk areas (clinical, property and employers/third party liability) covered by the scheme this decision shall be reviewed annually.
- 18.7 There is a general prohibition on entering into insurance arrangements with commercial insurers. There are however, three exceptions when the CCG may enter into insurance arrangements with commercial insurers. The exceptions are:
- a) for insuring motor vehicles owned by the CCG including insuring third party liability arising from there their use;
  - b) where the CCG is involved with a consortium in a Private Finance Initiative contract and the other consortium members require that commercial insurance arrangements are entered into;
  - c) where income generation activities take place. Income generation activities should normally be insured against all risks using commercial insurance. If the income generation activity is also an activity normally carried out by the CCG for a NHS purpose the activity may be covered in the risk pool. Confirmation of coverage in the risk pool must be obtained from NHS Resolution. In any case of doubt concerning a CCG's powers to enter into the commercial insurance arrangements the Chief Financial Officer should consult the Department of Health.
- 18.8 Where the Governing Body decides to use the risk pooling schemes administered by NHS

Resolution the Chief Financial Officer shall ensure that the arrangements entered into are appropriate and complementary to the risk management programme. The Chief Financial Officer shall ensure that documented procedures cover these arrangements

- 18.9 Where the Governing Body decides to use the risk pooling schemes administered by NHS Resolution for one or other of the risks covered by the schemes, the Chief Financial Officer shall ensure that the Governing Body is informed of the nature and extent of the risks that are self-insured as a result of this decision
- 18.10 The Chief Financial Officer will draw up formal documented procedures for the management of any claims arising from third parties and payments in respect of losses which will not be reimbursed. The procedure for this will be outlined in the Losses and Special Payments Policy
- 18.11 All the risk pooling schemes require scheme members to make some contribution to the settlement of claims (the 'deductible'). The Chief Financial Officer should ensure documented procedures also cover the management of claims and payments below the deductible in each case.

## **19. Custody of Seal, Sealing of Documents and Signature of Document**

- 19.1 The common seal of the CCG shall be kept by the CCG's Lead for Governance in a secure place.
- 19.2 Where it is necessary that a document shall be sealed, the seal shall be affixed in the presence of the Accountable Officer, the Chair of the Governing Body or the Chief Finance Officer and shall be attested by them.
- 19.3 The Accountable Officer shall keep a register in which he/she, or another manager of the CCG authorised by him/her, shall enter a record of the sealing of every document.
- 19.4 A seal would normally need to be applied on the following types of document:
  - the transfer deed for a purchase or sale of freehold land or lease
  - a lease
  - a licence or deed which is supplemental to a lease, for example licences to carry out works, licences to assign, licences to underlet, a surrender of a lease
  - other miscellaneous deeds including planning agreements such as Section 106 Agreements, Deeds of Guarantee and Deeds of Easements (rights)
  - where the Department of Health and Social Care or another statutory body insists on a document being sealed and following advice from the CCG's legal advisors this is appropriate
  - a construction contract and/or collateral warranty.
- 19.5 Where any document will be a necessary step in legal proceedings on behalf of the CCG, it shall, unless any enactment otherwise requires or authorises, be signed by the Accountable Officer, the Chair of the Governing Body or the Chief Finance Officer.

In land transactions, the signing of certain supporting documents will be delegated to Managers and set out clearly in the Scheme of Delegation but will not include the main or principal documents affecting the transfer (e.g. sale/purchase agreement, lease, contracts for construction works and main warranty agreements or any document which is required to be executed as a deed).