NHS
Gloucestershire
Clinical Commissioning Group

Agenda Item 9.2

Gloucestershire Clinical Commissioning Group
Governing Body

Meeting Date	**26th March 2015**
Title	**2015-16 CCG Annual Budget**
Executive Summary	This paper outlines the 2015/16 budget for the CCG and the budgets within here support the CCG's operational plan. The 2015/16 year is the second year of the CCG's transformation plan and includes a challenging savings programme. The first year of the plan, 2014/15 put in place the foundations and systems required to deliver the wider transformation within year two. Careful financial control and monitoring will need to be maintained during the year in order to deliver the planned system changes, to ensure that the planned surplus of £8.027m is achieved and also to ensure that the CCG has a recurrently balanced financial position.
Key Issues	Contracts with the CCG's main providers were not yet signed at the point of the report, however, the estimated impact of final contracts has been included in the CCG's budgets. The CCG's savings requirement totals £17m; plans having currently been developed for schemes and have been risk rated. The CCG budget includes an allocation of £76.802m for primary care co commissioning, clarification as to whether premises will be included in the final delegated co commissioning budget is still awaited,
Risk Issues:	The key risk within the plan is the non achievement of the planned surplus through: • In-year contract overperformance • Under delivery of savings plans • An increased trend for continuing health care cases • Primary care expenditure exceeding the budget set

Original Risk	4 x 3 = 12
Financial Impact	The CCG has a statutory duty to achieve financial balance. The CCG is planning for a surplus of £8.027m
Legal Issues (including NHS Constitution)	Not Applicable.
Impact on Equality and Diversity	Not Applicable.
Impact on Health Inequalities	There are no direct health and equality implications contained within this report. Impact on health inequalities is contained within detailed programmes for the year.
Impact on Sustainable Development	The are no direct sustainability implications contained within this report
Patient and Public Involvement	Not applicable
Recommendation	The Governing Body is asked to: • Approve the 2015/16 budgets and note the risks inherent within the plan • Approve the Financial Management Framework
Author & Designation	Andrew Beard, Deputy Chief Finance Officer
Sponsoring Director (if not author)	Cath Leech, Chief Finance Officer

NHS
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Agenda Item 9

Gloucestershire CCG - 2015/16 Budget

1.0	**Introduction**
	This paper presents the 2015/16 budget proposals to the Governing Body for approval. The CCG is entering its third full financial year following authorisation as a clinical commissioning group, and the financial planning therefore reflects the CCG's strategic objectives as an established commissioning organisation that has developed beyond transition. There will be significant changes in the financial environment for the CCG including the commencement of the Better Care Fund with the development of extended pooled budgets with Gloucestershire County Council; the reduction in CCGs' running cost allocation of 10% and taking on delegated co-commissioning for primary care.
2.0	**2015/16 Budgets**
	The budgets for the CCG are shown in Appendix 1. These budgets show a planned surplus of £8.027m for the year and are presented after removal of planned QIPP savings (as highlighted in Appendix 2). These budgets include those for health care contracts where agreements have been reached with providers or estimates where negotiations are ongoing at the point of writing. Budget changes will need to be made during the first month's operating period to reflect contract agreements and final prioritisation of investment decisions, which will be derived from available funding post the contracting round. Post opening budget changes and amendments will be reflected in the budgets, and future finance reports to the Governing Body. Plans to underpin the transformational agenda committed to in 2014/15 have been carried forward where recurrent. These will include recurrent plans for the use of the 30% non elective threshold monies; these plans are included in the Operating Framework and are being finalised through the Strategic Resilience Group.
	Savings plans and risk sharing against delivery of savings plans

<table>
<tr><td></td><td>have been allocated across headings within the plan and these are currently the subject of discussions with providers. There remains some further outstanding work to finalise some of the detail around schemes.</td></tr>
<tr><td></td><td>The CCG's budgets include the financial planning parameters required by NHS England. These are as follows:

• a surplus equivalent to the greater of that achieved in 2014/15 or 1% of programme expenditure
• a minimum contingency reserve of 0.5%
• non recurrent (headroom) reserve of 1.0%

In addition the CCG has applied inflation uplifts and Cash Releasing Efficiency Savings (CRES) percentages to its contracts. Monitor consulted on a national tariff for 2015/16 which included proposed inflation and CRES percentages to be applied to provider contracts. A majority of providers objected to the tariff proposals which resulted in Monitor and NHS England proposing an alternative to providers. The options were:

• 2014/15 contract prices but no CQUIN (Commissioning for Quality and Innovation) payment
• Enhanced Tariff Offer (ETO) with inflation remaining at 1.93%, CRES revised to 3.5% from 3.8%, MRET (Marginal Rate Emergency Tariff) adjustment at 70% rather than the proposed 50% and an adjustment to the specialist risk share

Providers had until the 4th March to decide which option to take, the majority of providers chose the ETO, including all significant providers to Gloucestershire CCG. The impact of the revised tariff for the CCG is circa £3.5m which has meant reductions in some other budgets to be able to manage this pressure; this has created an additional risk within these budgets.</td></tr>
<tr><td>3.0</td><td>Resources</td></tr>
<tr><td></td><td>The CCG's allocation is as follows:

<table>
<tr><td></td><td>£m</td></tr>
<tr><td>Programme allocation
(Used to commission health care services)</td><td>693.8</td></tr>
<tr><td>Better Care Fund allocation *</td><td>11.6</td></tr>
<tr><td>Primary care services allocation **</td><td>76.8</td></tr>
<tr><td>Running Cost Allocation</td><td>13.5</td></tr>
</table>
</td></tr>
</table>

	<table><tr><td>Return of the previous year's surplus</td><td>8.5</td></tr><tr><td>Capital grants ***</td><td>1.7</td></tr><tr><td>**Total Anticipated Allocation**</td><td>**805.9**</td></tr></table> *The Better Care Fund allocation was previously received directly by Gloucestershire County Council from NHS and remains at the same amount as received in 2014/15. **The primary care allocation includes that for premises, confirmation is currently awaited from NHS England as to whether this will be included in the final delegated co-commissioning. *** The capital grant funding has yet to be confirmed by NHSE. The CCG received a 4.57% uplift in its programme allocation. This increased allocation recognises that the CCG was underfunded and has moved the CCG a little closer to its fair share of resources. The CCG is currently 2.28% below its target share of resources.
	There will be a recurrent transfer of resources during the year to NHS England which reflects the planned transfer for remaining specialist services to NHS England. These transfers have been included within the budgets for reserves.
5.0	**Expenditure**
	The CCG is planning to spend £784m on commissioning health care services in 2015/16 including primary care. This accounts for over 98% of our expenditure as a clinical commissioning group, the remaining amount is spent on running costs. The services that we commission include: • Non specialist acute care in hospitals; • Services in the community; • Medicines prescribed in general practice; • Primary care services; and • Continuing healthcare for patients with longer term needs • Placements for individuals with complex needs Services are provided by both NHS organisations and providers from other sectors, such as private companies and voluntary organisations.
5.1	**Investments**

	Investments include the full year effect of 2014/15 investments, activity and demand driven investments from 2014/15 and those prioritised as part of the strategic plan. Where an investment relates to a proposal which is still in development, the funding will be held in reserves and released against an approved business case. Investments include those required within the operating framework for operational resilience and also mental health services; these are shown in Appendices 4 and 5. The operational resilience investments are subject to final sign off by the Gloucestershire Strategic Resilience Group in April. Other investments include:
	• funding for forecast elective and non-elective demand, including demographic growth, within contracts in line with population growth trends by specialty; • investments to fund new NICE technology appraisals (TAs) and the full year impact of 2014/15 TAs; • Full year effect of the investment in rapid response and integrated community teams; • investment in mental health services, specifically relating to crisis services, liaison, eating disorders and children's and young peoples' services • The full year effect of various urgent care initiatives including the integrated discharge team, the ambulatory emergency care unit, primary care clinicians in the emergency department • An increase to the nursing home enhanced service to broaden the numbers of nursing homes covered • Self-care and self-management investments including the diabetes enhanced service • Wound care services, creation of a consistent service across the county • Personal health budgets • An increased primary care offer to improve quality within primary care services • Local area co-ordinators • Investment in services for health promotion
5.2	**Better Care Fund**
	There is more detailed information on the arrangements and function of the Better Care Fund (BCF) in the relevant section of the CCG's strategic plan. For the financial plans, in summary, the CCG has worked with Gloucestershire County Council to set up the pooled fund which will form the Better Care Fund in

<table>
<tr><td></td><td>Gloucestershire.

The Better Care Fund for 2015/16 is made up as follows:
<table>
<tr><td></td><td>£m</td></tr>
<tr><td>CCG Contribution</td><td>35.989</td></tr>
<tr><td>Disability Facilities Grant</td><td>1.409</td></tr>
<tr><td>Social Care Capital Grant</td><td>2.550</td></tr>
<tr><td>BCF minimum contribution</td><td>39.948</td></tr>
<tr><td>GCC Additional contribution</td><td>2.547</td></tr>
<tr><td>Total 2015/16</td><td>42.495</td></tr>
</table>

The minimum financial contribution that the CCG will make to the fund is mandated nationally, this is £35.989 million in 2015/16. Of this amount, the CCG will receive £11.596 million of funding that has been re-allocated from NHS England. The remaining £24.393 million is funded from the CCG's existing allocation.

The main financial risk associated with this transfer is that the joint working arrangements associated specifically with the BCF are new, the CCG will work with partners in the Better Care Fund to minimise this risk.

The planned partnership budgets with Gloucestershire County Council for 2015/16, including the BCF, are shown in Appendix 6.</td></tr>
<tr><td>5.3</td><td>Primary Care Budgets</td></tr>
<tr><td></td><td>The allocation for Gloucestershire's primary care budgets is £76.8m. This has been built up by NHS England from their expenditure information. However, the information held by NHS England in does not break down all expenditure to a CCG level, therefore there remains some risk within the CCG's primary care budgets. Further work is continuing with NHS England to try to continue break down this expenditure to individual CCG level, however, this is taking some time due to the systems involved and the way that expenditure has been coded. A range of expenditure levels has been modelled from different sources and the financial risk assessed. The CCG has therefore increased its contingency reserve to reflect the risk inherent in the delegated budget.</td></tr>
<tr><td>5.4</td><td>Running Costs</td></tr>
<tr><td></td><td>The CCG's running cost envelope is £13.5m; this is a 10% reduction on the 2014/15 running costs. Running cost budgets are fully committed and it is important to note that any recurrent</td></tr>
</table>

	changes will need to be carefully managed to ensure that the running cost allocation is not exceeded. It has been assumed that running costs expenditure will be maintained at 2015/16 levels for the following three years and that the CCG will not expend more than the allocation received for this purpose.
6.0	**Savings Requirements**
	The CCG's budget assumes delivery of a savings programme of £17m. A breakdown of schemes across the main headings is shown at Appendix 3. Savings associated with each scheme have been profiled in year based on their expected implementation date and risk profiling has also taken place to mitigate against slippage in implementation or the realisation of expected benefits and relate only to those savings to be realised in 2015/16. Investments shown against each scheme represent the 2015/16 investment in each scheme.
	Savings plans are being discussed as an implicit part of the contract negotiation process. However, some schemes are more developed than others at this point and this represents a risk to the CCG's finances. The largest proportion of savings relate to urgent care initiatives that are being progressed by the Strategic Resilience Group including the full year impact of existing schemes together with new projects. These schemes focus on treating patients in the most appropriate setting for their condition and with the most appropriate member of staff and include the rollout of the Integrated Community Team model that focusses on the case management of those patients in high risk categories. Other schemes to develop more effective pathways for specific areas are being progressed through the Clinical Programme Groups and represent the continuation of schemes started in 2014/15. These schemes include the implementation of changed pathways and models of delivery in in ophthalmology and orthopaedics and the respiratory outpatients work programme.
	Prescribing savings of £3.5m include a focus on improved prescribing with better outcomes and more cost effective prescribing, including procurement savings, combined with a reduction in waste. This area also includes projects to address the costs of homecare and the continuation of the existing oxygen assessment service.

	Savings within continuing health care relate to better procurement of contracts.
7.0	**Reserves**
	The CCG has set aside the following specific reserves: - Headroom reserve equivalent to 1% - A contingency reserve for programme expenditure including an additional amount to cover the risk around primary care co-commissioning - Specific investments where an approved business case has yet to be signed off are held in reserves until approval
7.1	**Headroom**
	In line with national requirements, the CCG has to set aside 1.0% of its resources recurrently to spend non recurrently to pump prime change; this is £6.9m for Gloucestershire CCG. As in the previous financial year, proposals for the use of headroom centre on the system requirements to enable the CCG to achieve its strategic objectives. Planning assumptions currently include funding for initiatives for:
	• Continuing health care retrospective contribution to the risk pool held by NHS England • Double running costs for the transformation of learning disability services in the County • Pump priming for the development of primary care services within the County with a specific focus on testing new ways of working to improve access to primary care in the County, building on the work this year in Gloucester City • Urgent care initiatives • Planned care programmes including, referral review initiatives, • Pump priming for the county wide IM&T programme to progress record sharing and interoperability
8.0	**Risk Management**
	To enable the management of risks during the year, a 1% contingency reserve has been built into the CCG's budgets. Key risks and mitigating actions are shown in Appendix 7. In addition to this, the CCG Financial Management Framework has been reviewed and is attached for approval at Appendix 8.

9.0	**Capital**
	The CCG has bid for capital funding of £0.1m to cover replacement costs for CCG IM&T. The outcome of the bid process is not yet known.
10.0	**Recommendation**
	The Governing Body is asked to: • Approve the Budgets and note the risks inherent within the plan • Approve the 2015/16 Financial Management Framework
	Appendices • Appendix 1 – 2015/16 Budget proposals • Appendix 2 – 2015/16 Allocation of QIPP • Appendix 3 – 2015/16 Savings Plans • Appendix 4 – Mental health investments • Appendix 5 – Partnership Budgets • Appendix 7 – Risk Management • Appendix 8 – Financial Management Framework

APPENDIX 6

Gloucestershire CCG

2015/16 Risk Management

Risk	Mitigating Action
Further changes to the CCG's allocation as a result of transfers between commissioning organisations may not be cost neutral	Work with the Area Team and local providers to ensure that adjustments are cost neutral and transacted on the correct basis.
Assumed allocations may not materialise	Ongoing liaison with NHSE to ensure that all issues are known together with a phased approach to the release of developments to mitigate the risk of a reduced allocation
Expenditure on Primary Care Co-commissioning may not be contained within the budget transferred	Close monitoring and forecasting to enable early warning of financial issues arising. Regular contact with NHSE as the financial process develops throughout the year. Creation of additional contingency reserve
Non achievement of the required level of savings:	Increased project management and monitoring of service redesign throughout the life of the initiatives and weekly review. Development of robust exit strategies for projects to ensure that these can be stopped at short notice if they do not deliver against agreed objectives
Overperformance on acute contracts	Strengthening the contract management & monitoring processes. Plans to improve practice engagement to ensure that pathways followed are the most appropriate for the presenting condition.
Potential loss of control over service priorities or cost changes where the CCG is an associate commissioner to a contract	Establish stronger working relationships with other commissioners to ensure early warning of pressures within other contracts
Increased growth in prescribing	Considered low to medium risk as good performance in this area and robust plans in place
increases in continuing health care and placements	Assessed as medium risk at present. This has the possibility to change though with changes to national guidance
Costs of nationally approved NICE developments in excess of that provided for (both in cost and take-up)	Increased profile of NICE horizon scanning and close liaison with contract management.
Population growth above planning assumptions	Continuing work to benchmark services to identify areas to review to ensure value for money from all services

Mitigating Actions Covering all risks:

Non release of development funds unless key to delivering service change or contactually committed, until planned financial targets are forecast to be delivered with a reasonable degree of confidence.

Utilisation of contingency and activity reserves

Increased financial management awareness throughout the organisation and member practices

Appendix 7

Gloucestershire CCG

Financial Management Framework

1. Purpose

The Clinical Commissioning Group is accountable for the effective, efficient and economical use of public funds allocated to the organisation and the safeguarding of public resources. There is an expectation that reporting on how funds are being spent will be reliable and transparent. The policy framework sets out key principles, especially around the management of financial risk including the management of cash.

2. Principles:

Effective financial management is guided by the following fundamental principles:

Value for money

Public funds are managed with prudence and probity, resources are safeguarded and are used effectively, efficiently and economically to achieve the organisation's objectives.

Accountability:

There are clear accountabilities for financial management, which provide assurance regarding the effective use of public funds and the results achieved.

Transparency:

The Governing Body and NHS England are provided with pertinent, reliable and timely financial and related non-financial information and reports so they can be well informed of the use and management of the CCG's financial resources. Governing Body financial reports are published on the CCG's web site

Risk management:

Effective and efficient systems of internal control are in place, and controls are proportionate to the risks they aim to mitigate, yet support innovation and results for the CCG.

Appendix 1 clarifies the guidance for:

- Compliance with clearly defined systems for controlling spend
- The responsibilities of budget managers

- Provision of financial advice and support

- Processes and systems

Financial Risk Management Policy

- The organisation will set a balanced annual financial plan based on national guidance on resource availability. The level of surplus within the plan will be within guidance issued by NHS England.

- The organisation will create a contingency reserve of at least 1% of its recurrent resource limit with the aim of increasing this over a five year period to a reserve of greater than 1% of its recurrent revenue resource limit.

- In line with national requirements, the organisation will created a 1.0% reserve from recurrent resources which will be used to fund non recurrent pump priming initiatives. Approval to spend against this reserve must be by the Accountable Officer or Chief Finance Officer.

- All financial plans will include an assessment of financial risk and actions for managing and responding to the risk.

- Developments funded within the Annual Operating Plan which are not unavoidably committed will be retained centrally and only released by the Accountable Officer and / or Chief Finance Officer once achievement of the organisation's control total is forecast to be delivered with confidence. Release of developments will be subject to a business case sign off, through the QIPP Assurance Group process. The holding of these amounts centrally is to provide flexibility in order to protect the control total, and ultimately the CCG's statutory breakeven duty.

- All project plans include outcomes with robust, measurable KPIs, timely monitoring mechanisms and exit plans to ensure that projects which are not delivering agreed outcomes can be stopped at short notice.

- Options for risk sharing arrangements within the Health Economy or with other agencies must be considered and evaluated as appropriate. Approval for risk sharing will be by the Chief Finance Officer.

- Recurring commitments will be funded from recurring resources and there will be no avoidable over commitment of recurring funds. Business cases must clearly indicate the recurrent/non-recurrent elements of each proposal and must be developed with the assistance of the Finance and Information Department.

- When making a non-recurring commitment in areas with potential recurring expenditure, consideration will be given to the implications of the cessation of funding either by clear exit strategies or how commitment may be funded. Authorisation from the Chief Finance Officer must be obtained.

- The use of reserves will be minimised consistent with prudent financial management. The need for and level of contingency reserves will be reviewed annually. Access to and release of general and earmarked reserves will be authorised by the Accountable Officer and the Chief Finance Officer.

- Robust monitoring and control mechanisms will be maintained. Where potential overspends are identified, corrective action plans to address the issue will be required.

- Any organisational recovery plans will be subject to rigorous review by the Audit Committee and clearly identified on the risk register which will be scrutinised by the Integrated Governance Committee.

- Both the recurring and non-recurring development programmes will be proactively managed to secure maximum flexibility. This may mean phasing planned developments throughout the year and exercising the option not to proceed or to defer schemes if unavoidable expenditure is incurred.

- Underspends will be removed from budgets periodically throughout the year on a non-recurrent basis in year following discussion with the relevant Director. A review as the recurrent level of budget requirement will take place during the annual budget setting period.

- Budget holder skills will be reviewed and appropriate development and training agreed and arranged.

- Identified recurring deficits will be funded from growth or savings in future years.

- The financial risk management policy will be reviewed annually by the Board

Cash Management Policy

- Cash plans, to ensure compliance with statutory duty to remain within the CCG's maximum cash drawdown, must form part of the budget proposals, monthly monitoring to the Governing Body and the medium term resource strategy.

- Working balances will be maintained at the minimum levels consistent with prudent financial management and within resource accounting guidelines.

- Budget Managers must ensure that invoices are processed promptly and always within 30 days. Those for non NHS suppliers should be processed within 10 days

- All invoices in dispute should be placed “on hold” within the Oracle financial management system.

- Budget holders and managers must ensure that they have a nominated deputy set up as an authorised signatory for invoices to cover any absences and not delay payments

- Monies due should be invoiced promptly.

- Budget managers must discuss cash requirements, if exceptional or out of the ordinary, with their management accountant.

- Any cash shortfall should be identified at the planning stage and discussed with Chief Finance Officer. Should a cash shortfall arise at year end, there will need to be a slowing down of payments. Detailed options will need to be discussed and agreed with the Chief Finance Officer.

- Options for managing excess cash are:
  - Reduction of Creditors
  - Delay income collections
  - Making Pre-payments. These are only permitted in exceptional circumstances and must be agreed by the Chief Finance Officer.
  - Reduced drawdown from NHSE (although the implications for future financial years must be considered).

- Cash management options must not impact adversely on the CCGs financial position or increase financial risk.

Appendix 1

1.0 Compliance with Clearly Defined Systems for Controlling Spend

Budgetary control is maintained by:

- clear definitions of budgetary responsibility both in terms of delegating budgets to specific managers and clearly setting out their responsibilities both in Prime Financial Policies, Standing Orders, the detailed scheme of delegation and in this document.
- Accountability of budget managers to the relevant Director where overspends arise
- compliance with specified control arrangement as in Prime Financial Policies, documented financial management arrangements and this document.
- auditing compliance via internal audit.

2.0 Responsibilities of Budget Managers

The nature of financial responsibility for budgets will vary depending on the budget. All managers who have delegated responsibility must have a good understanding of the budget and be able to monitor and forecast spend. The authority and ability to incur and control expenditure varies as follows:

- Responsibility for controlling the budget including authority to incur costs, authorise spend and exercise virements.
- Authority to approve spends and exercise virement
- Responsibility for monitoring and forecasting spend realistically and accurately.
- Responsibility to ensure that they have the skills to manage the budget effectively and to seek further training where required

If managers are in any doubt about the extent of their responsibilities they should seek guidance from their line manager or a member of the finance team.

Prime Financial Policies make explicit the requirement that budget holders, at every level, **must not** exceed the limits of the budget delegated to them i.e.

must not overspend against their budget. Any overspending by the CCG as a whole constitutes a breach of its statutory duty to remain within its allocated resources.

Therefore, any individual overspending against a delegated budget contributes to the CCG failing to achieve its statutory duty.

2.1 Prime Financial Policies

The policies and procedures which govern the CCG's financial transactions are set out in its Prime Financial Policies and scheme of delegation and other policies and procedure. Budget managers must retain a copy, be familiar with and adhere to the policies contained within them. The authority to transfer or vire funds to another budget head is also delegated within prescribed limits (see Table 1).

The responsibilities of budget holders as set out in Prime Financial Policies are repeated below together with practical comments (in italics) on their implications.

a) Any likely overspending or reduction of income which cannot be met by virement is not incurred without the prior consent of the Governing Body. *(Budget managers must not incur expenditure without being clear that budgetary provision exists to meet the expenditure).*

b) The amount provided in the approved budget is not used in whole or any part for any purpose other than that specifically authorised subject to the rules of virement. *(Expenditure/invoices for items other than those expressly covered by the budget cannot be charged to a budget head. If in any doubt, advice should be obtained from a finance contact).*

c) No permanent employees are appointed without the approval of the Accountable Officer other than those provided for in the budgeted establishment as approved by the Board.

2.2 Authority and Transfer of Budgetary provision (Virement)

Budget managers are able to transfer between budget heads within the prescribed limits as approved by the Board replicated below in Table 1 with the exception that

- There shall be no virement between "Patient Services" and "Administration".
- There shall be no virement between capital and revenue without the agreement of the Chief Finance Officer. Opportunities for this are limited

and governed by strict financial rules. Budget Holders wishing to incur capital expenditure shall contact the Chief Finance Officer.

- Virement under these arrangements only applies to established budget heads. Budget managers are not authorised to create new budgets. Proposals for spending in new areas should be submitted to Accountable Officer and Chief Finance Officer.

- Virement from general reserves should only be actioned following the agreement of the Accountable Officer and Chief Finance Officer, and from earmarked reserves following the agreement of the Chief Finance Officer.

- Where virement is proposed between budget heads under control of different managers it must be approved by both.

Table 1 – Virement Limits

	Budget Holder		**Chief Finance Officer**		**Accountable Officer**	
	Admin £'000	**Patient Services £'000**	**Admin £'000**	**Patient Services £'000**	**Admin £'000**	**Patient Services £'000**
Virement						
Non-recurring	10	50	50	100	>50	>100
Recurring			50	100	>50	>100

Additionally budget managers, with assistance from the finance staff are required to:

- Monitor the performance of the budget and have a good understanding of the reasons for variances at any point in time.

- Regularly forecast the year-end position on the budget.

- If budget begins to overspend take prompt corrective action.

- Where expenditure is outside the manager's direct control any overspending should be reported to the Chief Finance Officer.

3.0 Provision of Financial Advice and Support

Budget managers receive support and advice from the finance team. Finance staff should:

- be able to quickly investigate queries on expenditure raised by budget managers.
- provide regular monitoring information to budget managers
- be clear what financial systems are in place for accounting for and monitoring income/expenditure and advise budget managers on their development and use.
- make proposals on behalf of the budget manager for changes in budget structure to the Deputy Chief Finance Officer
- explain technical changes in budgets arising from NHS England.
- explain how budgets are financed and follow up on any outstanding cash and resource limit adjustments.
- seek guidance from other finance staff and Chief Finance Officer as necessary.
- ensure that the interaction between financial management teams, financial services teams and budget managers is understood and works to facilitate timely support and advice.

4.0 Processes and Systems

4.1 <u>Reporting Systems</u>

A comprehensive financial and reporting system is in place. Individual budget managers should:

- expect to receive monthly details of expenditure against budgets within 10 working days from the end of each month and identify problems or issues arising.
- ensure they meet regularly with their finance contact and follow up issues which arise. Actions must be agreed and recorded.

- Make a monthly assessment of outstanding commitments (accruals) and forecast outturn on their budget.

- be clear what financial information relating to budgets for which they are responsible is being included in financial reporting to line managers and onwards.

- identify any deficiencies in financial monitoring and reporting and draw these to the attention of the Chief Finance Officer who will work with finance staff to rectify any such deficiencies.

- Identify any issues which could impact on projected cash flows,

4.2 Budgets

4.2.1 Annual Budget Setting

Budgets are reviewed annually and approved by the Board.

All budget managers should review the adequacy of their budgets as part of the annual process and raise concerns with their Finance contact. Managers wishing to restructure budgets (i.e., differently or more details) should make requests by 30th November.

Any unused funds revert to the Accountable Officer. Any requests to carry forward deferred income budget should be addressed to the Chief Finance Officer by the end of December. The decision to carry forward unused budget is at the discretion of the Chief Finance Officer, taking account of the overall CCG financial position for the current and following financial year and within Resource Accounting guidelines.

Formal budgets should be issued to budget holders by the end of March or as soon as a balanced Annual Operating Plan has been signed off by the Governing Body and NHS England.

4.2.2 In-year Change

There are two routes for changes. As indicated previously budget managers can request/authorise virement. All virements are actioned by the Finance Department on receipt of a properly authorised virement request form.

Budget changes can also be imposed as a result of financial difficulties. All such changes will be notified to the budget manager by the Chief Finance Officer.

4.3 Expenditure

4.3.1 Incurring Expenditure

Arrangements for ordering and processing of invoices are set out in Prime Financial Policies. It is the responsibility of the budget manager to ensure invoices are properly and promptly authorised and coded to enable payment within 30 days. This will enable accurate cash flow monitoring. Invoices for non NHS organisations should be processed to achieve payment within 10 working days.

4.3.2 Invoice Disputes

All disputes on invoices must be notified promptly to the Creditor payments provider and to the relevant Management Accountant.

4.3.3 Receipting of Goods

Delivery of goods should be confirmed in writing (by e-mail wherever possible) to the Procurement Team. It is the responsibility of budget managers to ensure that goods received are booked in promptly.

4.3.4 Classification of Expenditure

Expenditure should always be coded to the correct subjective (account) code for the type of expenditure incurred.

If budget managers wish more detailed or different expenditure reports they should discuss their requirements with the Finance Department.

4.4 Year End Financial Management

Detailed instructions for managing the closure of the year will be issued by the Finance Team and must be followed by all members of staff.

4.5 Income

4.5.1

Invoice requests must be raised promptly by budget managers and within the financial year to which they relate.