



HFMA briefing
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Integrated care boards: finance policies and procedures

Key considerations

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Introduction

As the NHS prepares for the establishment of integrated care boards (ICBs), NHS England and NHS Improvement (NHSE&I) have published a number of documents to support the development of the new ICB financial governance arrangements¹.

A firm financial control environment is essential for any organisation, providing clarity on how the organisation is directed and controlled. For financial governance, this environment is established through setting out clear policies and procedures.

Written policies and procedures are not enough in themselves, they need to be implemented and embedded as a way of working. This means that relevant staff need to be aware of the policies and procedures that are applicable to their work; whether these are policies which may be pertinent for all staff (for example, managing conflicts of interest), a range of staff (for example, purchase ordering) or specific staff (for example, managing cash with Government Banking Service). Awareness needs to be supplemented by appropriate training and monitoring, so that the policies and procedures are embedded.

Where ICBs are established from more than one CCG, part of the establishment of the new organisation will be developing new policies and procedures for the new organisation. These are likely to be based on the best of the existing policies from the merging CCGs.

Where the ICB is established from a single CCG, policies and procedures could simply be rolled over. However, these may not reflect current best practice. Also, no matter the route to establishment, all policies will need to be reviewed against the functions of the newly established ICBs, to ensure a completeness of coverage, particularly for new or changed duties.

This briefing is intended to support finance staff during the establishment period of ICBs as they prepare the financial control environment, in terms of determining financial policies and the associated procedures.

Key areas of consideration

What dictates policies?

The ICB's policies will follow from the standing orders and standing financial instructions adopted by the ICB, including the reservation of powers and scheme of delegation. Policies will also have to have regard to requirements from HM Treasury (for example *Managing public money*²) and Department of Health and Social Care (DHSC) and NHSE&I (for example the *Group accounting manual*³ and *NHS system oversight framework*⁴).

Without creating duplication, it is useful to ensure that the financial policies cross-refer to these sources (and vice versa) as a way of checking on completeness as well as the basis for the policy.

How can demising CCG policies be used?

Existing policies from demising CCGs will be a good starting point as they are already defined and issued in accordance with directions issued by the Secretary of State and scheme of delegation. It is an also ideal opportunity to incorporate recent best practice developments where this has not already occurred.

However, in developing financial policies and procedures for the new ICB, they need to be issued in accordance with pending legislation. It is worth checking:

- **What is new/ different for the ICB:** some roles for ICBs will be new, or adapted, from a simple aggregation of CCGs (for example, system financial duties, taking on some aspects of specialised and primary care commissioning, collaboration with partners, different contract arrangements). These need to be identified and addressed.

¹ [FutureNHS Collaboration Platform, ICS guidance workspace](#)

² [HM Treasury, Managing public money, May 2021](#)

³ [DHSC, DHSC group accounting manual 2021 to 2022, January 2022](#)

⁴ [NHS, NHS system oversight framework 2021/22, June 2021](#)

- **Other guidance:** Other guidance can be used to cross-check on coverage, such as NHSE&I's *Interim guidance on the functions and governance of an integrated care board*⁵ and NHSE&I and NHS SBS's *joint publication Business process best practice in the ISFE environment*.⁶
- **Identifying differences:** there may be differences in policy and procedures from different CCGs coming into the ICB. Such differences need to be highlighted and a decision made as to the preferred way forward.
- **Internal consistency:** the whole set of policies and procedures should have an internal consistency, not so much in design and presentation, but in the approach to control.

What good practice might this be an opportunity to address?

The development of financial policies and procedures is an important element in establishing a framework to operate within and maintaining a robust financial control environment. The factors below should be considered when developing policies and procedures:

- **Keeping policy statements concise:** The actual policy in an area can often be expressed in a single paragraph, with the policy document expanding on this, as it is interpreted across that area. It is important to distinguish between the policy (and its interpretation) and the actual procedure on how the policy is to be implemented in practice.
- **High level procedures v detailed desk instruction:** Procedures provide a bridge between the policy for the area and the detailed instructions on how to comply with the system. Procedures should therefore be relatively high level (what is covered, who is responsible for what and how it will be managed).
- **Dissemination and training:** It is usual practice for staff to sign that they have read and understood financial policies and procedures, either in whole or specific to the requirements of the job. Good practice would support this with targeted training to ensure that the requirements are understood and will be implemented and complied with.
- **Regular review:** Policies and procedures should be subject to regular review to help improve efficiency and effectiveness of financial management arrangements and to ensure that what is happening in practice is consistent with the direction given. It can often be that the practical application of a policy raises issues that were not envisaged in the design stage.

What process might be adopted to agree the policies?

The ICB would be expected to formally adopt a full suite of financial policies and procedures on commencement although, in reality, these would be best done during the establishment period.

Once policies and procedures have been drafted it would be expected that:

- equality and privacy impact assessments would be undertaken, and any necessary amendments made, providing assurance to the approving body/ person that there are no remaining issues.
- a fraud risk assessment undertaken, by the local counter fraud specialist, to ensure that they are proportionate in managing the risk of fraud. A degree of prioritisation could be given to this task from existing understanding of fraud risk.
- a review/ quality assurance by an appropriate group or committee.

Conclusion

Financial policies and procedures provide direction to management and staff on what is the agreed control environment of the ICB.

This briefing sets out key considerations in developing a suite of financial policies and procedures, as well as a listing of the areas that such policies might be expected to cover. These are a starting point to help ICBs develop their own locally tailored set, rather than a definitive listing.

⁵ [NHS, *Interim guidance on the functions and governance of the integrated care board*, August 2021](#)

⁶ [FutureNHS Collaboration Platform, *Business process best practice in the ISFE environment*, December 2021](#) 3

Appendix 1

This appendix sets out a range of areas where it would be expected that an ICB would develop finance policies and procedures. Actual policies and procedures adopted will vary, in terms of terminology and content, across ICBs, and will depend on their particular circumstances (for example, what shared service arrangements are in place and what information systems are in use). Some finance policies will link with others (for example workforce and digital) while others will be stand alone.

The way that the policies have been grouped below is a suggestion only. For each area there is a general outline of what the policy might cover, followed by the areas for consideration within the policy and procedure.

Internal financial control

Outline: Responsibility for the design and maintenance of the system of internal financial control, as well as the approach to managing financial risks (through controls and risk appetite).

Potential coverage (this should be incorporated into the standing financial instructions and scheme of delegation):

- responsibilities of individuals and committees/ groups
- structure of the control environment (policies, processes, people, etc.)
- behavioural expectations (Nolan, etc.)
- particular aspects not covered elsewhere for example, register of interests, register of gifts and hospitality.

Accounting and financial management

Outline: Importance of completeness and accuracy of accounting systems and responsibilities for recording all transactions. The maintenance of processes for ensuring that the accounting system is robust, and the information used effectively for the management of the organisation.

Potential coverage (this section could be split into separate sections for accounting and financial management):

- responsibilities of individuals and committees/ groups
- shared business services (SBS) arrangements
- accounting policies and conventions, including documentation of estimates and judgements and related evidence
- closing old year and opening new year balances
- journal management
- control account reconciliations and management of suspense accounts
- accruals, pre-payments and deferred income
- review process and management control for other balance sheet assets and liabilities
- budget setting
- budget monitoring
- forecasting
- losses and special payments/ compensation including seeking prior HMT authorisation where required
- place based budget setting and monitoring
- provisions and contingent liabilities, including documentation of estimates and judgements and related evidence.

Annual report and accounts

Outline: Responsibility for the production of the annual report and accounts that complies with central guidance and accounting standards.

Potential coverage:

- responsibilities of individuals and committees/ groups for the preparation, review, approval and submission/ publication of the annual report and accounts
- annual report by section
- annual governance statement
- financial statements.

Audit and assurance

Outline: The importance of audit and independent assurance in the effectiveness of financial governance, the powers and authority of auditors and the need for staff to work with them.

Potential coverage:

- responsibilities of individuals and committees/ groups
- audit committee: reference to the terms of reference and requirement of staff to co-operate
- external: role of external audit and duty of staff to co-operate; coverage of both audit of annual accounts as well as value for money arrangements
- internal: charter and professional standards of the internal audit function, along with relative roles and responsibilities, including that of staff to co-operate
- other assurances: how 'second line of defence' functions operate (compliance, quality assurance, etc.) within financial governance.

Banking and cash management

Outline: The efficient management of cash within a secure environment, ensuring that there is adequate liquidity for the organisation's needs.

Potential coverage:

- responsibilities of individuals and committees/ groups
- cash flow forecasting
- Government Banking Service
- banking procedures
- processing of payments
- processing of receipts
- bank mandates
- bank reconciliations
- security of cash, cheques and other instruments.

Capital and fixed assets

Outline: The planning and management of capital within the ICB that stays within the capital allocation and provides value for money. The management and security of fixed assets.

Potential coverage:

- responsibilities of individuals and committees/ groups
- fixed asset registers linked to documentation and lease registers
- management and agreement of guarantees and warranties
- valuation reports and basis for valuation, including arrangements for engaging with valuers
- investment (including business cases)
- security of assets and physical verification
- management of assets held off site, for example, equipment used by staff working from home, digital technology used by as part of system redesign held by community healthcare practitioners or patients
- treatment of dilapidations
- valuations and impairments
- application for funding and acceptance of funding
- capital grants and legal charges.

Creditors (payables) and expenditure

Outline: The ICB incurs expenditure for goods and services that are needed to fulfil its objectives, whilst seeking value for money.

Potential coverage (linkage to procurement and contract management):

- responsibilities of individuals and committees/ groups
- efficient transacting protocols such as use of electronic invoicing
- *Better payment practice code*
- goods and services receipting
- purchase ordering and coding
- invoice processing
- payment authorisation
- change of supplier details
- handling of disputes
- inter NHS balances
- procurement policies in relation to social and environmental value.

Debtors (receivables) and income

Outline: All income due to the ICB should be invoiced and received in a timely manner. Additional income sources should be considered, where it does not impede the core objectives.

Potential coverage (separate to receipt of allocations/ central funding):

- responsibilities of individuals and committees/ groups
- fees and charges
- invoicing and coding
- debt management and collection
- bad debt provisions and debt write off
- inter NHS balances
- balance sheet review of uninvoiced debts
- handling of disputes.

Payroll

Outline: Roles and responsibilities for ensuring that staff are paid on a timely and accurate basis for the work performed under their contracts of employment. This includes compliance with deductions from staff's payroll for tax, pension and other deductions, with the timely payment of these sums along with employer contributions.

Potential coverage:

- responsibilities of individuals and committees/ groups
- payroll provider arrangements
- payment arrangements: including BACS payments
- establishment control: ensuring that an authorised workforce establishment is created, maintained and used as a method of control
- staff expenses: rules of what are (and are not) allowable expenses that can be incurred by staff and will be reimbursed, along with the process for checking and authorising
- overtime: additional hours and overtime arrangements
- patient expenses policy: rules of what are (and are not) allowable expenses that can be incurred by patients and will be reimbursed, along with the process for checking and authorising
- mileage and car insurance policies: rules of what are (and are not) allowable expenses that can be incurred by staff relating to use of a lease or private car when undertaking ICB business and the process for how these will be paid, along with the process for checking and authorising

- benefits in kind: the process for establishing and recording what benefits in kind staff have received and their disclosure to HMRC (this policy should include consideration of PAYE settlement agreements)
- joiners, movers and leavers: how anyone joining, leaving or moving posts in the organisation is recorded and authorised, along with the associated processes to be carried out on a complete and timely basis
- overpayment of salary: particularly linked to joiners, leaver and change of circumstances, how overpayment of salary is dealt with
- remuneration committee: support needed for the work of the committee
- off-payroll: the checking of all off payroll arrangements to ensure that they are bona fide arrangements and the retention of evidence in support
- compliance with IR35 and other legal requirements for off-payroll workers
- salary sacrifice schemes, including lease cars
- annual leave policy/ annual leave provision and year-end accrual
- pensions: staff that are members of the NHS pension scheme, staff that have left the NHS pension scheme, staff that are members of another pension scheme (particularly if they are members of a local government scheme), provisions for early retirement, provisions for the annual allowance scheme in 2019/20
- training and development policy: including records of mandatory training, and records of training funded by the employer
- flexible working hours/ overtime/ working time directive policy.

Procurement (and contract management)

Outline: Arrangements in place to ensure that the ICB complies with procurement regulations for public procurement (WTO) and seeks value for money from its goods and services, through appropriate competition.

Potential coverage:

- responsibilities of individuals and committees/ groups
- tendering and quotation requirements
- waiving of tendering requirements
- contracting
- supplier management (in terms of credit worthiness/ financial checks)
- social benefit and environmental procurement policies.

Stocks and inventories

Outline: Importance of managing stocks and inventories at an optimum level, whilst keeping them secure.

Potential coverage:

- responsibilities of individuals and committees/ groups
- management of stock level
- stock-taking/ inventory checks
- valuation
- management of stocks/ inventory procured elsewhere, for example personal protective equipment procured by the DHSC, high-cost drugs and devices procured by NHSE&I
- ensuring that any stock losses/write offs are follow the requirements set out in *Managing public money*.

Allocations

Outline: Review and reporting of allocations made from NHSE&I and accountability for their use as intended.

Potential coverage:

- responsibilities of individuals and committees/ groups

- allocation methodology and formula including data sources
- management, monitoring and reporting on ringfenced allocations
- monitoring
- treatment of over and under spends
- individual funding requests.

Commissioning

Outline: Working in partnership with national, regional and local stakeholders to commission health (and social) care that meets the needs of the population.

Potential coverage:

- responsibilities of individuals and committees/ groups
- strategy
- joint working
- s75 arrangements
- contract management
- ICS financial risk sharing
- personalised care
- continuing healthcare.

Financial information systems

Outline: How financial and associated information systems are maintained to ensure that they are complete records that maintain their integrity and provide the information needed.

Potential coverage (referenced to corporate policies on information systems/ digital):

- responsibilities of individuals and committees/ groups
- access controls to financial systems: implementing effective segregation of duties and controlling privileged access
- use of IT systems
- asset register (particularly for staff working from home).

Financial reporting and monitoring

Outline: The ICB's reporting should be timely and accurate, providing information requested and accompanied by insightful commentary.

Potential coverage:

- responsibilities of individuals and committees/ groups
- internal to ICB: covering reporting at various levels (place, directorate) as well as to the board and its sub-committees
- confirmation of detailed monthly reporting requirements to include I&E, balance sheet and cash flow position
- system wide reporting
- reporting to NHSE&I
- other regulatory reporting.

Data

Outline: That financial data is kept securely, particularly personal sensitive data, and steps are taken to maintain the confidentiality, integrity and availability of data.

Potential coverage (link to wider digital policies as well as specific procedures on financial information systems):

- responsibilities of individuals and committees/ groups
- freedom of information (as related to financial records)
- GDPR (as related to financial records, particularly personal data held by finance).

Retention of records

Outline: Particular requirements for the retention of financial records, complementary to the wider policy adopted by the ICB.

Potential coverage:

- responsibilities of individuals and committees/ groups
- accounting records (primary and secondary)
- payroll and pension.

Risk management

Outline: Applying the corporate risk management strategy and policy to the financial control environment, including risk appetite.

Potential coverage:

- responsibilities of individuals and committees/ groups
- financial risk management/ sharing across the ICS
- application of risk appetite.

Insurance

Outline: Arrangements for proportionate insurance for the activities of the ICB, and how the costs can be minimised by appropriate management.

Potential coverage (linked to risk management area):

- responsibilities of individuals and committees/ groups
- complying with requirements of insurers
- relationship with NHS Resolution.

Counter fraud and anti-bribery

Outline: Importance of establishing a control environment that seeks to prevent fraud and/ or bribery, by maintaining appropriate standards of conduct, and the approach taken to create and embed.

Potential coverage (linkage to standards of business conduct and wider workforce/ behavioural policies):

- responsibilities of individuals and committees/ groups
- counter fraud: relative responsibilities for creating and maintaining a counter fraud culture, including the role and powers of the local counter fraud specialist
- anti-bribery: relative responsibilities for complying with anti-bribery legislation
- security management: relative responsibilities for creating and maintaining a security conscious culture, including the role and powers of the security management service.

Shared services

Outline: Arrangements in place to manage shared services with clear demarcation of relative roles and responsibilities, including dependencies, for the effective delivery of the services.

Potential coverage:

- responsibilities of individuals and committees/ groups
- contractual/ service level agreements, including (key) performance indicators and reviews of service
- clarity of roles within the ICB and from the shared service
- dispute resolution
- management of service organisation auditor reports (ISAE 3402).

Value added tax (VAT)

Outline: Requirements to comply with regulations and account for VAT accurately, including where VAT may be reclaimable.

Potential coverage:

- responsibilities of individuals and committees/ groups
- accounting and returns
- dealing with disputes
- use of consultancy services.

About the HFMA

The Healthcare Financial Management Association (HFMA) is the professional body for finance staff in healthcare. For over 70 years, it has provided independent and objective advice to its members and the wider healthcare community. It is a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through its local and national networks.

The association also analyses and responds to national policy and aims to exert influence in shaping the wider healthcare agenda. It has particular interest in promoting the highest professional standards in financial management and governance and is keen to work with other organisations to promote approaches that really are 'fit for purpose' and effective.

The HFMA offers a range of qualifications in healthcare business and finance at undergraduate and postgraduate level and can provide a route to an MBA in healthcare finance. The qualifications are delivered through HFMA's Academy which was launched in 2017 and has already established strong learner and alumni networks.

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