

**BOARD PAPER - NHS COMMISSIONING BOARD AUTHORITY (NHS CBA)**

**Title:** Finance and Procurement Controls Committee

**Clearance:** Paul Taylor, Interim Director of Finance

**Purpose of Paper:**

To update the Board on progress to establish a Finance and Procurement Controls Committee to support the NHS Commissioning Board Authority (NHS CBA) procurement efficiency control responsibilities.

**Key Issues and Recommendations:**

Department of Health (DH) agreed to allow NHS CBA the opportunity of managing Efficiency and Reform Group (ERG) controls subject to setting up the appropriate governance arrangements as a sub-committee of their main Boards.

A Finance and Procurement Controls sub-committee has been identified as a suitable vehicle by the NHS CBA for the purposes of carrying out these responsibilities but requires formal approval of the Board to establish it, and an amendment to Ways of Working (including Standing Orders).

**Actions Required by Board Members:**

The Board is asked to:

1. Approve the establishment of the Finance and Procurement Controls sub-committee and the Terms of Reference shown in Annex 1.
2. Approve the amendment to Ways of Working (including Standing Orders) shown in Annex 2.
3. Note the use of Chairman's Action regarding the procurement of external support for the CCG Authorisation process.

# **BRIEF PAPER OUTLINING THE ISSUE AND MAKING RECOMMENDATIONS TO THE BOARD**

## **NHS Commissioning Board Authority**

**Date of Meeting 13th April 2012**

### **Finance and Procurement Controls Sub-Committee**

#### **1. Finance and Procurement Controls sub-committee**

- 1.1 Since May 2010, the Coalition Government has required departments and their Arm Length Bodies (ALBs) to operate a range of efficiency controls to secure savings through freezes in external recruitment, new information communications technology (ICT) projects, and communications, advertising and marketing activity, controls over spend on consultancy, property, pay and business travel, and improvements in how they procure common goods and services.
- 1.2 The Efficiency and Reform Group (ERG) in the Cabinet Office which oversees the controls has decided to retain them for 2011-12 and expects the controls to remain in place until March 2015.
- 1.3 Under the terms of these Efficiency Controls, Richard Douglas, the Department of Health's (DH) Director General for Policy, Strategy and Finance has responsibility for managing controls for the DH its ALBs.
- 1.4 In August 2011 the DH agreed to allow Monitor, the NHS CBA, and the NHS Trust Development Authority (NTDA) the opportunity of managing these controls subject to setting up the appropriate governance arrangements as a sub-committee of their main Boards.
- 1.5 A Finance and Procurement Controls sub-committee has been identified as a suitable vehicle by the NHS CBA for the purposes of carrying out these responsibilities but requires formal approval of the Board to establish it, and an amendment to Ways of Working (including Standing Orders).
- 1.6 Attached as Annex 1 is the proposed terms of reference for the sub committee.
- 1.7 Attached as Annex 2 is an amendment to the Ways of Working (including Standing Orders) to incorporate the sub-committee into the official governance arrangements of the Board.

- 1.8 An urgent request to proceed to procurement was received from the Commissioning Development Directorate early in March 2012 requesting the NHS CBA to proceed with the procurement of external professional support for the assessment of CCGs through their authorisation stage.
- 1.9 This type of request falls within the terms of the Government's Efficiency Controls and so would need the approval of the Finance and Procurement Controls sub-committee before it could proceed. It was considered that waiting until 13<sup>th</sup> April 2012 would have compromised the anticipated timetable for CCG authorisation and so Chairman's urgent action was requested under the powers given to him in Para 3.1 of Ways of Working (including Standing Orders).
- 1.10 The Chair gave approval on 19<sup>th</sup> March 2012, and the NHS CBA procurement advisers from the Business Services Authority (BSA) have been working with CBA staff to procure the best value support from an external supplier. A verbal update will be given to the Board at its meeting regarding the progress with this procurement.
- 1.11 The terms of this approval remain commercial in confidence until an NHS tender has been let because the budget value might prejudice the NHS CBA's negotiating position with suppliers.
- 1.12 There are a number of other urgent requests which will be considered by the sub committee at its first meeting.

## **2. Recommendations**

The Board is asked to:

- approve the establishment of the Finance and Procurement Controls sub-committee and the Terms of Reference shown in Annex 1;
- approve the amendment to Ways of Working (including Standing Orders) shown in Annex 2; and
- note the use of Chairman's action regarding the procurement of external support for the CCG Authorisation process.

**Paul Taylor**  
**Interim Director of Finance**  
**30<sup>th</sup> March 2012**

NHSCBA/12/2001/1

NHS Commissioning Board Authority

# **WAYS OF WORKING (Incorporating Standing Orders)**

## **1. INTRODUCTION**

- 1.1 This document has been developed as part of the NHS Commissioning Board Authority's Governance Framework to specify the Authority's ways of working.
- 1.2 This document also incorporates those issues which may be determined by the Authority as part of standing orders as specified within Statutory Instrument 2011 No.2250.

## **2. AUTHORITY MEETINGS AND PAPERS**

### **2.1 Frequency of Meetings**

- 2.1.1 The dates of Authority meetings will be agreed in advance with the membership for a rolling period of six months.
- 2.1.2 It is expected that the Authority will meet up to eight times each year.

### **2.2 Authority Papers**

- 2.2.1 All Authority papers will be concise and clear. Ideally papers will be no longer than four A4 pages in length and when attached, appendices should also be ideally no longer than four A4 pages.
- 2.2.2 All papers prepared for meetings of the Authority will include a summary which will be no longer than one A4 page in length. This summary should include the title of the report, its purpose and the name of the responsible Executive or Non-Executive Director. It should also clearly state what is required from the Authority and outline the potential and/or likely implications of the Authority's decision.

## **3. CONDUCT OF THE MEETINGS**

### **3.1 Urgent Decisions**

In exceptional circumstances where the Chair of the Authority authorises urgent action in respect of a matter on behalf of the Authority which would normally have been considered by the Authority itself, such action shall be reported to the next meeting of the Authority.

In dealing with such issues requiring an urgent decision, and if timescales allow, the Chair may call a meeting of the Authority using video or telephone conferencing facilities. Emails may also be used to gather

views and/or reach a consensus. All such decisions will be ratified by the Board at its next formal meeting.

### 3.2 Confidential Agenda

3.2.1 The Authority will discuss items in confidence that would be exempt under the Freedom of Information Act 2000. Such items would generally be considered to be personal and confidential in nature or their disclosure would be otherwise prejudicial to the public interest.

### 3.3 Declaration of Interests

3.3.1 All Authority members should declare their interests to the Chair and the Corporate Secretary in any matter relating to the Authority's business at the time that they become aware of a potential conflict. The Corporate Secretary will maintain the register of those interests.

3.3.2 Members will normally be excluded from the discussion after declaring an interest related to that issue. The minutes of the meeting will record the member's declaration.

3.3.3 When a member's interest is not directly associated with the issue under discussion but could be construed as having a potential influence on the outcome of the discussion due to the interest, that member will also be excluded from the discussions.

3.3.4 A register of the interest declared will be maintained and published on the NHS Commissioning Board Authority website.

### 3.4 Decision Making

3.4.1 The Authority will always seek to make decisions by consensus. However, the Authority recognises the requirements of Statutory Instrument 2011 No. 2250 for every question at a meeting to be determined by a majority of votes.

3.4.2 The nature of a formal vote will be at the discretion of the Chair, and may be determined by oral expression, a show of hands or ballot.

3.4.3 If a majority of members present so request, the voting on any question may be recorded so as to show how each member present voted or did not vote. Furthermore, if a member so requests, their vote shall be recorded by name.

3.4.4 In no circumstances may an absent member vote by proxy - absence being defined as being absent at the time of the vote.

3.4.5 In the case of an equal vote, the Chair shall have a second and casting vote.

3.4.6 Once the Authority has reached a decision, it is expected that all members will support that decision and its consequences in every respect.

### 3.5 Additional Items of Business

3.5.1 It is anticipated that the Chair will be notified in advance of any items of other business to be raised for discussion at a meeting of the Board. Where this is not possible or in exceptional circumstances, items of other business may be raised by a member at the appropriate point on the agenda. Acceptance of items of other business is at the discretion of the Chair.

## 4. **CHAIR'S RULING**

4.1 The decision of the Chair of the meeting on questions of order, relevancy and regularity and the Chair's interpretation of the Ways of Working (Standing Orders) and Matters Reserved shall be final. In this interpretation the Chair shall be advised by the Chief Executive and Corporate Secretary.

## 5. **MINUTES AND ACTIONS**

### 5.1 Minutes

5.1.1 The proceedings of each meeting of the Authority will be formally recorded. The Corporate Secretary will be responsible for the production of these minutes.

5.1.2 The Chair will be responsible for summarising action points and decisions after each item of business during the meeting.

5.1.3 Following a meeting of the Authority, the Chief Executive will review the accuracy of the draft minutes with the Corporate Secretary, prior to submission to the Chair for approval.

5.1.4 Once reviewed and approved by the Chair, the draft minutes will be held until the next Authority meeting.

5.1.5 At the next meeting of the Authority, all members will review the minutes and confirm that they are an accurate record. If any changes are required, the amendments will be discussed and agreed at the meeting.

5.1.6 The Chair will sign a copy of the minutes when agreed as an accurate record. This creates an official record of the meeting.

## 5.2 Actions

5.2.1 Actions resulting from Authority meetings will be summarised in tabular form which clearly indicates who is responsible and the agreed timescales.

5.2.2 The summary of actions should be circulated with the papers of the next Authority meeting for review.

## 6. **COMMITTEES**

6.1 Only the Authority can establish its own committees.

6.2 Authority committees will adhere – in so far as it is possible - to the same ways of working as the Authority.

6.3 Wherever possible, committee meetings will be scheduled to take place on the same day as the Authority meeting so as to make the most efficient use of the non-executive directors' time and to allow issues to be brought to the Authority's attention in a timely way.

6.4 The Authority will establish three committees, which are:

- the Audit Committee;
- the Remuneration Committee; and
- the Finance & Procurement Controls Committee

6.5 The terms of reference for Authority committees are attached in Appendix 1, Appendix 2 and Appendix 3.

## 7. **COMMUNICATIONS**

### 7.1 General

7.1.1 The Authority will publish on its website copies of the agenda, confirmed minutes and papers for the non confidential part of the meeting.

### 7.2 Publication of Expenses

7.2.1 Details of expenses and hospitality declarations by members of the NHSCBA Board will be published on a regular basis.



**8. SUSPENSION OF WAYS OF WORKING INCORPORATING STANDING ORDERS**

- 8.1 Except where it would contravene any statutory provision or any direction made by the Secretary of State for Health, any part of these
- 8.2 Ways of Working (Standing Orders) may be suspended at any meeting, provided Authority members are in agreement.
- 8.3 A decision to suspend Ways of Working (Standing Orders) together with the reasons for doing so shall be recorded in the minutes of the meeting.

**9. VARIATION AND AMENDMENT OF WAYS OF WORKING INCORPORATING STANDING ORDERS**

- 9.1 These Ways of Working (Standing Orders) can be amended by the Authority. Any amendments must not contravene a statutory provision or direction made by the Secretary of State for Health.

## **Remuneration Committee**

### **CONSTITUTION**

The NHS Commissioning Board Authority (the Authority) hereby resolves to establish a Committee to be known as the Remuneration Committee (The Committee). The Committee is a non-executive committee of the Authority's Board, which determines its Membership and Terms of Reference.

### **MEMBERSHIP**

The Remuneration Committee will consist of the Chairman of the Authority and its Non-Executive Directors.

The Chief Executive may attend to advise the Committee for the purpose of approval of Directors' and other staff members' terms and conditions of service. The Chief Executive will not attend for discussions about his/her own remuneration and terms of service.

### **ATTENDANCE**

Other Directors may be invited to attend the meeting for the purpose of providing advice and/or clarification to the Committee.

A senior human resources professional will attend the Committee to provide expert advice on remuneration.

The meeting will be quorate if two of the Non-Executive Committee members are present.

### **FREQUENCY**

The Committee shall meet up to eight times a year and will be reviewed regularly, when frequency may drop to not less than twice a year.

### **AUTHORITY**

Subject to any restrictions set out in relevant legislation, the Remuneration Committee is authorised by the Board to determine any matter within its terms of reference. The Committee will take proper account of national Agreements e.g. Agenda for Change and guidance issued by the Government, the Department of Health and the NHS in reaching their determinations. The Committee may seek such independent information as may be necessary to inform their recommendations.

### **TERMS OF REFERENCE & FUNCTIONS**

The Remuneration Committee's primary aim is to approve the appropriate remuneration and terms of service for the Chief Executive, Directors and other Very Senior Managers. In addition the Committee will consider some issues in relation to all staff employed by the NHS Commissioning Board Authority. The Committee will have delegated powers to act on behalf of the Authority within the approved Terms of Reference.

The Committee shall adhere to all relevant laws, regulations and policies in all respects including (but not limited to) determining levels of remuneration that are sufficient to attract, retain and motivate executive directors and senior staff whilst remaining cost effective.

The committee's remit includes:

- With regard to the Chief Executive, Directors and other Very Senior Managers, all aspects of salary (including any performance-related elements, bonuses).
- Provisions for other benefits, including pensions and cars
- Arrangements for termination of employment and other contractual terms (decisions requiring dismissal shall be referred to the Board).
- Ensuring that officers are fairly rewarded for their individual contribution to the Authority – having proper regard to the Authority's circumstances and performance and to the provisions of any national arrangements for such staff.
- Proper calculation and scrutiny of termination payments taking account of such national guidance as is appropriate, advising on and overseeing appropriate contractual arrangements for such staff. This will apply to all NHS Commissioning Board Authority staff.
- Proper calculation and scrutiny of any special payments.
- Approval of HR policies and procedures for all NHS Commissioning Board Authority staff.

## **REPORTING ARRANGEMENTS AND MECHANISMS**

The Committee will report in writing to the Board following each of its meetings in the form of a report from the Chair. The actions taken will be recorded in the Board's minutes. The Remuneration Committee minutes will be copied to all members of the Committee.

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## The Audit Committee

### CONSTITUTION

The NHS Commissioning Board Authority (the Authority) hereby establishes a Committee to be known as the Audit Committee (the Committee). It is constituted as a non-executive committee of the Authority's Board, which determines its Membership and Terms of Reference. The Committee is authorised to investigate any activity within these terms of reference, and can seek any information from employees of the Authority, who must co-operate with any such request. The Committee is authorised to seek outside legal or other independent professional advice and secure the attendance of outsiders with relevant expertise if considered necessary.

### MEMBERSHIP

The Committee shall consist of not fewer than two non-executive board members which will include a Chair appointed by the Secretary of State for Health. The Authority's Chair shall not be one of these directors, although he/she can be required to attend meetings where the issues discussed are relevant to the whole Board or to the Chair directly. The Committee shall be quorate providing there are two members present.

### ATTENDANCE

The Director of Finance, Chief Internal Auditor, and appropriate Internal Audit service provider and External Audit representatives shall normally attend meetings. However, at least once a year, the Committee shall meet with the External and Internal Auditors without any Executive Board member present. The Chief Executive and other executive directors may be invited to attend on occasion, particularly when the Committee is discussing significant matters relating to risks or operations that are the responsibility of a particular director. The Chief Executive shall be invited to attend the meeting that reviews the Annual Statement of Internal Control to discuss the process for assurance that supports the Statement.

The Chief Internal Auditor, and External Audit Director, shall have direct access, where required to members of the Committee on matters arising from, or relevant to, the Committee.

### FREQUENCY

Meetings shall be held as required and not fewer than four times in one financial year. The Director of Finance, Chief Internal Auditor, or External Auditor may request a meeting if they consider that one is necessary.

## **DUTIES**

The Committee shall undertake the following duties:

### **Governance, Risk Management and Internal Control**

1. Provide the Authority's Board with an independent and objective review of the adequacy and effectiveness of the Authority's Assurance Framework (the framework of governance, risks, controls and related assurances). In particular it will review:
  - a. all risk and control related disclosure statements (in particular the Statement on Internal Control) together with the accompanying Internal Audit statement and external audit opinion;
  - b. the underlying assurance process that governs the management of principal risks and the achievement of corporate objectives;
  - c. the appropriateness of policies and procedures for ensuring compliance with law, guidance and codes of conduct, and their effectiveness.
  - d. policies and procedures related to the detection and prevention of fraud and corruption
2. Consider other topics as requested by the Board

### **Internal Audit**

1. Provide assurance to the Board that an effective internal audit function is established at an appropriate fee that meets mandatory Internal Audit Standards and provides appropriate independent assurance to the Audit Committee.
2. Review and approve the internal audit strategy, operational plan and more detailed programme and ensure co-ordination between the internal and external auditors to optimise audit resources.
3. Review the status of internal audit reports and their recommendations, including the delivery of agreed management actions.
4. Ensure that the Internal Audit function is adequately resourced and has appropriate standing within the organisation.

### **External Audit**

1. Discuss and agree the external audit strategy and operational plan with the External Auditor before the commencement of the audit and ensure co-ordination with other external auditors in the national health economy.
2. Review External Audit reports, including annual audit letters and management's responses.

## **Finance**

1. Review the Annual Report and Financial Statements before submission to the Board, challenging assumptions and judgements made during their compilation, and focusing particularly on:
  - a. changes in, and compliance with, accounting policies and practices;
  - b. unadjusted misstatements in the financial statements
  - c. major judgemental areas; and
  - d. significant adjustments resulting from the audit.
2. Consider the context of any report involving the Authority issued by the Public Accounts Committee or the Comptroller and Auditor General and review management's proposed response before presentation to the Board for agreement.
3. Review schedules of losses and compensation.

## **REPORTING ARRANGEMENTS AND MECHANISMS**

The Committee meetings shall be formally recorded and the minutes submitted to the Board.

The Committee shall undertake an annual review of its own effectiveness.

The Committee shall submit an annual report of its work to the Board.

Terms of reference – Finance and Procurement Controls Committee

**1. MEMBERSHIP AND ATTENDANCE**

The members of the Committee will comprise:

- 1.1.1. The Chief Executive (who will chair the meeting)
- 1.1.2. The Director of Finance
- 1.1.3. The Director of Partnership and Corporate Development
- 1.1.4. The Chief of Staff
- 1.1.5. The Chair of Audit Committee

Other staff members will attend the meeting as appropriate (to present reports).

Participation will usually be in person, but members of the Committee may participate by telephone or videoconferencing facility and be deemed to be present and constitute part of the Committee for that meeting.

The Secretary to the Board shall act as Secretary to the Committee.

The Secretary (or designated secretary) will circulate minutes of meetings of the Committee to all members of the Board as well as to all members of the Committee.

**2. PROCEEDINGS**

The Committee must comply with the provisions of the Commissioning Board Authority's Standing Financial Instructions and Standing Orders, including the declarations concerning conflicts of interest

The Committee will receive submissions in a specified format. The Committee will agree changes to the approved format as it sees fit (see current version).

**3. FREQUENCY OF MEETINGS AND CORRESPONDENCE PAPERS**

The Committee shall meet at such regular intervals as may be determined by members of the Committee.

Under normal circumstances, the Committee will meet weekly by teleconference, and monthly in person.

## 4. AUTHORITY

The Committee is authorised by the Board to approve expenditure on activities relating to the establishment of the Commissioning Board's new functions, as envisaged in the Health and Social Care Bill, within the framework of delegated efficiency controls set out by the Department of Health (copy of guidance attached for ease of reference).

The Committee reports directly to the Board of NHS Commissioning Board Authority. The Board will receive minutes of Committee meetings.

The Committee is authorised to obtain independent professional advice if it considers this necessary.

The Committee will utilise, where appropriate, the delegated financial limits set out in the Standing Financial Instructions for members in attendance, and will have no delegated budgetary authority of its own.

## 5. DUTIES

The Committee is responsible for the following decisions:

### **Business Cases**

Following advice from the Department of Health's Procurement Centre of Excellence, approving business cases for the procurement of goods and services (including professional services) relating to the transition;

Reviewing all significant business cases for expenditure on both transition and business as usual activities prior to their submission to the Department of Health for agreement;

### **Professional Services**

Reviewing all assignments relating to the establishment of the Commissioning Board's new functions which fall within the OGC definition of consultancy on a rolling basis every 3 months and agree any proposal to prolong a professional services agreement beyond 9 months before it is submitted for approval by the Minister for the Cabinet Office/Chief Secretary to the Treasury;

### **Reporting to the Department of Health**

Approving the quarterly forecast of spending on transition activities to be provided by CBA to the Department of Health; and



Reviewing the regular report to be provided by CBA to the Department of Health on the exception cases for transition activities approved by the Committee.