

Finance Governance Tool for Clinical Commissioning Groups

Clinical commissioning groups (CCGs) are a new type of NHS statutory organisation built from a membership model. CCGs will determine their structures, systems and processes, within the framework of the legislation, to enable them to carry out their functions and duties safely and effectively.

The Health and Social Care Act says that:

“A clinical commissioning group must have a governing body. The main function of the governing body will be to ensure that CCGs have appropriate arrangements in place to ensure they exercise their functions effectively, efficiently and economically and in accordance with any generally accepted principles of good governance that are relevant to it.”

[Towards Establishment: Creating responsive and accountable clinical commissioning groups](#) sets out that CCGs will appoint an Accountable Officer and a Chief Finance Officer. Both of these roles are explored further in [Clinical commissioning group governing body: role outlines, attributes and skills](#).

The Accountable Officer is responsible for ensuring that the CCG fulfils its duties to exercise its functions effectively, efficiently and economically thus ensuring improvement in the quality of services and the health of the local population whilst maintaining value for money.

This means that the Accountable Officer will work closely with the Chief Finance Officer, the Chair and members of the governing body, to ensure that everything is put in place to assure the member practices (through the governing body) of the organisation’s ongoing capability and capacity to meet its duties and responsibilities including arrangements for good financial governance. This includes:

- robust financial procedures and controls;
- effective financial management and financial planning arrangements; and
- comprehensive financial systems operated by well managed, adequately resourced and suitably trained staff.

As detailed in [Clinical commissioning group authorisation: guide for applicants](#) the threshold for authorisation relating to financial control under this domain requires CCGs to have:

“appropriate and effective financial reporting, management and governance in order to meet its statutory financial reporting duties and in year financial performance reporting requirements.”

This financial governance framework is intended to support interim Chairs and Accountable Officers of proposed CCGs as they develop their thinking on the arrangements they need to put in place for good financial governance and collect the evidence required for their CCG’s application for authorisation, particularly criteria 4.2 of domain 4¹.

¹ [CCGs are] able to deliver all their statutory functions, including strategic oversight, quality improvement, financial control and probity, innovation and managing risk.

It suggests the financial reporting, management and governance characteristics that proposed CCGs will wish to put in place prior to their application for authorisation and examples of the evidence that the NHS Commissioning Board will expect CCGs to present to demonstrate the presence of these characteristics.

The content within the framework is not exhaustive. It is not intended that CCGs apply it as a checklist in isolation. CCGs are invited to view it as a template for identifying and pulling together relevant local evidence that may support the elements of financial governance. CCGs may find the framework useful as a basis for discussions with their host PCT to help them identify and plan:

- financial governance arrangements that need to be in place by 31 March 2013;
- types of evidence needed for authorisation;
- the PCT support needed to set up financial governance arrangements;
- financial governance arrangements necessary to manage any transitional business continuity issues;
and
- any extra development needs for proposed CCG Chairs and Accountable Officers.

The framework suggests evidence CCGs will need to have at the point of authorisation. However, CCGs will want to consider their local circumstances when identifying evidence for each of the three authorisation stages. Annex 1 provides links to documents to provide further support and context for financial governance.

Financial governance framework element	An emerging CCG should be in a position to...	Evidence for authorisation
<p>1. The CCG has robust financial procedures and systems and has embedded awareness of financial governance within the CCG.</p> <p>CCGs are expected to promote the effective management of CCG resources and ensure honesty and transparency in their use.</p> <p>Prime financial policies (also known as Standing Financial Instructions) describe financial management arrangements for all areas of CCG expenditure, creditors, debtors, cash and capital assets. If the model constitution is used as a basis, we would expect CCGs to have detailed financial procedures to support their prime financial policies.</p> <p>CCGs will be required to use the integrated finance and accountancy system procured by the NHS Commissioning Board. The system will cover the general ledger, purchase ledger, sales ledger, cash management and management reporting functionality. The cost of providing the integrated finance and accountancy system will be retained by the NHS CB and not passed onto CCGs for the lifetime of the contract.</p> <p>CCGs should not keep their own bank accounts or undertake any other separate financial transaction processing in 2012/13 as PCTs will be accountable for the use of NHS resources until April 2013.</p> <p>CCGs will need their own bank account from April 2013 and requirements for this using the Government Banking Service will be confirmed before 31 March 2013.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Confirm intention to use financial ledger system procured by the NHSCB. • Confirm intention to use model CCG prime financial policies (or equivalent), standing orders and scheme of delegation. • Describe proposed arrangements from April 2013 for financial transaction processing (invoices and payroll), asset management and procurement of non-healthcare goods and services. • Operate in line with PCT financial procedures and delegated authority. • Describe the components of their assurance framework. • Describe arrangements for CCG access to adequately resourced and suitably trained finance staff. <p>After application</p> <ul style="list-style-type: none"> • Confirm implementation plan in place to ensure ledger system available for use from April 2013 by 31 December 2012. • Confirm arrangements from April 2013 for financial transaction processing (invoices and payroll) and procurement of non-healthcare goods and services in place including draft service level agreements where required by 28 February 2013. • Full CCG financial procedures drafted in line with implementation of ledger system by 28 February 2013 for go live in April 2013. • Confirm arrangements for supporting the Accountable Officer to complete the CCG governance statement. 	<p>At point of application</p> <ul style="list-style-type: none"> • Proposed CCG constitution and any other documents detailing financial governance arrangements • CCG organisational structure. <p>By 31 March 2013</p> <ul style="list-style-type: none"> • Detailed financial procedures. • Register of Interests.

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<p>2. The CCG has effective financial reporting arrangements.</p> <p>CCGs will need to produce relevant and timely reports on financial performance for stakeholders (internal and external) over the course of the financial year. These reports will be important in helping to ensure that CCGs work within the resources available to them, as well as demonstrating the appropriate use of resources.</p> <p>Whilst CCGs will not produce annual accounts for 2012/13, they will need to demonstrate that they have considered the systems and processes that they will need to ensure that they can produce their annual report and accounts for 2013/14.</p> <p>CCGs will need to be able to produce annual accounts and reports following relevant standards and timetables that the Commissioning Board will set. This is important for transparency at CCG level but also vitally important for the consolidation of CCG financial information into Commissioning Board accounts.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Provide the shadow governing body with sample reports on financial performance and activity showing variance against budget and plan, highlighting areas of significant risk and where corrective action is needed. • Provide monthly reports of financial performance against budget for all budgets that have been delegated to them. • Report regularly on the delivery of their QIPP programme. • Provide details of arrangements to ensure that all financial reports (internal and external) can be produced in line with relevant statutory and professional reporting requirements in a timely manner. • Provide details of the arrangements in place to assure the quality and completeness of finance and performance reports. <p>By 31 March 2013</p> <ul style="list-style-type: none"> • Describe the work done (having sought advice as appropriate from PCT clusters on best practice) to ensure that systems and processes are in place to support the production of its annual report and accounts for 2013/14. • Report on local delivery of QIPP as specified by the NHS Commissioning Board. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing financial governance arrangements.

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<p>3. The CCG has effective financial planning arrangements and a detailed financial plan that is consistent with its commissioning strategy, setting out how it will manage within its management allowance and any other requirements set by the NHSCB.</p> <p>As part of their application for authorisation, CCGs will be expected to demonstrate that their running costs are within £25 per head.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Provide a clear operational financial plan developed for 2012/13 that demonstrates delivery of financial balance, cash management, QIPP targets, Operating Framework requirements and other key deliverables. • Provide details of its planned running costs for 2012/13 . • Provide details of its strategic planning and prioritisation process and how this relates to the financial planning process. 	<p>At point of application</p> <ul style="list-style-type: none"> • 2012-13 integrated plan (including a detailed financial plan) and draft commissioning intentions for 2013-14.
<p>4. CCG has effective financial management arrangements in place.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Provide clearly defined financial objectives for the CCG that are approved by the shadow CCG governing body. • Provide clearly defined shadow governing body level responsibility for financial management that is supported by clear lines of accountability throughout the organisation. This should include financial management processes that will be put in place to ensure QIPP delivery. • Provide details of its budgetary control framework, including staff establishment control processes. • Provide details of arrangements to validate provider activity data and information and assess implications. • Provide details of the risk sharing arrangements that it has in place with other CCGs. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing financial governance arrangements.

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<p>5. The CCG has clear internal audit arrangements.</p> <p>Internal audit is an important element of the financial governance framework that a CCG must put in place. It will provide the CCG with an independent and objective evaluation of the effectiveness of its risk management, control and governance processes and will propose improvements.</p> <p>Advice should be sought from the PCT cluster to help identify an appropriate supplier of internal audit services</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Provide audit committee terms of reference. • Provide role description for the chair of the audit committee. • Induction arrangements for governing body members. • Confirm intentions for obtaining a professional, high quality internal audit service. <p>By 31 December 2012</p> <ul style="list-style-type: none"> • Provide details of arrangements to deal with audit recommendations, including how the governing body is assured through monitoring of implementation and arrangements for escalation. <p>By 31 March 2013</p> <ul style="list-style-type: none"> • Provide the draft service level agreement in place for provision of internal audit service. • Provide outline internal audit plans for 2013/14. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing governance arrangements.
<p>6. The CCG has clear external audit arrangements.</p> <p>The Health and Social Care Act 2012 (the Act) requires the audit of CCG accounts². The NHS Commissioning Board will arrange for the Audit Commission to appoint auditors to CCGs.</p> <p>CCGs should make full use of the scope of the audit (which involves a financial statement audit and a value for money review) to help it better exercise its functions effectively, efficiently and economically.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Provide Audit Committee terms of reference. • Provide role description for the chair of the audit committee. • Confirm that they understand external auditors will be appointed for the CCG by the Audit Commission under the Audit Commission Act 1998. <p>By 31 March 2013</p> <ul style="list-style-type: none"> • Provide details of arrangements to deal with audit recommendations, including how the governing body is assured through monitoring of implementation and arrangements for escalation. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing governance arrangements.

² See paragraph 17(1) and (2) of the NHS Act 2006, inserted by Schedule 2 of the Health and Social Care Act 2012

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<p>7. The CCG has established a shadow audit committee and a shadow remuneration committee.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Provide shadow audit committee terms of reference. • Provide shadow remuneration committee terms of reference. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing governance arrangements.
<p>8. The CCG has clear financial arrangements for working with local authorities;</p> <p>and</p> <p>9. The CCG has clear financial arrangements for handling hosted or shared activity.</p> <p>Domain 5 of the CCG authorisation: Draft guide for applicants sets the clear expectation that CCGs will put in place:</p> <p>“Collaborative arrangements for commissioning with other CCGs, local authorities and the NHS Commissioning Board as well as the appropriate commissioning support”³.</p> <p>The arrangements to support these relationships must include clear and transparent objectives and ways of working, agreed and understood by all parties.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • List of joint commissioning draft agreements or plans, including pooled budgets and Section 75 agreements where appropriate. • Written agreements in place detailing the scope of the collaboration with other CCGs, with clear lines of accountability and decision-making processes. <p>By 31 March 2013</p> <ul style="list-style-type: none"> • Provide a policy for establishing hosting arrangements. • Provide a policy for CCG involvement in shared arrangements including specific provision for withdrawal. • Provide a memorandum of understanding (or equivalent) for hosted/shared activity. • Provide a risk assessment of hosted arrangements. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing governance arrangements. • 2012-13 integrated plan and draft commissioning intentions for 2013-14. • List of collaborative commissioning arrangements, joint commissioning draft agreements or plans, including pooled budgets, Section 75 agreements where appropriate. • Draft joint strategic needs assessment (JSNA). • Draft joint health and wellbeing strategy (JHWS). • Local authority views.

³ NHS Commissioning Board, *Clinical commissioning group authorisation: guide for applicants*, 2012

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<p>10. The CCG has clear counter fraud arrangements and access to appropriate, accredited counter fraud support.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Confirm intentions for obtaining a professional, high quality counter fraud service. <p>By 31 March 2013</p> <ul style="list-style-type: none"> • Draft service level agreement in place for provision of counter fraud service including confirmation of accredited counter fraud specialist support for the CCG. • Outline counter fraud plan for 2013/14. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing governance arrangements.
<p>11. The CCG can manage its charitable funds (where held) effectively.</p> <p>Where CCGs expect to hold charitable funds they must ensure they are managed and administered in line with guidance issued by the Charities Commission.</p>	<p>At point of application</p> <ul style="list-style-type: none"> • Confirm if the CCG will have any charitable funds and its arrangements for administering them. 	<p>At point of application</p> <ul style="list-style-type: none"> • Constitution and any other documents detailing governance arrangements.

Annex 1 - Financial governance supporting documents

1. [Towards Establishment: Creating Responsible and Accountable Clinical Commissioning Groups](#)
2. [Clinical Commissioning Group Authorisation: Guide for Applicants](#)
3. [Model Constitution Framework including Standing Orders, Prime Financial Policies and Scheme of Delegation Templates](#)
4. [Governing Body Committees: Terms of Reference Templates](#)
5. [Clinical Commissioning Group Governing Body Members: Role Outlines, Attributes and Skills](#)