

Annex 2.1

MODEL STANDING FINANCIAL INSTRUCTIONS FOR THE WELSH HEALTH SPECIALISED SERVICES COMMITTEE

This Annex forms part of, and shall have effect as if incorporated in the Welsh Health Specialised Services Committee Standing Orders and the Local Health Board Standing Orders (incorporated as Schedule 2.1 of SOs).

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Foreword

These Model Standing Financial Instructions are issued by Welsh Ministers to Local Health Boards using powers of direction provided in section 12 (3) of the National Health Service (Wales) Act 2006. Each Local Health Board (LHB) in Wales must agree Standing Financial Instructions (SFIs) for the regulation of the Welsh Health Specialised Services Committee's (the "WHSSC" or the "Joint Committee") financial proceedings and business. These WHSSC Standing Financial Instructions (WHSSC SFIs) are an annex to the WHSSC Standing Orders (WHSSC SOs) which form a schedule to each LHB's own Standing Orders, and have effect as if incorporated within them. They are designed to translate statutory and Welsh Government financial requirements for the NHS in Wales into day to day operating practice. Together with the adoption of a schedule of decisions reserved to the Joint Committee; a scheme of delegations to officers and others; and WHSSC Standing Orders, they provide the regulatory framework for the business conduct of the WHSSC.

These documents, together with a written Memorandum of Agreement defining the respective roles of the seven LHB Accountable Officers and a hosting agreement between the Joint Committee and Cwm Taf Morgannwg LHB (the host LHB), form the basis upon which the WHSSC's governance and accountability framework is developed. Together with the adoption of a Values and Standards of Behaviour framework is designed to ensure the achievement of the standards of good governance set for the NHS in Wales.

All Joint Committee members, host LHB and Welsh Health Specialised Services Team (WHSST) staff must be made aware of these WHSSC Standing Financial Instructions and, where appropriate, should be familiar with their detailed content. The WHSSC's Committee Secretary or the Director of Finance will be able to provide further advice and guidance on any aspect of the WHSSC SFIs or the wider governance arrangements for WHSSC. Further information on governance in the NHS in Wales may be accessed at <https://nwssp.nhs.wales/all-wales-programmes/governance-e-manual/>

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1. INTRODUCTION

1.1 General

- 1.1.1 These Model Standing Financial Instructions are issued by Welsh Ministers to Local Health Boards using powers of direction provided in section 12 (3) of the National Health Service (Wales) Act 2006. Each Local Health Board (LHB) in Wales must agree Standing Financial Instructions (SFIs) for the regulation of the Welsh Health Specialised Services Committee's (the "WHSSC" or the "Joint Committee") financial proceedings and business. The Standing Financial Instructions shall apply equally to members and officers of the Joint Committee.
- 1.1.2 **These SFIs shall have effect as if incorporated in the WHSSC Standing Orders (SOs) (incorporated as Schedule 2.1 of SOs), and both should be used in conjunction with the host LHB's SOs and SFIs.**
- 1.1.3 These SFIs detail the financial responsibilities, policies and procedures adopted by WHSSC. They are designed to ensure that the WHSSC's financial transactions are carried out in accordance with the law and with Welsh Government policy in order to achieve probity, accuracy, economy, efficiency, effectiveness and sustainability. They should be used in conjunction with the Schedule of decisions reserved to the Committee and the Scheme of delegation adopted by the WHSSC.
- 1.1.4 These SFIs identify the financial responsibilities which apply to everyone working for the Joint Committee, including its joint sub-Committees, staff of the host LHB and staff of WHSST. They do not provide detailed procedural advice and should be read in conjunction with the detailed departmental and financial control procedure notes. All financial procedures must be approved by the Finance Director of Specialised and Tertiary Services (and referred to as the Director of Finance within these SFIs) and Audit Committee that deals with WHSSC matters.
- 1.1.5 Should any difficulties arise regarding the interpretation or application of any of the SFIs then the advice of the Committee Secretary or Director of Finance must be sought before acting. The user of these SFIs should also be familiar with and comply with the provisions of the WHSSC SOs.

1.2 Overriding Standing Financial Instructions

1.2.1 Full details of any non compliance with these SFIs, including an explanation of the reasons and circumstances must be reported in the first instance to the Director of Finance and the Committee Secretary, who will ask the Audit Committee that deals with WHSSC matters to formally consider the matter and make proposals to the Joint Committee on any action to be taken. All Joint Committee members, members of joint sub-Committees, host LHB staff and WHSST staff have a duty to report any non compliance to the Director of Finance and the Committee Secretary as soon as they are aware of any circumstance that has not previously been reported.

1.2.2 Ultimately, the failure to comply with SFIs and SOs is a disciplinary matter that could result in an individual's dismissal from employment or removal from the Joint Committee.

1.3 Financial provisions and obligations of LHBs and the WHSSC

1.3.1 The financial provisions and obligations for LHBs are set out under Sections 174 to 177 of, and Schedule 8 to, the National Health Service (Wales) Act 2006 (c. 42). The Joint Committee exists for the purpose of jointly exercising those functions relating to the planning and securing of certain specialised and tertiary services on a national All-Wales basis, on behalf of each of the seven LHBs in Wales. Each LHB shall be bound by the decisions of the Joint Committee in the exercise of its delegated functions. The Joint Committee must agree an appropriate level of funding for the provision of these services and determine the contribution from each LHB to allow the Joint Committee to plan and secure those services, including the running costs of WHSS. The Joint Committee will prepare an Integrated Medium Term Plan (IMTP) which shall outline the funding requirements in relation to the Relevant Services. The Joint Committee will also be responsible for developing a risk sharing framework which sets out the basis on which each LHB will contribute to any variation from the agreed Integrated Medium Term Plan.

2. RESPONSIBILITIES AND DELEGATION

2.1 The Joint Committee

2.1.1 The Joint Committee via WHSST exercises financial supervision and control by:

- a) Formulating and approving the Medium Term Financial Plan (MTFP) as part of developing and approving the Integrated Medium Term Plan (IMTP);
- b) Requiring the submission and approval of balanced budgets within approved allocations/overall funding;
- c) Defining and approving essential features in respect of important financial policies, systems and financial controls (including the need to obtain value for money and sustainability); and
- d) Defining specific responsibilities placed on Joint Committee members and officers, and joint sub-Committees, as indicated in the Scheme of delegation document.

2.1.2 The Joint Committee has adopted the WHSSC SOs and resolved that certain powers and decisions may only be exercised by the Joint Committee in formal session. These are set out in the 'Schedule of matters reserved to the Joint Committee' section of the WHSSC SOs. The Joint Committee, subject to any directions that may be made by Welsh Ministers, shall make appropriate arrangements for certain functions to be carried out on its behalf so that the day to day business of WHSSC may be carried out effectively, and in a manner that secures the achievement of the organisations aims and objectives. This will be via powers and authority delegated in accordance with the 'Scheme of delegation' schedules in the WHSSC SOs.

2.2 The Managing Director and Director of Finance

2.2.1 The Managing Director and Director of Finance will, as far as possible, delegate their detailed responsibilities, but they remain accountable for financial control.

2.2.2 Within the SFIs, it is acknowledged that the Managing Director is ultimately accountable to the Joint Committee in relation to those functions delegated to them by the Joint Committee; and is also accountable to the host Chief Executive in respect of the administrative arrangements supporting the operation of the WHSST by ensuring that the Joint Committee meets its obligation to perform its functions within the available financial resources. The Managing Director has overall executive responsibility for WHSST's activities; is responsible to the Chair

and the Joint Committee for ensuring that financial obligations and targets are met; and has overall responsibility for the WHSST's system of internal control.

2.2.3 It is a duty of the Managing Director to ensure that Joint Committee members, staff and all new appointees are notified of, and put in a position to understand their responsibilities within these SFIs.

2.3 The Director of Finance

2.3.1 The Director of Finance is responsible for:

- a) Implementing the Joint Committee's financial policies and for co-coordinating any corrective action necessary to further these policies;
- b) Maintaining an effective system of internal financial control including ensuring that detailed financial control procedures and systems incorporating the principles of separation of duties and internal checks are prepared, documented and maintained to supplement these instructions;
- c) Ensuring that sufficient records are maintained to show and explain the Joint Committee's transactions, in order to disclose, with reasonable accuracy, the financial position of the Joint Committee at any time; and
- d) Without prejudice to any other functions of the Joint Committee, and employees of the host LHB and WHSST, the duties of the Director of Finance include:
 - (i) The provision of financial advice to other members of the Joint Committee, joint sub-Committees, Advisory Groups and officers;
 - (ii) The design, implementation and supervision of systems of internal financial control; and
 - (iii) The preparation and maintenance of such accounts, certificates, estimates, records and reports as the Joint Committee may require for the purpose of carrying out its statutory duties.

2.3.2 The Director of Finance is responsible for ensuring an ongoing training and communication programme is in place to affect these SFIs.

2.4 Joint Committee members and officers, and joint sub-Committees

2.4.1 All members of the Joint Committee, its joint sub-Committees, employees of the host LHB (including those employed to perform WHSST functions), severally and collectively, are responsible for:

- a) The security of the property of the Joint Committee and host LHB;
- b) Avoiding loss;
- c) Exercising economy and efficiency and sustainability in the use of resources; and
- d) Conforming to the requirements of SOs, SFIs, Financial Control Procedures and the Scheme of delegation.

2.4.2 For all Joint Committee members and officers, and joint sub-Committees who carry out a financial function, the form in which financial records are kept and the manner in which members of the Joint Committee, joint sub-Committee and officers discharge their duties must be to the satisfaction of the Director of Finance.

2.5 Contractors and their employees

2.5.1 Any contractor or employee of a contractor who is empowered by the host LHB to commit the Joint Committee to expenditure or who is authorised to obtain income shall be covered by these instructions. It is the responsibility of the Managing Director to ensure that such persons are made aware of this.

3. AUDIT, FRAUD AND CORRUPTION, AND SECURITY MANAGEMENT

3.1 Audit Committee

3.1.1 An independent Audit Committee is a central means by which the Joint Committee ensures effective internal control arrangements are in place. In addition, the Audit Committee that deals with WHSSC matters provides a form of independent check upon the executive arm of the Joint Committee. Detailed terms of reference and operating arrangements for the Audit Committee that deals with WHSSC matters are set out in Annex 3 to the WHSSC SOs. This Audit Committee will follow the guidance set out in the NHS Wales Audit Committee Handbook.

[nwssp.nhs.wales/a-wp/governance-e-manual/governance-e-manual-documents/useful-documents/nhs-wales-audit-committee-handbook-june-2012/](https://www.nwssp.nhs.wales/a-wp/governance-e-manual/governance-e-manual-documents/useful-documents/nhs-wales-audit-committee-handbook-june-2012/)

3.2 Chief Executive

3.2.1 As Chief Executive of the host LHB, the Chief Executive is responsible for:

- a) Ensuring there are arrangements in place to review, evaluate and report on the effectiveness of internal financial control including the establishment of an effective Internal Audit function;
- b) Ensuring that the Internal Audit function meets the Public Sector Internal Audit Standards and provides sufficient independent and objective assurance to the Audit Committee and the Accountable Officer;

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/641252/PSAIS_1_April_2017.pdf

- c) Deciding at what stage to involve the police in cases of misappropriation and other irregularities not involving fraud or corruption;
- d) Ensuring that an annual Internal Audit report is prepared for the consideration of the Audit Committee and the Joint Committee. The report must cover:
 - A clear opinion on the effectiveness of internal control in accordance with the requirements of the Public Sector Internal Audit Standards;
 - Major internal financial control weaknesses discovered;

- Progress on the implementation of Internal Audit recommendations;
- Progress against plan over the previous year;
- A strategic audit plan covering the coming three years; and
- A detailed plan for the coming year.

3.2.2 The designated internal and external audit representatives are entitled (subject to provisions in the Data Protection Act 2018 and the UK General Data Protection Legislation) without necessarily giving prior notice to require and receive:

- a) Access to all records, documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature;
- b) Access at all reasonable times to any land or property owned or leased by the host LHB;
- c) Access at all reasonable times to Joint Committee members and employees of the host LHB and WHSST;
- d) The production of any cash, stores or other property of the host LHB under a Joint Committee member or WHSSC official's control; and
- e) Explanations concerning any matter under investigation.

3.3 Internal Audit

3.3.1 The Accountable Officer Memorandum requires the Chief Executive to have an internal audit function that operates in accordance with the standards and framework set for the provision of Internal Audit in the NHS in Wales. This framework is defined within a Public Sector Internal Audit Charter that incorporates a definition of internal audit, a code of ethics and Internal Audit Standards. Standing Order 9.1 (of the host LHB's SOs) details the relationship between the Head of Internal Audit and the Joint Committee. The role of the Audit Committee in relation to Internal Audit is set out within its Terms of Reference, incorporated in Annex 3 of the WHSSC SOs, and the Audit Committee Handbook.

3.3.2 The Chief Executive shall ensure that the annual plan of the Internal Auditor gives due regard to the activities of the Joint Committee in order to inform the audit opinion and the overall internal controls system.

3.4 External Audit

- 3.4.1 The Joint Committee is not itself a statutory body but is hosted by the host LHB on behalf of the seven LHBs in Wales.
- 3.4.2 The financial results of the Joint Committee will be separately identified when consolidated into the financial statements of the host LHB and therefore the host LHB must ensure that the Auditor General's representative, give due regard to the transactions and financial affairs of the Joint Committee, in its plan.
- 3.4.3 More detailed information about the purpose and responsibilities of external audit can be found in section 3.4 of the host LHB's SFIs.

3.5 Fraud and Corruption

- 3.5.1 In line with their responsibilities, the Managing Director and Director of Finance shall monitor and ensure compliance with Directions issued by the Welsh Ministers on fraud and corruption.
- 3.5.2 The Managing Director and Director of Finance shall report to the Joint Committee and the host LHB's Local Counter Fraud Specialist any matters relating to fraud or corruption.
- 3.5.3 More detailed information about counter fraud can be found in section 3.5 of the host LHB's SFIs.

3.6 Security Management

- 3.6.1 Security matters are the responsibility of the Chief Executive of the host LHB but the Managing Director will ensure that adequate processes are in place to comply with the requirements.

4. FINANCIAL DUTIES

4.1 Legislation and Directions

4.1.1 As the Joint Committee exists for the purpose of jointly exercising functions on behalf of each of the seven LHBs in Wales it must be cognisant of the Local Health Boards two statutory financial duties, the basis for which is section 175 of the National Health Service (Wales) Act 2006, as amended by the National Health Service Finance (Wales) Act 2014. Those duties are then set out and retained in the Welsh Health Circular “WHC/2016/054 - Statutory Financial Duties of Local Health Boards and NHS Trusts.” They are as follows:

- First Duty - A duty to secure that its expenditure, which is attributable to the performance by it of its functions, does not exceed the aggregate of the funding allotted to it over a period of 3 financial years;
- Second Duty - A duty to prepare a plan to secure compliance with the first duty while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers

4.1.2 The details and requirements for the two duties for LHBs are set out in the Welsh Health Circular “WHC/2015/054 - Statutory Financial Duties of Local Health Boards and NHS Trusts.” Further details regarding this WHC may be obtained from the HSSG Director of Finance, email Hywel.jones038@gov.wales

4.2 First Financial Duty – The Breakeven Duty

4.2.1 WHSSC has a duty to secure that its expenditure does not exceed the aggregate of the funding allotted to it over a period of 3 financial years, that is to breakeven over a 3-year rolling period.

4.2.2 In accordance with the WHSSC SOs, the Joint Committee must agree the appropriate level of funding required from each LHB to fulfil its obligations. This will include the running costs of WHSST and will be separately identifiable.

4.2.3 WHSST must ensure the Joint Committee approve balanced revenue and capital plans in line with their notified funds before the start of each financial year. Each LHB will be required to make available to the Joint Committee the level of funds approved in the balanced plans which shall be drawn down in cash on a monthly basis from each of the LHBs as proposed by the Director of Finance and agreed by the Joint Committee.

4.2.4 The Director of Finance will:

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- a) Prior to the start of each financial year submit to the Joint Committee for approval a report showing the total funding to be received, including assumed in-year funding adjustments, and their proposed distribution to delegated budgets, including any sums to be held in reserve;
- b) Be responsible for the development and operation of the risk sharing framework for any in year variations from the Medium Term Financial Plan. The Director of Finance will also provide monthly reports to the Joint Committee explaining any variations from the Integrated Medium Term Plan and the contributions from each of the LHB under this framework. In cases where the performance report highlights an adverse variance to the Integrated Medium Term Plan or where the report anticipates future unfunded cost pressures, the Joint Committee will be required to put in place contingency measures to ensure that a financially balanced position is maintained. In cases where the performance report highlights a favourable variance to the Integrated Medium Term Plan the Joint Committee shall be required to return the funding to each LHB in accordance with the risk sharing agreement;
- c) Ensure that any ring-fenced or non-discretionary allocations are disbursed in accordance with Welsh Ministers' requirements;
- d) Periodically review any assumed in-year funding to ensure that these are reasonable and realistic; and
- e) Regularly update the Joint Committee on significant changes to the initial funding and the application of such funds.

4.2.5 The Chief Executive of the host LHB is not responsible for the outturn of WHSSC – this is the responsibility of the Joint Committee. Any variations to the Medium Term Financial Plan must be managed by the Joint Committee in accordance with the approved risk sharing framework. Each LHB will be responsible for its share under this risk sharing framework, and any consequent impact on their own LHB First Financial Duty.

4.3. Second Financial Duty – The Planning Duty

4.3.1 Health Boards have a statutory duty under section 175(2A) of the National Health Service (Wales) Act 2006 to prepare a plan, the Integrated Medium Term Plan (IMTP), to secure compliance with the first duty while improving the health of the people for whom it is responsible, and the provision of health care to such people, and for that plan to be submitted to and approved by the Welsh Ministers.

4.3.2 To support the LHBs statutory duty the Joint Committee has a duty to prepare an Integrated Medium Term Plan. The Integrated Medium Term Plan(IMTP) must reflect longer-term planning and delivery objectives for the ongoing development of specialised and tertiary services in Wales, in conjunction with the Welsh Ministers. The Integrated Medium Term Plan should be continually reviewed based on latest Welsh Government policy and national and local priority requirements. The Integrated Medium Term Plan, produced and approved annually, will be 3 year rolling plans. In particular the Integrated Medium Term Plan must reflect the Welsh Ministers' priorities and commitments as detailed in the NHS Planning Framework published annually by Welsh Government.

4.3.3 The NHS Planning Framework directs NHS organisations to develop, approve and submit an Integrated Medium Term Plan (IMTP) for approval by Welsh Ministers. The plan must:

- describe the context, including population health needs, within which the Joint Committee will deliver key policy directives and operational targets from Welsh Government,
- demonstrate how the Joint Committee are:
 - delivering their well-being objectives, including how the five ways of working have been applied,
 - contributing to the seven Well-being Goals,
 - establishing preventative approaches across all care and services,
- demonstrate how the Joint Committee will utilise its existing services and resources, and planned service changes, to deliver improvements in population health and clinical services, and at the same time demonstrate improvements to efficiency of services,
- demonstrate how the three-year rolling financial breakeven duty is to be achieved.

4.3.4 Integrated Medium Term Plans should be based on a reasonable expectation of future service changes, performance improvements, workforce changes, demographic changes, capital, quality, funding, income, expenditure, cost pressures and savings plans to ensure that the Integrated Medium Term Plan(including a balanced Medium Term Financial Plan) is balanced and sustainable and supports the safe and sustainable delivery of patient centred quality services.

4.3.5 The Integrated Medium Term Plan will be the overarching planning document enveloping component plans and service delivery plans. The Integrated Medium Term Plan will incorporate the balanced Medium Term Financial Plan and will incorporate the Joint Committee's response to delivering the

- NHS Planning Framework,
- Quality, governance and risk frameworks and plans, and
- Outcomes Framework

4.3.6 The Integrated Medium Term Plan will be developed in line with the Integrated Planning Framework and include:

- A statement of significant strategies and assumptions on which the plans are based;
- Details of major changes in activity, service delivery, service and performance improvements, workforce, revenue and capital resources required to achieve the plans; and
- Profiled activity, service, quality, workforce and financial schedules
- Detailed plans to deliver the NHS Planning Framework and quality, governance and risk requirements and outcome measures;

4.3.7 The Joint Committee will:

- a) Identify and evaluate existing, new and emerging treatments and services and advise on the designation of such services;
- b) Develop national policies for the equitable access to safe and sustainable, high quality specialised and tertiary healthcare services across Wales, whether planned, funded and secured at national, regional or local level; and
- c) Agree annually those services that should be planned on a national basis and those that should be planned locally.

4.3.8 The Managing Director has overall executive responsibility to develop and submit to the Committee, on an annual basis, the rolling 3 year Integrated Medium Term Plan. The Committee approved Integrated Medium Term Plan will be submitted to Local Health Boards and Welsh Government in line with the requirements set out in the Integrated Planning Framework.

4.3.9 The Joint Committee will:

- a) Approve the Integrated Medium Term Plan prior to the beginning of the financial year of implementation and in accordance with the guidance issued annually by Welsh Government. Following Committee approval the Plan will be submitted to Local Health Boards and Welsh Government prior to the beginning of the financial year of implementation;
- b) Approve a balanced Medium Term Financial Plan as part of the Integrated Medium Term Plan, which meets all financial duties, probity and value for

- money requirements;
- c) Agree the appropriate level of funding for the provision of specialised and tertiary services at a national level, and determining the contribution from each LHB for those services (which will include the running costs of the Joint Committee and the WHSST) in accordance with any specific directions set by the Welsh Ministers;
 - d) Prepare and agree with the Local Health Boards a robust and sustainable recovery plan in accordance with Welsh Ministers' guidance where the Committee plan is not in place or in balance.

4.3.10 The development, submission and approval of the Integrated Commissioning Plan will discharge the Joint Committee's Integrated Medium Term Plan responsibilities.

5. FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

5.1 Budget Setting

- 5.1.1 Prior to the start of the financial year the Director of Finance will, on behalf of the Managing Director, prepare and submit budgets for approval and delegation by the Joint Committee. Such budgets will:
- a) Be in accordance with the aims and objectives set out in the Joint Committee Integrated Medium Term Plan, and Medium Term Financial Plan, and focussed on delivery of improved population health, safe patient centred quality services;
 - b) Be in line with Revenue, Capital, Commissioning, Activity, Service, Quality, Performance, and Workforce plans contained within the Joint Committee approved balanced IMTP;
 - c) Take account of approved business cases and associated revenue costs and funding;
 - d) Be produced following discussion with appropriate Directors and budget holders;
 - e) Be prepared within the limits of available funds;
 - f) Take account of ring-fenced, specified and non-recurring allocations and funding;
 - g) Include both financial budgets (£) and workforce establishment budgets (budgeted whole time equivalents);
 - h) Take account of the principles of Well-being of Future Generations (Wales) Act 2015 including the seven Well-being Goals and the five ways of working; and
 - i) Identify potential risks and opportunities.

5.2 Budgetary Delegation

- 5.2.1 The Managing Director may delegate the management of a budget to permit the performance of a defined range of activities, including pooled budget arrangements under Regulations made in accordance with section 33 of the

National Health Service (Wales) Act 2006 (c. 42). This delegation must be in writing, in the form of a letter of accountability, and be accompanied by a clear definition of:

- a) The amount of the budget;
- b) The purpose(s) of each budget heading;
- c) Individual or committee responsibilities;
- d) Arrangements during periods of absence;
- e) Authority to exercise virement;
- f) Achievement of planned levels of service; and
- g) The provision of regular reports.

The budget holder must sign the accountability letter formally delegating the budget

- 5.2.2 The Managing Director, Director of Finance and delegated budget holders must not exceed the budgetary total or virement limits set by the Joint Committee.
- 5.2.3 Budgets must only be used for the purposes designated, and any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Managing Director, subject to any authorised use of virement.
- 5.2.4 Non-recurring budgets should not be used to finance recurring expenditure without the authority in writing of the Managing, as advised by the Director of Finance.
- 5.2.5 All budget holders must provide information as required by the Director of Finance to enable budgets to be compiled and managed appropriately.
- 5.2.6 All budget holders will sign up to their allocated budgets at the commencement of the financial year.
- 5.2.7 The Director of Finance has a responsibility to ensure that appropriate and timely financial information is provided to budget holders and that adequate training is delivered on an on-going basis to assist budget holders managing their budgets successfully.

5.3 Financial Management, Reporting and Budgetary Control

5.3.1 The Director of Finance shall monitor financial performance against budget and plans and report the current and forecast position on a monthly basis and at every Joint Committee meeting. Any significant variances should be reported to Joint Committee as soon as they come to light and the Joint Committee shall be advised on any action to be taken in respect of such variances.

5.3.2 The Director of Finance will devise and maintain systems of financial management performance reporting and budgetary control. These will include:

- a) Regular financial reports, for revenue and capital, to the Joint Committee in a form approved by the Joint Committee containing sufficient information for the Joint Committee to:
- Understand the current and forecast financial position
 - Evaluate risks and opportunities
 - Use insight to make informed decisions
 - Be consistent with other Board reports, and as a minimum the reports will cover:
 - Details of variations from the medium term financial plan showing the contributions to be made by each LHB under the risk sharing framework;
 - Actual income and expenditure to date compared to budget and showing trends and run rates;
 - Forecast year end positions;
 - A statement of assets and liabilities, including analysis of cash flow and movements in working capital;
 - Explanations of material variances from plan;
 - Capital expenditure and projected outturn against plan;
 - Investigations and reporting of variances from financial, activity and workforce budgets;
 - Details of any corrective action being taken as advised by the relevant budget holder and the Managing Director's and/or Director of Finance's view of whether such actions are sufficient to correct the situation,;
 - Statement of performance against savings targets;
 - Key workforce and other cost drivers;
 - Income and expenditure run rates, historic trends, extrapolation and explanations; and
 - Clear assessment of risks and opportunities;
 - Provide a rounded and holistic view of financial and wider organisational performance.

- b) The issue of regular, timely, accurate and comprehensible advice and financial reports to each delegated budget holder, covering the areas for which they are responsible;
- c) An accountability and escalation framework to be established for the organisation to formally address material budget variances;
- d) Investigation and reporting of variances from financial, activity and workforce budgets;
- e) Monitoring of management action to correct variances;
- f) Arrangements for the authorisation of budget transfers and virements.

5.3.3 Each Budget Holder will:

- be held to account for managing services within the delegated budget
- investigate causes of expenditure and budget variances using information from activity, workforce and other relevant sources
- develop plans to address adverse budget variances.

5.3.4 Each Budget Holder is responsible for ensuring that:

- a) Any likely overspending or reduction of income that cannot be met by virement is not incurred without the prior consent of the Managing Director subject to the Joint Committee's scheme of delegation;
- b) The amount provided in the approved budget is not used in whole or in part for any purpose other than that specifically authorised, subject to the rules of virement; and
- c) No permanent employees are appointed without the approval of the Managing Director other than those provided for within the available resources and workforce establishment as approved by the Joint Committee.

5.3.5 The Managing Director is responsible for identifying and implementing cost and efficiency improvements and income generation initiatives in accordance with the requirements of the Integrated Medium Term Plan and medium term financial plans.

5.4 Capital Financial Management, Reporting and Budgetary Control

5.4.1 The general rules applying to revenue Financial Management, Reporting and Budgetary Control delegation and reporting shall also apply to capital plans,

budgets and expenditure subject to any specific reporting requirements required by the Welsh Ministers.

5.5 Reporting to Welsh Government - Monitoring Returns

- 5.5.1 The Managing Director is responsible for ensuring that the appropriate monitoring returns for the Joint Committee are submitted to the Welsh Ministers in accordance with published guidance and timescales.
- 5.5.2 All monitoring returns must be supported by a detailed commentary signed by the Director of Finance and Managing Director. This commentary should also highlight and quantify any significant risks with an assessment of the impact and likelihood of these risks maturing.
- 5.5.3 All information made available to the Welsh Ministers should also be made available to the Joint Committee. There must be consistency between the medium term financial plan, budgets, expenditure, forecast position and risks as reported in the monitoring returns and monthly Joint Committee reports.

6. ANNUAL ACCOUNTS AND REPORTS

- 6.1 The Joint Committee is not a corporate body and does not therefore have a statutory duty to prepare annual accounts and reports
- 6.2 However, the Joint Committee is hosted by the host LHB and therefore the Chief Executive of the host LHB is required to ensure that the financial results of the Joint Committee are consolidated into its own financial statements and disclosed as appropriate.
- 6.3 The Managing Director and Director of Finance shall be required to provide all relevant information, financial and non-financial, to the Chief Executive as he or she requires to enable the Chief Executive to fulfil his or her statutory reporting responsibilities.
- 6.4 The host LHB's annual accounts must be audited by the Auditor General for Wales. The host LHB's audited annual accounts must be adopted by the Joint Committee at a public meeting and made available to the public.

7. BANKING ARRANGEMENTS

7.1 General

7.1.1 The Joint Committee is legally hosted by the host LHB and therefore all banking arrangements are the responsibility of the host LHB. Further details of the banking arrangements can be found in section 7 of the host LHB's SFIs.

8. CASH, CHEQUES, PAYMENT CARDS AND OTHER NEGOTIABLE INSTRUMENTS

- 8.1.1 The Joint Committee is generally only an expenditure incurring segment of the host LHB. Any cash requirements for the Joint Committee is likely to be incidental to its main activities.
- 8.1.2 All aspect relating to the recording, handling and collection of cash will be the responsibility of the host LHB.
- 8.1.3 Further details of the processes and responsibilities can be found in section 8 of the host LHB's SFIs.

9. INCOME, FEES AND CHARGES

9.1 General

- 9.1.1 The Joint Committee is generally only an expenditure incurring segment of the host LHB. Any income generated by the Joint Committee is likely to be incidental to its main activities.
- 9.1.2 All aspect relating to the recording, handling and collection of income will be the responsibility of the host LHB.
- 9.1.3 Further details of the processes and responsibilities can be found in section 9 of the host LHB's SFIs.

10. NON PAY EXPENDITURE

10.1 Scheme of Delegation, Non Pay Expenditure Limits and Accountability

10.1.1 The Lead Director will approve the level of non-pay expenditure and the operational scheme of delegation and authorisation to budget holders and managers within the parameters set out in the Joint Committee's Scheme of Reservation and Delegation of Powers.

10.1.2 The Lead Director will set out in the operational scheme of delegation and authorisation:

- a) The list of managers who are authorised to place requisitions for the supply of goods and services; and
- b) The maximum level of each requisition and the system for authorisation above that level.

10.2 The Director of Finance's responsibilities

10.2.1 The Director of Finance will:

- a) Advise the Board regarding the NHS Wales national procurement and payment systems thresholds above which quotations (competitive or otherwise) or formal tenders must be obtained; and, once approved, the thresholds should be incorporated in SOs and SFIs;
- b) Prepare procedural instructions or guidance within the Scheme of Delegation on non-pay expenditure;
- c) Ensure systems are in place for the authorisation of all accounts and claims;
- d) Ensure Directors and officers strictly follow NHS Wales' system and procedures of verification, recording and payment of all amounts payable;
- e) Maintain a list of Executive Directors and officers (including specimens of their signatures) authorised to certify invoices;
- f) Be responsible for ensuring compliance with the Public Sector Payment policy ensuring that a minimum of 95 percent of creditors are paid within 30 days of receipt of goods or a valid invoice (whichever is later) unless other payment terms have been agreed;

- g) Ensure that where consultancy advice is being obtained, the procurement of such advice must be in accordance with applicable procurement legislation, guidance issued by the Welsh Ministers and SFIs; and
- h) Be responsible for Petty Cash system, procedures, authorisation and record keeping, and ensure purchases from petty cash are restricted in value and by type of purchase in accordance with procedures.

10.3 Duties of Budget Holders and Managers

10.3.1 Budget holders and managers must ensure that they comply fully with the Scheme of Delegation, guidance and limits specified by the Director of Finance and that:

- a) All contracts (except as otherwise provided for in the Scheme of Delegation), leases, tenancy agreements and other commitments which may result in a liability are notified to the Director of Finance in advance of both any commitment being made and NWSSP Procurement Services being engaged;
- b) Contracts above specified thresholds are advertised and awarded, through NWSSP Procurement Services, in accordance with EU and HM Treasury rules on public procurement;
- c) Contracts above specified thresholds are approved by Welsh Ministers prior to any commitment being made;
- d) goods have been duly received, examined and are in accordance with specification and order;
- e) work done or services rendered have been satisfactorily carried out in accordance with the order, and, where applicable, the materials used are of the requisite standard and the charges are correct;
- f) No order shall be issued for any item or items to any firm which has made an offer of gifts, reward or benefit to Joint Committee members or WHSST staff, other than:
 - (i) Isolated gifts of a trivial character or inexpensive seasonal gifts, such as calendars;
 - (ii) Conventional hospitality, such as lunches in the course of working visits;

This provision needs to be read in conjunction with Standing Order 8.5, 8.6 and 8.7. of the host LHB's SFIs.

- g) No requisition/order is placed for any item or items for which there is no budget provision unless authorised by the Director of Finance on behalf of the Managing Director;
- h) All goods, services, or works are ordered on official orders except works and services executed in accordance with a contract and purchases from petty cash;
- i) Requisitions/orders are not split or otherwise placed in a manner devised so as to avoid the financial thresholds;
- j) Goods are not taken on trial or loan in circumstances that could commit WHSSC to a future uncompetitive purchase;
- k) Purchases from petty cash are restricted in value and by type of purchase in accordance with instructions issued by the Director of Finance.

10.3.2 The Managing Director and Director of Finance shall ensure that the arrangements for financial control and financial audit of building and engineering contracts and property transactions comply with the guidance issued by the Welsh Ministers. The technical audit of these contracts shall be the responsibility of the relevant Director as set out in the scheme of delegation.

10.4 Departures from SFI's

10.4.1 Departing from the application of Chapters 10 and 11 of these SFI's is only possible in very exceptional circumstances. WHSSC must consult with NWSSP Procurement Services, Director of Finance and Committee Secretary prior to any such action undertaken. Any expenditure committed under these departures must receive prior approval in accordance with the Scheme of Delegation.

10.5 Accounts Payable

10.5.1 NWSSP Finance, shall on behalf of WHSSC, maintain and deliver detailed policies, procedures systems and processes for all aspects of accounts payable.

10.6 Prepayments

10.3.1 Prepayment should be exceptional, and should only be considered if a good

value for money case can be made for them (i.e. that “need” can be demonstrated). Prepayments are only permitted where either:

- The financial advantages outweigh the disadvantages (i.e. cash flows must be discounted to Net Present Value (NPV) using the National Loans Fund (NLF) rate plus 2%);
- It is the industry norm e.g. courses and conferences;
- It is in line with requirements of [Managing Welsh Public Money](#);
- There is specific Welsh Ministers’ approval to do so e.g. voluntary services compact;
- The prepayment is part of the routine cash flow system agreed by the Directors of Finance.

10.6.2 In **exceptional** circumstances prepayments can be made subject to:

- a) The appropriate WHSST Director providing, in the form of a written report, a case setting out all relevant circumstances of the purchase. The report must set out the effects on the host LHB or Joint Committee if the supplier is at some time during the course of the prepayment agreement unable to meet his/her commitments;
- b) The Director of Finance will need to be satisfied with the proposed arrangements before contractual arrangements proceed (taking into account the Public Contracts Regulations where the contract is above a stipulated financial threshold); and
- c) The budget holder is responsible for ensuring that all items due under a prepayment contract are received and they must immediately inform the appropriate Director or Managing Director if problems are encountered.

11. PROCUREMENT AND CONTRACTING FOR GOODS AND SERVICES

11.1 Policies and procedures

11.1.1 The host LHB shall be responsible for all aspects of the procurement and non pay process on behalf of the Joint Committee. Further details can be found in section 11 of the host LHB's SFIs.

11.1.2 In particular, and where appropriate, the Joint Committee should follow the host LHB's SFIs with regards to obtaining consent to enter into contracts exceeding £1m and the monitoring arrangements for contracts below £1m. This is shown as Schedule 1 in the LHB SFI's.

11.2 Requisitioning

11.2.1 The budget manager in choosing the item to be supplied (or the service to be performed) shall always obtain the best value for money for the Joint Committee. The budget holder will source those goods or services from the approved catalogue. Where a required item is not included within the catalogue, advice must be sought from the Procurement Services on opportunities to source those goods or services through public sector contract framework, such as National Procurement Service, NHS Supply Chain or Crown Commercial Services.

11.2.2 Where a required item is not on catalogue or on framework contract the budget manager shall request the NWSSP Procurement Services to undertake quotation / tendering exercises on their behalf in line with host LHB's SFI 11.11 thresholds.

11.2.3 All orders for goods and services must be accompanied by an official order number, available from the Procurement Department. In no circumstances must a requisition number be used as an order number.

11.3 No Purchase Order, No Pay

11.3.1 WHSSC will ensure compliance with the 'No Purchase Order, No Pay' policy. The All Wales policy was introduced to ensure that Procure to Pay continues to provide world-class services on a 'Once for Wales' basis.

11.3.2 The new policy ensures that a purchase order is raised at the beginning of a purchase. This follows industry standard best practice as it provides a commitment as to what is likely to be spent. The supplier must obtain a purchase order number for their invoice in order for it to be processed for

payment.

11.4 Official orders

11.4.1 Official Orders must:

- a) Be consecutively numbered; and
- b) State the Joint Committee's terms and conditions of trade.

11.4.2 Official Orders will be issued on behalf of WHSSC by NWSSP Procurement Services.

12. HEALTH CARE AGREEMENTS AND CONTRACTS FOR HEALTH CARE SERVICES

12.1 Health Care Agreements

12.1.1 The Joint Committee will commission healthcare services for the resident population of all Local Health Boards, both from the LHB provided services, and from Trusts and other providers. The Managing Director is responsible for ensuring the Joint Committee enters into suitable Health Care Agreements, Individual Patient Commissioning Agreements and Contracts with service providers for health care services.

12.1.2 All Health Care Agreements, Individual Patient Commissioning Agreements and Contracts should aim to implement the agreed priorities contained within the Integrated Medium Term Plan and wherever possible, be based upon integrated care pathways to reflect expected patient experience. In discharging this responsibility, the Managing Director should take into account:

- The standards of service quality expected;
- The relevant quality, governance and risk frameworks and plans;
- The relevant national service framework (if any);
- The provision of reliable information on quality, volume and cost of service; and
- That the agreements are based on integrated care pathways.

All agreements must be in accordance with the functions delegated to WHSSC by the Welsh Ministers.

12.2 Statutory provisions

12.2.1 The National Health Service (Wales) Act 2006 (c. 42) enables Health Boards to commission certain healthcare services. As WHSSC is hosted by the host LHB the Joint Committee will have the same responsibilities. In particular, the following sections are highlighted in relation to the statutory requirements of LHBs and therefore WHSSC for contracting with other bodies for the provision of health services:

- Section 7 sets out the definition of an NHS contract, being an arrangement under which one health service body arranges for the provision to it by another of goods or services which it reasonably requires for the purposes of its functions. It also provides a definition of a health service body;

- Section 9 sets out arrangements to be treated as NHS contracts for ophthalmic and pharmaceutical services;
- Sections 32 makes provision in relation to services which can be provided to Health Boards by local authorities;
- Section 33 enables the Welsh Ministers to make provision which enables Health Boards and Local Authorities to enter into prescribed arrangements as to the provision of services which are in connection with specified circumstances, if they are likely to lead to an improvement in the way in which each of their functions are exercised;
- Part 4 enables Health Boards to make arrangements for the provision of primary medical services;
- Part 5 enables Health Boards to make arrangements for the provision of primary dental services;
- Part 6 enables Health Boards to make arrangements for the provision of general ophthalmic services;
- Part 7 enables Health Boards to make arrangements for the provision of pharmaceutical services;
- Section 188 enables the Welsh Ministers to make provision which enables Health Boards and the prison service to enter into prescribed arrangements as to the provision of services which are in connection with specified circumstances, if they are likely to lead to an improvement in the way in which each of their functions are exercised;
- Section 194 sets out the Health Boards powers to make payments towards expenditure on community services; and
- Section 195 sets out the conditions for payment where expenditure proposed under section 194 is in connection with services to be provided by a voluntary organisation.

12.3 Reports to Committee on Health Care Agreements (HCAs)

12.3.1 The Managing Director will need to ensure that regular reports are provided to the Joint Committee detailing performance, quality and associated financial implications of all health care agreements. These reports will be linked to, and consistent with, other Committee reports on commissioning and financial performance.

12.4 Tendering for supply of health care services

12.4.1 Where the Joint Committee is required or elects to invite quotes or tenders for the supply of healthcare services, the host LHB's SFIs in relation to procurement shall apply in relation to such competitive exercises.

12.4.2 The procurement arrangements surrounding the provision of healthcare services is a complex area and as such legal advice must be secured where there is doubt over the applicability or not of applying competitive processes. Further guidance is provided in the host LHB's SFI, Annex A.

13. GRANT FUNDING

13.1 Policies and procedures

13.1.1 The host LHB shall be responsible for all aspects of the grant funding process on behalf of the Joint Committee. Further details can be found in section 13 of the host LHB's SFIs.

14. PAY EXPENDITURE

14.1 Appointments and Remuneration

14.1.1 Appointments to the Joint Committee shall be in accordance with section 1.4 of the WHSSC SOs and the Welsh Health Specialised Services Committee (Wales) Regulations 2009.

14.1.2 All other appointments or recruitments to WHSST and any remuneration or employment contract related matters shall be dealt with by the host LHB on behalf of the Joint Committee in accordance with the host LHB's own SOs and SFIs.

14.1.3 Further details of the host LHB's responsibilities can be found in section 14 of the host LHB's SFIs.

15. CAPITAL PLAN, CAPITAL INVESTMENT, FIXED ASSET REGISTERS AND SECURITY OF ASSETS

15.1 General

15.1.1 Capital plans, and annual capital programmes, must be approved by the Joint Committee before the commencement of a financial year and should be in line with the objectives set out in the approved Integrated Medium Term Plan (IMTP) for the organisation. The actual capital plan and programmes must be delivered within capital finance resource limits.

15.1.2 Any capital plans, and capital investment and expenditure incurred, by the Joint Committee or WHSST shall be dealt with in accordance with section 15 of the host LHB's SFIs. This includes the recording and safeguarding of assets.

16. LOSSES AND SPECIAL PAYMENTS

16.1 Losses and Special Payments

- 16.1.1 Losses and special payments are items that the Welsh Government would not have contemplated when it agreed funds for NHS Wales or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments, and special notation in the accounts to draw them to the attention of the Welsh Government.
- 16.1.2 The Director of Finance is responsible for ensuring procedural instructions on the recording of and accounting for losses and special payments are in place; and that all losses or special payments cases are properly managed in accordance with the guidance set out in the Welsh Government's Manual for Accounts.
- 16.1.3 Any officer discovering or suspecting a loss of any kind must either immediately inform their head of department, who must immediately inform the Managing Director and/or the Director of Finance or inform an officer charged with responsibility for responding to concerns involving loss. This officer will then appropriately inform the Director of Finance and/or the Managing Director.
- 16.1.4 Where a criminal offence is suspected, the Director of Finance must immediately inform the police if theft or arson is involved. In cases of fraud and corruption or of anomalies which may indicate fraud or corruption, the Director of Finance must inform the host LHB's Local Counter Fraud Specialist (LCFS) and the CFS Wales Team in accordance with Directions issued by the Welsh Ministers on fraud and corruption.
- 16.1.5 The Director of Finance or the host LCFS must notify the Audit Committee dealing with WHSSC matters, the Auditor General's representative and the fraud liaison officer within the Welsh Government's Health and Social Services Group Finance Directorate of all frauds.
- 16.1.6 For losses apparently caused by theft, arson, neglect of duty or gross carelessness, except if trivial, the Director of Finance must notify:
- a) The Audit Committee on behalf of the Joint Committee, and
 - b) An Auditor General's representative.
- 16.1.7 The Director of Finance shall be authorised to take any necessary steps to safeguard the Joint Committee's and the host LHB's interests in bankruptcies

and company liquidations.

- 16.1.8 The Director of Finance shall ensure all financial aspects of losses and special payments cases are properly registered and maintained on the centralised Losses and Special Payments Register and that 'case write-off' action is recorded on the system (i.e. case closure date, case status, etc.).
- 16.1.9 The Audit Committee shall approve the writing-off of losses or the making of special payments within delegated limits determined by the Welsh Ministers and as set out by Welsh Government in its Losses and Special Payments guidance as detailed in in Annex 3 of the WHSSC SOs.
- 16.1.10 For any loss or special payments, the Director of Finance should consider whether any insurance claim could be made from the Welsh Risk Pool or from other commercial insurance arrangements.
- 16.1.11 No losses or special payments exceeding delegated limits shall be authorised or made without the prior approval of the Health and Social Services Group Director of Finance.
- 16.1.12 All novel, contentious and repercussive cases must be referred to the Welsh Government's Health and Social Services Group Finance Directorate, irrespective of the delegated limit.
- 16.1.13 The Director of Finance shall ensure all losses and special payments are reported to the Audit Committee at every meeting.
- 16.1.14 WHSSC must obtain the Health and Social Services Group Director General's approval for special severance payments.

17. DIGITAL, DATA and TECHNOLOGY

17.1 Digital Data and Technology

17.1.1 The Joint Committee and WHSST shall operate within the guidance set out in section 18 of the host LHB's SFIs.

18. RETENTION OF RECORDS

18.1 Responsibilities of the Chief Executive

18.1.1 The Managing Director shall be responsible for maintaining archives for all records required to be retained in accordance with the Welsh Ministers' guidance, the UK General Data Protection Legislation and any relevant domestic law considerations via the Data Protection Act 2018, and the Freedom of Information Act 2000 (c .36).

18.1.2 The records held in archives shall be capable of retrieval by authorised persons.

18.1.3 Records held in accordance with regulation shall only be destroyed at the express instigation of the Managing Director. Details shall be maintained of records so destroyed.