Financial Allocations and System Reporting Policy

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| Stakeholders Engaged in Development of Policy (internal and external) | MSE CCG Deputy Chief Finance Officers  MSE Director of Resources & Director of Financial Planning & Reporting |
| Impact Assessments Undertaken | Equality & Health Inequalities Impact Assessment |

# Version History

| Version | Date | Author (Name and Title) | Summary of amendments made |
| --- | --- | --- | --- |
| 0.1 | 24.05.22 | Jason Skinner, Director of System Financial Planning & Reporting | Draft ICB Policy |
| 0.2 | 20.06.22 | Jason Skinner, Director of System Financial Planning & Reporting, Dawn Scrafield, CFO, MSEFT | Updates following feedback |
| 0.3 | 21.06.22 | Jason Skinner, Director of System Financial Planning & Reporting+ | Updates following feedback in s.6.2.3 to clarify that SLFG is the forum in which partners can agree distribution of growth funding, but not for SFLG to made the decision. |
| 0.4 | 26.07.22 | Jason Skinner, Director of System Financial Planning & Reporting+ | Updates following feedback at SFLG including additional reporting items (in section 6.3.3) |
| 0.5 | 23.01.23 | Sara O’Connor, Head of Governance and Risk | Final review against policy checklist prior to Committee approval – minor formatting changes and amendment to para 6.1.2 (agreed by J Skinner). |
| 0.6 | 24.01.23 | Sara O’Connor, Head of Governance and Risk | Updated Version No, date of approval in final version for uploading. |
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# Contents

[1. Introduction 4](#_Toc130547093)

[2. Purpose / Policy Statement 4](#_Toc130547094)

[3. Remit 4](#_Toc130547095)

[4. Definitions 4](#_Toc130547096)

[5. Roles and Responsibilities 5](#_Toc130547097)

[5.1. Executive Director of Resources 5](#_Toc130547098)

[5.2. Finance & Investment Committee 6](#_Toc130547099)

[5.3. System Finance Leaders Group 6](#_Toc130547100)

[5.4. Executive Directors 6](#_Toc130547101)

[6. Policy Detail 7](#_Toc130547102)

[6.1. Revenue Allocations 7](#_Toc130547103)

[6.2. Distribution of allocations 7](#_Toc130547104)

[6.3. System Headline Monthly Reporting 9](#_Toc130547105)

[6.4. Other System Reporting 10](#_Toc130547106)

[7. Staff Training 11](#_Toc130547107)

[8. Arrangements for Review 11](#_Toc130547108)

[9. Associated Policies, Guidance and Documents 11](#_Toc130547109)

[10. References 11](#_Toc130547110)

[11. Equality Impact Assessment 11](#_Toc130547111)

[Appendix A - Equality Impact Assessment 12](#_Toc130547112)

## Introduction

The Integrated Care Board (ICB) Chief Executive is personally accountable to NHS England (NHSE) for stewardship of the ICB’s allocated resources. Section 3.2 of the ICB’s Standing Financial Instructions (SFIs) sets out the roles the Chief Executive delegates to the Executive Director of Resources. This includes that the Executive Director of Resources is responsible for:

* + - Ensuring there is an effective financial control framework in place to support accurate financial reporting, safeguard assets and minimise risk of financial loss.
    - Ensuring that the allocated annual revenue and capital resource limits are not exceeded, jointly, with system partners.

## Purpose / Policy Statement

This policy is part of the ICB’s internal control environment and describes the key elements of the methodology and controls to fairly allocate resources within the system.

## Remit

This policy applies to all ICB staff (including temporary/ bank/agency staff), contractors engaged by the ICB and staff from other MSE ICS Partnership organisations working on behalf of the ICB.

## Definitions

* **Allocations** – NHSE transfers the ICB’s funding for the year as baseline allocations (based on a formula which aims to make geographic distribution fair and objective and reflective of local healthcare needs). During the year additional revenue funds are made available usually for specific ring-fenced projects or initiatives.
* **Budget** – a plan expressed in financial terms which is prepared and approved prior to the start of the period (usually one year).
* **Budgetary Control** – the management of approved budgets which involves regularly comparing actual spend with planned spend to identify whether corrective action is required.
* **Budget Holder** – a Director or other senior employee with delegated authority to manage finances in a specified area of the organisation.
* **Capital Expenditure** - spend on an asset (or group of functionally interdependent assets) with a useful life of more than one year and a cost of £5,000 or more. This could include buildings, equipment, and software.
* **Control Total** – agreed surplus or deficit position for an NHS system for the year.
* **ICS** – Integrated Care System - the partners of Mid and South Essex Integrated Care System are Mid and South Essex NHS Foundation Trust, Mid and South Essex Integrated Care Board, Essex Partnership University NHS Foundation Trust, North East London NHS Foundation Trust, Essex County Council, Southend Borough Council, Thurrock Borough Council and Provide Community Interest Company.
* **ISFE** - Integrated Single Financial Environment – uses standard NHS Oracle Release 12 platform to provide a common accounting system with a single Chart of Accounts and standardised processes and reporting to all ICBs.
* **NHSE** – NHS England.
* **Resource limit** – the amount that the ICB can spend in any given year – the ICB will be given a revenue resource limit and a capital resource limit.
* **Revenue Expenditure** – all spend not categorised as capital; pay and non-pay expenditure for services and any assets with a useful life of no more than one year and/or a cost of under £5,000. This includes and expenditure with other partners through contractual arrangements.
* **Schedule of detailed delegated financial limits** – document which shows what authority the Board has delegated to committees or staff under the powers of the Constitution. This is a schedule within the Scheme of Reservation and Delegation (SoRD) within the Constitution.
* **System Development Funding (SDF)** – additional allocations, received either recurrently or non-recurrently, to support identified programmes of investment and transformation within the system.

## Roles and Responsibilities

### Executive Director of Resources

* + 1. The Executive Director of Resources is responsible for ensuring that allocated annual revenue and capital resource limits are not exceeded, jointly, with system partners and that the system meets financial targets set by NHSE.
    2. Prior to the start of each financial year the Executive Director of Resources will submit to the ICB Board, for approval, a report showing the total allocations received and their proposed distribution including any sums to be held in reserve. During the year the Board will be notified regularly of any updates to allocations and the purpose for which they have been received. The Executive Director of Resources is responsible for ensuring that both the year to date and forecast financial position are clearly articulated internally and externally as required.
    3. The Executive Director of Resources will ensure, on behalf of the Accountable Officer and ICB board, that the ICB is in the position to produce its required monthly reporting, annual report, and accounts, as part of the setup of the new organisation
    4. The Executive Director of Resources will ensure, on behalf of the ICS, that reporting is provided on the utilisation of system resources to the ICS executive leadership and is available to all system partners.
    5. The Executive Director of Resources and any senior officer responsible for finance within the ICB should also promote a culture where budget holders and decision makers consult their finance business partners in key strategic decisions that carry a financial impact.

### Finance & Investment Committee

* + 1. The Finance & Investment Committee is responsible for ensuring financial information systems and processes are established to make recommendations to the Board on financial planning in line with the strategy and national guidance (Finance and Investment Committee Terms of Reference).

### System Finance Leaders Group

* + 1. The System Finance Leaders Group is responsible for ensuring the further development of the system by delivery of the key activities identified, including:
* Development of system financial governance and working towards having a system control total.
* Development of in year financial reporting for the system.
* Recommending approval of the use of all Partnership resources.

* + 1. In order to achieve these activities, the System Finance Leaders Group (SFLG) makes recommendations on the utilisation of system funding allocations as part of the overall financial planning process each year.

### Executive Directors

* + 1. Directors will work with the Executive Director of Resources to compile budgets for their delegated areas of responsibility. Directors are responsible for ensuring that expenditure is managed within the allocated budgets for each area which in turn will be funded from the system allocation received at the start of the financial year and through additional allocations made received the financial year.
    2. Any senior officer responsible for finance within the ICB should promote a culture where budget holders and decision makers consult their finance business partners in key strategic decisions that carry a financial impact.

## Policy Detail

### Revenue Allocations

* + 1. The NHSE allocations process uses a formula to make geographic distribution fair and objective to reflect local healthcare needs.
    2. Allocations are received by the ICB in the following categories:
* Revenue Allocations, received either as an annual allocation at the start of the financial year or as further allocations during the year (usually in addition to the opening agreed budget):
* Annual recurrent allocations, representing the baseline allocations for the system, adjusted for nationally set methodologies to ensure that funding is in line with the national fair shares allocation calculations where different.
* Annual recurrent growth allocations.
* Annual System Development Funding (SDF).
* Other non-recurrent allocations, representing allocations for operational need, either one-off specific allocations or recurring allocations for which the calculation changes annually (and hence the allocation is made non-recurrently).
* Capital Allocations. The ICB does not receive a capital allocation, with Primary Care capital held in the ledgers of NHS England. Any utilisation of such allocations is covered in the Capital Investment Policy(ies) of NHS England.

### Distribution of allocations

* + 1. Through the ICB, MSE are allocated a healthcare resource to secure the provision of healthcare services for the local population. The ambition is for this resource to be used in a way that achieves the best outcomes for patients, securing the maximum amount of care within the available resources.
    2. Annual Recurrent Allocations - the baseline allocations will be distributed in line with the prior year position used to inform the baseline position. This will largely provide funding for the ICB to use as determined by ICB leaders, with funding passing to other system partners transferred via contractual arrangements in place. This funding may include specific pass-through funding for nationally identified allocations included, but not limited to, top-up funding and other recurrent allocations.
    3. Annual Recurrent Growth Allocations; additional funding received by the ICB on behalf of the system will be allocated as follows:
       1. Inflationary growth funding will be distributed using inflationary indices as directed by NHSE/I planning guidance or, with agreement by all system partners at SFLG, using other indices as appropriate. Funding to system partners will be made via uplifts to contracts between the ICB and those partners and for other ICB held budgets through budget adjustments.
       2. Other generic growth funding, including activity related inflationary funding, to be held by the ICB on behalf of the system. The principle for financial planning is to set a system operating budget and in the first instance productivity will drive the resource requirement for growth. Any residual growth funding will in the first instance be used to mitigate growth in the deficit position. Any such residual allocation will be utilised as agreed by systems partners at SFLG.
       3. Other specific allocations included within the growth funding, as set out in NHSE/I planning guidance, to be distributed to the relevant partner(s) within the system. Allocations where the ultimate utilisation is not confirmed at the time of finalising financial plans will be held by the ICB on behalf of the system pending confirmation of how that funding will be used.
    4. Annual System Development Funding (SDF): SDF funding will in the first instance be held by the ICB on behalf of the system pending confirmation of how that funding will be used. Funding will be passed to the relevant system partner(s) as appropriate or incurred directly by the ICB where the ICB is the responsible system partner. Utilisation confirmed at the time of finalising the annual financial plans will be included in plans accordingly. Utilisation not confirmed at the time of finalising the annual financial plans will be held by the ICB on behalf of the system until utilisation plans are confirmed.
    5. Other non-recurrent allocations; any further allocations will be distributed as directed by SFLG and will be passed to the relevant system partner(s) as appropriate or incurred directly by the ICB where the ICB is the responsible system partner. Utilisation confirmed at the time of finalising the annual financial plans will be included in plans accordingly. Utilisation not confirmed at the time of finalising the annual financial plans will be held by the ICB on behalf of the system until utilisation plans are confirmed.
    6. Further allocations received after the submission and approval of the annual financial plans will follow the same principles as set out in sections 6.2.1 to 6.2.4 above, with the ICB as the host organisation on behalf of the system. SFLG will be responsible for providing direction for the distribution of non-specific allocations fairly across system partners. Where there are options identified for distribution of allocations that are not unanimously agreed by SFLG members, a recommendation will be made to the ICB Finance & Investment Committee for decision.

### System Headline Monthly Reporting

* + 1. Each individual system partner organisation will continue to report as appropriate within those organisations in line with their organisational governance and policy framework. For the ICB, the ICB [Accounting & Financial Management Policy](https://www.midandsouthessex.ics.nhs.uk/publications/?publications_category=icb-policies) sets out the framework for internal budget management of the ICB.
    2. System reporting will be developed to meet the needs of both the system leadership and each partner organisation who will be expected to report on both their organisational financial position and the overall system financial position through their relevant governance frameworks. This will be updated on an ongoing basis to ensure that key financial reporting, including headline analysis of associated workforce and activity performance, meets the needs of system partners.
    3. The system reporting will include, but not be limited to, the following key elements:
* System allocation position.
* Headline income and expenditure (I&E) position, both year to date and forecast.
* Organisational key headlines (narrative).
* Forecast trend analysis.
* Updates on the system efficiency programme.
* Headline workforce analysis.
* Headline activity analysis.
* Risk and opportunities analysis.
* Reporting on recovery as appropriate.
  + 1. The system reporting will utilise NHSE/I reporting for the baseline NHS financial positions, ensuring alignment of the reporting internally and externally.
    2. Local Authority positions will be included in the system financial reporting alongside NHS partner organisations.
    3. System monthly financial reporting will be provided to the following timetable:
* Draft monthly financial report – NHSE/I submission date for system and trust returns +3 working days.
* Headline information shared with partner organisation finance leads for review and validation – as above.
* Updates from system partners - as above +2 working days.
* Reporting available for distribution – as above + 2 working days.

As Local Authority partners work to different financial frameworks and timetables, where Local Authority information is not available by the time that the draft financial report is circulated to system partners, the most recent available information will be used and identified accordingly within the reporting.

* + 1. In addition to the monthly reporting made available to all system partners, the source information files will be available to organisation partner nominated finance leads to ensure that any local reporting requirements can, wherever possible, utilise the same information source and thus ensure both consistency of reporting and to avoid duplication of work.

### Other System Reporting

* + 1. In addition to the standard monthly reporting set out in paragraph 6.3, the following reporting will be available:
       - * Summary of transformation funding made available to the system.
         * Full analysis of system funding allocations.
         * Service line budget reporting.
    2. Further detail behind transformational funding will be available to the relevant programme boards / leads. This will be developed during 2022/23 between the System Financial Planning and Reporting Team within the ICB Resources Directorate and the relevant finance business partners.
    3. Service Line Reporting: The ICS is committed to developing service line reporting to support the Stewardship programme across the system. Reporting to support Stewardship will be developed as an integral part of the programme.

## Staff Training

System leaders and executive managers must ensure that all relevant staff are aware of the contents of this policy document and the processes required to comply.

The Executive Director of Resources is responsible for ensuring that appropriate training is given to finance staff in order that they can fulfil their responsibilities outlined in this policy document.

## Arrangements for Review

This policy will be reviewed no less frequently than every two years. An earlier review will be carried out in the event of any relevant changes in legislation, national or local policy/guidance, organisational change or other circumstances which mean the policy needs to be reviewed.

If only minor changes are required, the sponsoring Committee has authority to make these changes without referral to the ICB Board. If more significant or substantial changes are required, the policy will need to be ratified by the relevant committee before final approval by the ICB Board.

## Associated Policies, Guidance and Documents

#### [Associated Policies](https://www.midandsouthessex.ics.nhs.uk/publications/?publications_category=icb-policies)

* ICB Procurement & Contracting Policy.
* ICB Accounting & Financial Management Policy.

## References

* ICB Scheme of Reservation and Delegation.
* ICB Standing Financial Instructions.

## Equality Impact Assessment

The EIA has identified no equality issues with this policy.

The EIA has been included as Appendix A.

## Appendix A - Equality Impact Assessment

#### Assessor’s Name: Jason Skinner

#### Assessor’s Job Title: Director, Financial Planning and Reporting

#### Date: 24 May 2022

#### Outcomes

**Briefly describe the aim of the policy and state the intended outcomes for staff**

The aim of the policy is to set out the requirements for the distribution of system allocations received by the ICB on behalf of the system.

#### Evidence

**What data/information have you used to assess how this policy might impact on protected groups?**

The ICB regularly monitor the make-up of its workforce, including protected groups

**Who have you consulted with to assess possible impact on protected groups? If you have not consulted other people, please explain why?**

Policy has been shared with CCG Deputy CFOs, Executive Director of Resources and the Director of Financial Planning and Reporting.

#### Analysis of impact on equality

The Public Sector Equality Duty requires us to **eliminate** discrimination, **advance** equality of opportunity and **foster** good relations with protected groups. Consider how this policy / service will achieve these aims.

N.B. In some cases it is legal to treat people differently (objective justification).

* **Positive outcome** – the policy/service eliminates discrimination, advances equality of opportunity and fosters good relations with protected groups
* **Negative outcome** – protected group(s) could be disadvantaged or discriminated against
* **Neutral outcome** – there is no effect currently on protected groups

Please tick to show if outcome is likely to be positive, negative or neutral. Please fill all boxes, any that aren’t applicable enter N/A.

Consider direct and indirect discrimination, harassment and victimisation.

| Protected  Group | Positive  outcome | Negative  outcome | Neutral  outcome | Reason(s) for outcome |
| --- | --- | --- | --- | --- |
| Age |  |  | ✓ | No impact identified |
| Disability  (Physical and Mental/Learning) |  |  | ✓ | No impact identified. The policy will be made available in alternative formats, such as easy read or large print and alternative languages upon request |
| Religion or belief |  |  | ✓ | No impact identified |
| Sex (Gender) |  |  | ✓ | No impact identified |
| Sexual  Orientation |  |  | ✓ | No impact identified |
| Transgender/Gender Reassignment |  |  | ✓ | No impact identified |
| Race and ethnicity |  |  | ✓ | No impact identified. The policy will be made available in alternative formats, such as easy read or large print and alternative languages upon request |
| Pregnancy and maternity (including breastfeeding mothers) |  |  | ✓ | No impact identified |
| Marriage or Civil Partnership |  |  | ✓ | No impact identified |

Monitoring Outcomes

Monitoring is an ongoing process to check outcomes. It is different from a formal review which takes place at pre-agreed intervals.

**What methods will you use to monitor outcomes on protected groups?**

Regular review of policy.

#### Review

**How often will you review this policy / service?   
(Minimum every three years)**

Every 2 years as a minimum and earlier if there are any significant changes in legislation, policy or good practice.

**If a review process is not in place, what plans do you have to establish one?**

N/A